TSE: 2344

winbond

We Deliver

Winbond Electronics Corp.
2016 Annual Report

Printed on March 31, 2017

Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
Winbond Website: http://www.winbond.com

<u>*Notice to readers*</u>

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

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4. **Common Stock Transfer Office**
Stock Registrar and Transfer Office, Winbond Electronics Corp.
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5. **Auditor**
Deloitte & Touche
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Website： http://www.deloitte.com.tw

6. **Overseas Securities Listing Exchange and Information**
Luxembourg Stock Exchange
Website： http://www.bourse.lu

7. **Company Website： http://www.winbond.com**

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Important Notice

Letter to Shareholders

Dear Shareholders,

In 2016, a number of events, such as the Brexit referendum, the U.S. presidential election, and the decline of international maritime transportation, reflected the impact of anti-globalization on the global economy. Taiwan, as an export-oriented economy, faced the same challenge. Winbond has built on a solid foundation on memory products for niche market and continued to introduce innovative technology, expand production capacity at a steady pace, and optimize the product portfolio. We earned stable profits for the fourth consecutive year by extending our reach in the diverse application market and winning clients' trust.

Financial Performance

The consolidated revenue, including that of Nuvoton Technology Corp and other subsidiaries, amounted to NT$42,090 million in 2016, up 9.8% from 2015. We reported consolidated net profit of NT$3,140 million and stand-alone net profit of NT$2,898 million or NT$0.81 per share in 2016.

Market and Product Applications

In 2016, Winbond's memory revenue was 9% higher than that in the previous year. In terms of product lines, DRAM, including Specialty DRAM and Mobile DRAM, accounted for 63% of the memory revenue, while Code Storage Flash memory revenue accounted for 37% of the memory revenue. The company had started displaying unique advantages after years of working with international clients and staying abreast of market trends.

With respect to product applications, Winbond made progress in various areas of application and achieved balanced growth in these areas. In 2016, the percentages of communication products and of consumer products out of the total memory revenue were 32% and 25%, respectively. This was the same level as the previous year. As conventional PCs were slowly being replaced by mobile devices, the percentage accounted by PCs and peripherals fell to 25%. Taking advantage of fast growth in automotive electronics and industrial automation, Winbond saw the percentage of automotive electronics and industrial automation revenue jumped to 18% this year.

Technology and Manufacturing

Following the core philosophy of increasing product value, we are dedicated to creating new product features and refining production technology. In particular, the 38nm DRAM will enter mass production soon. Winbond's product lines offer the best solutions for the memory required by the Internet of Things, which needs IT security and low energy consumption.

In 2016, our capital expenditure on memory product lines amounted to NT$4.8 billion. The monthly output of our fabrication plant is currently over 40,000 pieces of 12-inch wafer. Since electronic end products and applications are demanding for more and higher density of memory, we hope to continue to take a prudent approach to expanding production capacity as we endeavor to meet customer demands with ample capacity.

Future Outlook

While there have been several times of business cycles in memory industry in the past, Winbond is starting to deliver satisfactory results since we shifted our focus to the niche memory market. The company had not only eliminated the cumulative loss in 2015, but also distributed dividends for the first time in eight years in 2016.

Looking to the future and facing a world of changing political and economic conditions, we will continue to grow up by developing advanced technologies as well as high-quality and high-performance products to position ourselves for coming technology trends such as smart network, big data, and artificial intelligence (AI). A diverse product portfolio, coupled with a variety of technological platforms and the core competencies of high-performance factories, allows us to devote our efforts to innovative product development and environmentally friendly designs for the world of Internet of Things, and IT security. We hope to fuel business growth with higher value products and create stable long-term returns for our shareholders, clients, and employees.

On behalf of the management team at Winbond, I would like to thank our shareholders for your support and encouragement.

Chairman and CEO

Company Profile

(I)Company history

Winbond was established in September 1987 and listed on Taiwan Stock Exchange in 1995. With headquarters in Central Taiwan Science Park, Taichung, Taiwan,

Winbond is a specialty memory IC company engaged in design, manufacturing and sales services. From product design, research and development, and wafer fabrication to the marketing of brand name products, Winbond endeavors to provide its global clientele top quality low to medium density memory solutions.

Winbond's major product lines include Code Storage Flash Memory, Specialty DRAM and Mobile DRAM. Our advantage of technological autonomy and prudent capacity strategy enables us to build a highly flexible production system and create synergy among product lines, which allows us to meet the diverse demands of customers while building the brand image.

In the area of Code Storage Flash Memory products, we focus on the “low to medium density” market by offering a full spectrum of Serial Flash products. Our Flash memory packages offer features such as low pin count, small size and low cost. We also develop SPI NAND and SLC NAND flash products to meet client demands for code storage. With considerable market share in computer peripheral markets, we also actively develop a diversity of flash memory products for applications in mobile devices, consumer electronics, automotive electronics, IoT and wearable devices. Winbond introduces the pioneering TrustME Secure Flash Memory that has been Common Criteria EAL 5+ certified for applications in enhanced system security.

Winbond specializes in the design of high-performance, low-power memory. With a 12-inch fab, we offer a whole series of Specialty DRAM and Mobile DRAM products that target a top-tier clientele and quality-oriented applications. Winbond’s products are used extensively in handheld devices, consumer electronics and computer peripherals. We also focus on high-barrier, high-quality applications, such as KGD, automotive and industrial electronics.

To provide timely and respective services to clients around the world, Winbond has set up operations and distributor networks in the USA, Japan, China, Hong Kong and Israel. With regard to quality, Winbond implements rigorous process control and quality control, strengthening yield analysis and supply chain management to satisfy customer needs. The long-standing efforts in quality assurance have earned the Company a good reputation and resulted in the accreditation of ISO 9001, TS 16949, QC 080000, ISO 14001, and OHSAS 18001.

In the future, Winbond will continue to provide customer-oriented services and concentrate our resources on the markets in which we have a competitive advantage. At the same time, riding on the strength of our advanced semiconductor design and manufacturing know-how, coupled with the innovation and wisdom of our employees, observing the core values of "accountability, innovation and synergy" and incorporating the corporate spirits of "execution, innovation and passion" in all operational activities, Winbond will strive towards the goal of becoming a world-class solution provider.

(II)Major business development in the past year and up to the date of report

Winbond continues the switch to higher-end processes. Our in-house developed 38nm DRAM process was successfully validated in October 2016 and will enter the volume production phase in 2017. The advanced process technology and the cost advantage it brings are expected to enhance our product competitiveness.

As of year-end 2016, we have completed the construction of Fab C, which will enable us to implement our operating strategies more effectively and continue to provide our clients with complete and stable products and services. We believe the process technology upgrade and capacity expansion at Winbond's CTSP Fab will help us achieve the goals of steady profit and revenue growth.

(III)Investment in affiliates in the past year and up to the date of report

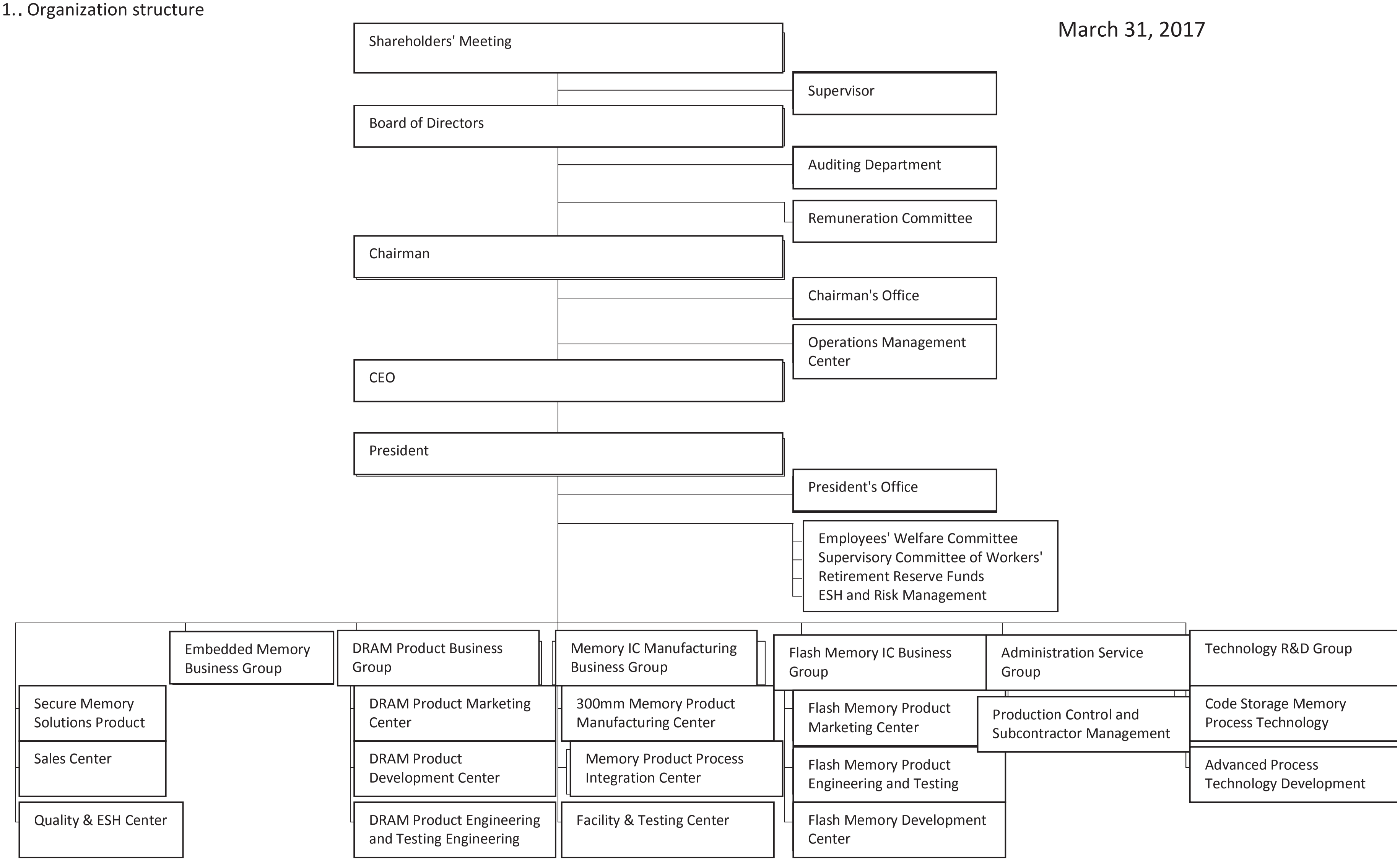
For investments in affiliated enterprises, please see page 206 of this report.

Corporate Governance Report

(I) Organization system

1.. Organization structure

March 31, 2017



2. Major business units and their key businesses

Unit		Functions
Auditing Department		I.Planning and execution of internal audit operations. II.Planning and execution of internal control self-assessment operations. III.Review of company codes and rules.
Operations Management Center		I.Planning and execution of accounting system and tax matters. II.Planning and evaluation of budget and costs. III.Planning and maneuvering of company funds and investment management. IV.Planning and execution of investors' relations and shareholder services. V.Integrating organizational strategies, building complete human resources and information system management systems and implementing the systems effectively to enhance the organizational performance. VI.Management of knowledge, intellectual property and legal affairs to enhance operational performance.
Secure Memory Solutions Product Center		I.Marketing planning and promotion of new products. II.Optimization of product mix. III.Market trend analysis. IV.Introducing volume production of new products and improving product yield, quality, costs and process to meet customer demands. V.New product promotion and design-in support
Sales Center		I.In charge of worldwide sales (except for Foundry). II.New client development and new product promotion. III.Responsible for the attainment of annual sales targets. IV.Management of dealers and distributors. V.Collection of accounts receivable.
Quality & ESH Center		I.Planning and execution of company quality policy. II.Drafting and implementing quality indicators and maintaining quality system. III.Elevating the quality and professional knowhow of employees and continuously improving the quality of products through continuous improvement of quality management system and employee training. IV.In charge of internal quality management and external quality assurance, reliability assurance and handling of quality complaints. V.Management of outsourcing quality. VI.Supervising the implementation of effective ESH plans and risk management measures, establishing a work environment in compliance with environmental regulations and international standards, and reducing the company's operational risks.
Embedded Memory Business Group		I.Developing embedded memory technology and IP solutions compatible with logic process II.Providing embedded memory foundry services.
DRAM Business Group	DRAM Product Marketing Planning Center	I.Planning and marketing of new products. II.Optimization of DRAM product mix. III.Promotion of DRAM products. IV.Development and management of DRAM products. V.Trend analysis of DRAM market. VI.Troubleshooting of customer application problems and error analysis.
	DRAM Product Development Center	I.Research and development of DRAM products. II.Improving DRAM product design platform. III.Improving the quality of DRAM products and enhancing competitiveness. IV.Confirmation of product specifications and mapping market blueprint. V.Analysis of customer-reported failure. VI.Resources planning and use for IC design and layout. VII.Central planning of R&D manpower allocation and OEM project support.
	DRAM Product Engineering and Testing Engineering Center	I.Verification of product performance II.Improvement of product yield III.Improvement of product quality IV.Product failure analysis V.Efficient product testing VI.Development of advanced product testing technology VII.Process development validation
Memory IC Manufacturing Business Group	300mm Memory Product Manufacturing Center	I.Planning of fab establishment, capacity and allocation. II.Analysis of fab budget/cost structure. III.Establishment of fab process system and SOP documents. IV.Introduction of new products and new technologies and volume production. V.Establishment and execution of fab Foundry system. VI.Establishment of fab quality system. VII.Planning and implementation of fab EHS system. VIII.Scope and guidelines for fab's risk management. IX.Fab's automated Operations.

Unit		Functions
	Memory Product Process Integration Center	I.Improvement of process/ product yield, quality and reliability. II.Analysis and improvement of production and engineering problem analysis. III.Transfer, implementation and volume production of new process/product. IV.Technology development and management of generative process and custom-made products. V.Process cost improvement and process streamlining. VI.Optimization and tolerance adjustment of process conditions.
	Facility & Testing Center	I.Planning and execution of memory product trial production. II.Planning and execution of memory product yield improvement. III.Planning and execution of construction, expansion and improvement of plants and facilities. IV.Improvement and maintenance of clean rooms and production related facilities. V.Maintenance and management of industrial environment, health and safety facilities.
Flash Memory IC Business Group	Flash Memory Product Marketing Center	I.Planning of new flash products. II.Development management of flash products. III.Promotion of flash products. IV.Optimization of flash product mix. V.Trend analysis of flash market.
	Flash Memory Product Engineering and Testing Engineering Center	I.Design, testing and validation of flash memory products. II.Introducing volume production of new products and improving product yield, quality, costs and process to meet customer demands.
	Flash Memory Development Center	I.Providing high speed, high quality, low power and low voltage code storage memory with innovative design and technology. II.Developing competitive and value-added product design. III.Creating user-friendly EDA/CAD solutions and environment to product design. IV.Producing key documents needed for product design. V.Managing the designed IP and providing design service support.
Administration Service Group	Production Control and Subcontractor Management Center	I.Production planning and execution and production-sales coordination. II.Planning and execution of logistics supply. III.Planning and execution of outsourcing capacity and production plan. IV.Vendor management and quality control. V.Outsourcing cost control. VI.Import and verification of new IC assembly technology.
Technology R&D Group	Code Storage Memory Process Technology Development Center	I.Developing new technologies to lift Winbond's standing in code storage memory market. II.New technologies include but are not limited to NAND, NOR and RRAM. III.Development of embedded applications of related technologies. IV.Design and development of memory cell and peripheral components. V.Ensuring attainment of product yield and reliability targets and transferring to volume production. VI.Supporting company-wide SPICE model parameter extraction. VII.Supporting company-wide ESD/LU design and product analysis.
	Advanced Process Technology Development Center	I.Developing new technologies to lift Company's standing in low-density memory market. II.Developing new technologies to lift Company's standing in working memory market. III.New technologies include but are not limited to DRAM and 3D printing. IV.Design and development of memory cell and peripheral components. V.Ensuring attainment of product yield and reliability targets and transferring to volume production. VI.Developing and supporting company-wide OPC technology. VII.Developing and supporting company-wide modular technology.

(II) Profile of directors, supervisors, president, vice presidents, assistant vice presidents, and department and branch managers

1. Directors and supervisors (1)

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Title	Nationality or place of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree		
							Shares	% (Note 1)	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
Chairman	ROC	Arthur Yu-Cheng Chiao	M	2014.06.17	3 years	1987.09.04	58,264,955	1.58%	58,264,955	1.63%	10,720,537	0.30%	-	-	Master in Electrical Engineering and Researcher of Management College of Washington Univ. Chairman of Walsin Lihwa Corp. Chairman and compensation committee member of Capella Microsystems	Note 5	Director and Chief Administrative Officer	Yung Chin	Spouse
Director	USA	Matthew Feng-Chiang Miau	M	2014.06.17	3 years	Note 3	100,000	0.00%	100,000	0.00%	-	-	-	-	Master in Business Administration of California Univ. at Santa Clara. B.S. in Electrical Engineering, U.C. Berkeley Chairman of MiTac Holdings Corporation (incumbent)	Note 6	None	None	None
Director	ROC	Yung Chin	F	2014.06.17	3 years	1996.04.09	10,720,537	0.29%	10,720,537	0.30%	58,264,955	1.63%	-	-	Master's degree in Applied Mathematics, University of Washington Chief Auditor of Walsin Lihwa Corp. Vice President of Winbond Electronics Corp. Chief Administrative Officer of Winbond Electronics Corp. (incumbent)	Note 7	Chairman and CEO	Arthur Yu-Cheng Chiao	Spouse
Director – Corporation	ROC	Walsin Lihwa Corporation	-	2014.06.17	3 years	1987.09.04	858,091,531	23.23%	811,327,531	22.66%	-	-	-	-	-	Note 8	-	-	-
Director – Representative	ROC	Hui-Ming Cheng	M	2014.06.17	3 years	2005.06.10	250,000	0.01%	250,000	0.01%	-	-	-	-	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Los Angeles CFO at Winbond Electronics Corp. Chief Financial Officer of Taiwan Mobile CFO at Fubon Financial Holding CFO at HTC Corporation Director and President of Walsin Lihwa Corporation (incumbent)	Note 9	None	None	None
Director	ROC	Tung-Yi Chan	M	2014.06.17	3 years	2009.06.19	500,000	0.01%	500,000	0.01%	-	-	-	-	PhD. in Electrical Engineering, U.C. Berkeley Master in Management Science, Stanford University BCD Semiconductor CEO President of Winbond Electronics Corp. (incumbent)	Note 10	None	None	None
Independent Director	ROC	Francis Tsai	M	2014.06.17	3 years	2014.06.17	-	-	-	-	-	-	-	-	Computer/Control Engineering Department, Chiao-Tung University, Taiwan Chairman and CEO of Waffer Technology Corp. (incumbent) Convener of Compensation Committee of Winbond Electronics Corp. (incumbent)	Note 11	None	None	None

Title		Nationality or place of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree		
								Shares	% (Note 1)	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
Independent Director		ROC	Allen Hsu	M	2014.06.17	3 years	2014.06.17	-	-	-	-	-	-	-	-	MBA, National Chengchi University and Refresher course of Walton Business School Chairman of Altek Corporation Chairman of Taiwan Mask Corporation Chairman of Myson Century Inc. Chairman of Hastia Power Technology Inc. (incumbent) Compensation Committee member of Winbond Electronics (incumbent)	Note 12	None	None	None
Independent Director		ROC	Jerry Hsu	M	2014.06.17	3 years	2014.06.17	-	-	-	-	-	-	-	-	MBA, Waseda Business School Compensation Committee member of Winbond Electronics Corp. (incumbent)	Note 13	None	None	None
Supervisor	Corporation	ROC	Chin Xin Investment Co., Ltd	-	2014.06.17	3 years	2014.06.17	145,047,000	3.93%	182,047,000	5.09%	-	-	-	-	-	Note 14	-	-	-
	Representative	ROC	James Wen	M	2014.06.17	3 years	2015.05.01 (Note 4)	320,000	0.01%	-	-	-	-	-	-	MBA, Wharton School in University of Pennsylvania President of Cathay Securities Investment Trust Co., Ltd. CFO at Winbond Electronics Corp.	Note 15	None	None	None
Supervisor		ROC	Peter Chu	M	2014.06.17	3 years	2011.06.22	-	-	-	-	-	-	-	-	B.A. in International Trade, Feng Chia University and Advanced Management Program (AMP), University of Hawaii Sales/International Department Manager of Walsin Lihwa Corp. Director and President of Walsin Technology Corporation Vice Chairman of Global Brands Manufacture. (incumbent)	Note 16	None	None	None
Supervisor		ROC	Hong-Chi Yu	M	2014.06.17	3 years	2011.06.22	-	-	-	-	-	-	-	-	M.S., Stanford University, B.A., Princeton University President of Union Electric Director and President of Walton Advanced Engineering (incumbent)	Note 17	None	None	None

Note 1: "Percentage" under "Shares held when elected" was based on then issued and outstanding shares common shares of 3,694,488,193 shares.

Note 2: "Percentage (%)" under "Shares currently held" was based on then issued and outstanding common shares of 3,580,000,193 shares as of March 31, 2017.

Note 3: Mr. Matthew Feng-Chiang Miau has been a director of Winbond from March 25, 1993 to Feb. 21, 1994, from March 30, 1994 to Jan. 29, 2003, and from May 6, 2003 up to the present.

Note 4: Chin Xin Investment Corp. appointed Mr. James Wen as its representative in place of Mr. Wang-Tsai Lin on May 1, 2015.

Note 5: Mr. Arthur Yu-Cheng Chiao serves concurrently as the CEO of Winbond, Chairman of Nuvoton Technology Co. and Chin Xin Investment Corp., Director of Walsin Lihwa Corp., Walsin Technology Corporation, United Industrial Gases Co., Ltd, Kolin Cons. & Development Co., Ltd., Walsin Lihwa Holdings Co., Walsin Specialty Steel Corporation., Landmark Group Holdings Ltd., Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Marketplace Management Limited, Pigeon Creek Holding Co., Ltd., Nuvoton Investment Holding Ltd., Song Yong Investment Corporation、Newfound Asian Corp. and Baystar Holdings Ltd.; management of Goldbond LLC; and Supervisor of MiTac International Corp.; Independent director and Compensation Committee Convener of Taiwan Cement and Independent director and Compensation Committee member of Synnex Technology International.

Note 6: Mr. Matthew Feng-Chiang Miau serves concurrently as Chairman of Lienhwa Industrial Corporation, Synnex Technology International Corporation, MiTac Inc., and UPC Technology Corporation; Director of Getac Technology Corp., Mitax Information Technology Corp., Taita Chemical Corporation, Asia Polymer Corporation, Lienhwa Industrial Gases Corp. and Synnex Corporation; Independent director of Cathay Financial Holding Co., Cathay Life Insurance Co., Cathay Century Insurance Co., and Cathay United Commercial Bank.

Note 7: Ms. Yung Chin serves concurrently as Chairman of Pine Capital Investment and Winbond (H.K.); Director of Nuvoton Technology Co., Peaceful River Corp., Winbond Electronics Corporation. America, Newfound Asian Corp. and Nuvoton Electronics Technology (H.K.) Limited; and Supervisor of Qing An Investment Limited, Yau Winbond Electronics Corporation Japan, Nuvoton Technology (Shanghai) Corp. and Winbond Electronics (Suzhou) Ltd.

Note 8: Walsin Lihwa Corporation serves concurrently as Director of HannStar Display Corporation, Walsin Technology Corporation, Walton Advanced Engineering, Concord Venture Capital, HannStar Color Co., Kuang Tai Metal Industrial Co., Powertek Energy Co., Chin Xin Investment Corp., Zhong Tai Technology Development Engineering Co., I-Chi United Trading Corp., Global Investment Holdings, Kolin Cons. & Development Co., Walsin Info-Electric Co., and Min Maw Precision Industry Corp.; and Supervisor of Zhong Tai Technology Development Engineering Co. and Min Maw Precision Industry Corp.

Note 9: Mr. Hui-Ming Cheng serves concurrently as Director of ACME Electronics Corporation, Da Shen Venture Capital Co., Da Shen Yi Yi Venture Capital, Da Shen Si Venture Capital and Gogoro Inc.;

Note 10: Mr. Tung-Yi Chan serves concurrently as Chairman of Winbond Electronics (Suzhou) Ltd. and Winbond Technology Ltd.; Director of Walton Advanced Engineering; Director of Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Mobile Magic Design Corp., Pine Capital Investment Ltd., Techdesign Corporation,Marketplace Management Limited, Pigeon Creek Holding Co., Ltd., Newfound Asian Corp. and Baystar Holdings Ltd.; and CEO of Mobile Magic Design Corp.

Note 11: Mr. Francis Tsai serves concurrently as Chairman of National Aerospace Fasteners Corporation and Xian Chi Hui Corporation; and Vice Chairman of Getac Technology Corporation.

Note 12: Mr. Allen Hsu serves concurrently as Chairman of Hestia Power Inc., Jet King International Co., Yizhong Technology Inc., You Yuan Investment Ltd., and Fortune Star Investment Ltd.; Independent director of Nuvoton Technology Co. and ANZ Bank (Taiwan) Limited; and Director of Pilot Electronics Corporation, Innodisk Corporation, ACME Electronics Corporation, Anderson Industrial Corp., Bao Yue Investment Co., and Xian Chi Hui Corporation.

Note 13: Mr. Jerry Hsu serves concurrently as Director of Cal-Comp Biotech, Kun Ji Venture Capital Inc., Kinpo Electronics, Inc., Prudence Venture investment Corp., PCHome Store, Breeze Development Co., PC Home Online; and Lippo Big Data; Independent director of Nuvoton Technology Corporation and Sirtec International; Supervisor of Baotek Industrial Materials, Fu Bao Investment Inc., Teleport Access Services, and CastleNet Technology; and Executive VP of AcBel Polytech and Assistant Manager of Compal Electronics.

Note 14: Chin Xin Investment serves concurrently as Director of HannStar BoardCorporation and Global Investment Holdings.

Note 15: Mr. James Wen serves concurrently as Director of Walton Culture and Educational Foundation; and Supervisor of Ta-Ho Maritime Corporation.

Note 16: Mr. Peter Chu serves concurrently as Director of HannStar Board Corporation; and Supervisor of Walsin Lihwa Corp.

Note 17: Mr. Hong-Chi Yu serves concurrently as Chairman and President of Walton Advanced Engineering, Inc.; Independent director of Advanced Microelectronic Products Inc.; Supervisor of Walsin Technology Co., Ltd., and HannStar Color Co. Ltd.; and Director of Walsin Technology Corporation Scholarship Foundation.

Note 18: Major shareholders of institutional shareholders

March 31, 2017

Name of institutional shareholder	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (7.82%), Winbond Electronics Corporation (5.89%), Chin Xin Investment Corp.(5.24%), Yu-Hui Chiao (2.71%), Norges Bank Investment Fund under the custody of Citibank Taiwan (1.89%), Yu-Heng Chiao (1.71%), Vanguard Emerging Markets Stock Index Fund under the trust of Standard Charter (1.63%), Yu-Chi Chiao (1.51%), Walsin Lihwa Employee Welfare Committee (1.41%), Pai-Yung Hong (1.40%).
Chin Xin Investment Corp.	Winbond Electronics Corporation (37.69%), Walsin Lihwa Corporation (37.00%), Oriental Consortium Investment Limited (4.43%), Arthur Yu-Cheng Chiao (3.14%), Yu-Lon Chiao (3.14%), Yu-Heng Chiao (3.14%), Yu-Chi Chiao (3.14%), Yu Shiang Investment (2.81%), Walsin Technology Corporation (1.86%), HannStar Board Corporation (1.34%).

Note 19: Major shareholders in Note 18 who are institutional investor and their major shareholders

March 31, 2017

Name of institutional shareholder	Major shareholders of institutional shareholders
Chin Xin Investment Corp.	Same as Note 18
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.66%), Chin Xin Investment Corp. (5.09%), Arthur Yu-Cheng Chiao (1.63%), Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan) (1.38%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.10%), UBS Investment Fund under the custody of HSBC Taipei Branch (0.97%), Norges Bank Investment Fund under the custody of Citibank Taiwan (0.90%), Hong Pai-Yung (0.90%),Vanguard Emerging Markets Stock Index Fund under the trust of Standard Charter (0.87%), Profit Trends International Corp. Investment Fund under the custody of Deutsche Bank A. G. Taipei Branch (0.86%)
Walsin Lihwa Corporation	Same as Note 18
Oriental Consortium Investment Limited	HannStar Display Corporation (100%)
Yau Cheung Investment Limited	-
Walsin Technology Corporation	Walsin Lihwa Corporation (18.30%), HannStar Board Corporation (7.20%), New Labor Pension Fund (3.02%), Walton Advanced Engineering (2.75%), Maybank Kim Eng Securities Investment Account under the trust of Citibank (Taiwan) (2.64%), Yu-Heng Chiao (2.46%), Norges Bank Investment Account under the trust of JPMorgan Chase Bank N.A. Taipei Branch (2.41%), Global Brands Manufacture Limited (2.28%), Labor Pension Fund Supervisory Committee (2.14%), Winbond Electronics Corporation (1.88%).
HannStar Board Corporation	Digital Expansion Emerging Market Offshore Fund under the custody of HSBC -1 (1.97%), UBS Investment Account under the custody of HSBC (Taiwan) (1.78%), BNP Paribas Singapore Branch Account under the custody of HSBC (1.62%), HannStar Color Co., Ltd. (1.29%), Acadian Emerging Markets SME Equity Fund under the trust of HSBC (Taiwan) (1.22%), Mitsubishi UFJ Securities Trading Account under the custody of HSBC (Taiwan) (1.15%).

Directors and supervisors (2)

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Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note 1)										Number of other Taiwanese public companies concurrently serving as an independent Director
	A lecturer or higher position in a Department of Commerce, Law, Finance, Accounting, or other academic department related to the business needs of the company in a public or private junior college, college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or 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 Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Arthur Yu-Cheng Chiao			V							V		V	V	2
Matthew Feng-Chiang Miau			V	V	V	V	V	V	V	V	V	V	V	3 (Note 2)
Yung Chin			V						V	V		V	V	-
Hui-Ming Cheng (representative of Walsin Lihwa Corporation)			V	V	V	V	V			V	V	V		-
Tung-Yi Chan			V			V	V	V	V	V	V	V	V	-
Francis Tsai			V	V	V	V	V	V	V	V	V	V	V	-
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	2
Jerry Hsu			V	V	V	V	V	V	V	V	V	V	V	2
James Wen (representative of Chin Xin Investment Corp.)			V			V	V		V	V	V	V		-
Peter Chu			V	V	V	V	V			V	V	V		-
Hong-Chi Yu			V	V	V	V	V	V	V	V	V	V	V	1

Note 1: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please check "V" the corresponding boxes:

（1）Not an employee of the company or any of its affiliates;

（2）Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary appointed in accordance with the ROC law or law of the host country).

（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 as one of its top ten 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 above persons in the preceding three subparagraphs;

（5）Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as one 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 remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of 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）Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Calculated in accordance with the FSC letter No. Gin-Guan-Zheng-Yi-Zi-0960010070.

Directors and Supervisors (3)

The board member diversity policy stated in Article 20 of the Company's corporate governance principles is as follows:
The Company's Board of Directors reports to the Shareholders' Meeting. Operations and arrangements under the Company's corporate governance policy shall ensure that directors will exercise their authority and duty in accordance with laws and regulations, the Company's Articles of Incorporation or resolutions adopted in shareholders' meetings.
The structure of the Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of board members, for example, different professional backgrounds, gender or field of work. The Company should select an appropriate number of board members, which should not be less than five, given consideration to actual operational needs,

The members of the Board of Directors should be selected with an emphasis on gender equality, and general knowledge, skills and the competencies required performing their duties. To achieve an ideal level of corporate governance, the Board of Directors as a whole should be equipped with the following abilities:

I. Ability to make sound business judgments.
II. Ability to conduct accounting and financial analysis.
III. Ability to manage the business.
IV. Ability to manage a crisis
V. Industry knowledge
VI. An understanding of international markets
VII. Leadership ability
VIII. Decision-making ability.

Members of the Company's Board of Directors are equipped with the following abilities:

Diverse core items / Name	Gender	Business management	Leadership	Industry knowledge	Finance/Accounting	Information
Arthur Yu-Cheng Chiao	M	V	V	V	V	V
Matthew Feng-Chiang Miau	M	V	V	V	V	V
Yung Chin	F	V	V	V	V	
Hui-Ming Cheng (representative of Walsin Lihwa Corporation)	M	V	V	V	V	
Tung-Yi Chan	M	V	V	V		V
Francis Tsai	M	V	V	V	V	V
Allen Hsu	M	V	V	V	V	
Jerry Hsu	M	V	V	V	V	
James Wen (representative of Chin Xin Investment Corp.)	M	V	V	V	V	
Peter Chu	M	V	V	V		
Hong-Chi Yu	M	V	V	V		

2.Profile of President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

March 31, 2017

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other positions	Other manager who is the spouse or a relative within second degree		
					Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
CEO	ROC	Arthur Yu-Cheng Chiao	M	2005.08.01	58,264,955	1.63%	10,720,537	0.30%	-	-	Master in Electrical Engineering and Researcher of Management College of Washington Univ. Chairman of Walsin Lihwa Corp. Chairman and compensation committee member of Capella Microsystems	Note 3	None	None	None
President	ROC	Tung-Yi Chan	M	2009.02.09	500,000	0.01%	-	-	-	-	PhD. in Electrical Engineering, U.C. Berkeley Master in Management Science, Stanford University BCD Semiconductor CEO President of Winbond Electronics Corp. (incumbent)	Note 4	None	None	None
Executive Vice President	ROC	Wilson Wen	M	2008.05.02	609	0.00%	-	-	-	-	BS in Electronic Physics, National Chiao Tung Univ. CEO of HannStar Display Corporation	Director of Mobile Magic Design Corp.	None	None	None
Vice President	ROC	Yuan-Mow Su	M	2005.02.01	1,384,859	0.04%	-	-	-	-	MSEE, University of Southern California	Chairman of Winbond Electronics Corporation America Director of Winbond Electronics (Suzhou) Ltd. Director and president of Winbond Electronics (H.K.) Ltd.	None	None	None
Vice President	ROC	Pei-Ming Chen	M	2005.10.01	24,413	0.00%	-	-	-	-	MS of E.E., University of Detroit, USA	Chairman of Mobile Magic Design Corp. Director of Winbond Electronics (Suzhou) Director of Winbond Electronics Corporation America	None	None	None
Vice President	ROC	Cheng-Kung Lin	M	2006.11.01	1,315,281	0.04%	161,539	0.00%	-	-	MS in Engineering Technology of National Taiwan University of Science and Technology Department Head and Assistant Vice President of Winbond Electronics	President of Winbond Electronics (Suzhou) Ltd. Director of Pine Capital Investment Ltd. Supervisor of Techdesign Corporation	None	None	None
Vice President	ROC	Chin-Fen Tsai	M	2011.11.01	-	-	-	-	-	-	PhD. in Material Science and Engineering of University of Utah Vice President in technology and CTO of Sunny Optronics Corp. Vice President of Eversol Corp. Deputy Divisional Director of QRA, UMC	None	None	None	None
Vice President	ROC	Pei-Lin Pai	M	2014.10.01	18,000	0.00%	22,000	0.00%	-	-	PhD. in Electrical Engineering, U.C. Berkeley Vice President of FocalTech Systems Co., Ltd. Vice President of Nanya Technology Co., Ltd. President of Ascent Semiconductor Corporation	Director of HiTi Digital Inc. Independent director of Green River Holding Co., Ltd. Supervisor of Excelsior Bio-System Incorporation	None	None	None
Vice President, Chief Financial Officer and Chief Accounting Officer	ROC	Jessica Huang	F	2015.04.01	473,949	0.01%	-	-	-	-	MBA, Indiana University Chief Auditor of Winbond Electronics Corp. Vice President, Citibank	Note 5	None	None	None
Chief Business Officer	USA	Eungjoon Park	M	2008.08.04	250,000	0.01%	-	-	-	-	Master in Electrical Engineering, U.C. Berkeley Executive Vice President of Winbond Electronics Corp. America Executive Vice President, NexFlash Technologies Inc. Vice President of Azalea	Winbond Electronics Corporation AmericaDirector and president	None	None	None

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Main work (education) experiences	Other positions	Other manager who is the spouse or a relative within second degree		
					Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
											Microelectronics Corp. Division Director of ISSI/NexFlash Division Director of ICT Inc. Senior engineer, AMD				
Assistant Vice President	ROC	Shi-Yuan Wang	M	2005.08.01	755,656	0.02%	186,059	0.01%	-	-	MS in Electric Engineering, National Tsing Hua University Junior Engineer, Industrial Technology and Research Institute	Director and president of Mobile Magic Design Corp.	None	None	None
Assistant Vice President	ROC	Yi-Dar Chang (Note 6)	M	2007.10.01	1,630,074	0.05%	13,978	0.00%	-	-	EMBA, National Tsing Hua University Equipment Engineering, ITRI-ERSO	None	None	None	None
Assistant Vice President	ROC	Wen-Hua Lu	M	Note 7	451	0.00%	738	0.00%	-	-	MS in Material Science and Engineering, National Taiwan University Assistant Researcher of Material and Chemical Research Laboratories, ITRI	None	None	None	None
Assistant Vice President	ROC	Wen-Chang Hong	M	2012.01.16	-	-	6,000	0.00%	-	-	M.S. in Industrial Engineering and System Management, Chung Hua University	Director of Winbond Electronics (Suzhou) Ltd.	None	None	None
Assistant Vice President	ROC	Mao-Hsiang Yen	M	2012.07.01	143,357	0.00%	15,975	0.00%	-	-	MS in Electric Engineering, National Cheng Kung University	None	None	None	None
Assistant Vice President	ROC	Hsiu-Han Liao	M	2014.10.01	118,897	0.00%	-	-	-	-	M.S. in electronics, National Chiaotung University Division Director of Winbond Electronics Corporation Project Director of Episil Technologies Inc. Senior Director of Brilliance Semiconductor Corporation	None	None	None	None
Assistant Vice President	ROC	Yo-Song Cheng	M	2015.04.01	41,496	0.00%	-	-	-	-	Ph.D. in Electrical Engineering, Tamkang University Division Director of Winbond Electronics Corporation	None	None	None	None

Note 1: Management is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi- 0920001301, including president, vice president, assistant vice president, chief financial officer and chief accounting officer.

Note 2: "Percentage (%)" under "Shares currently held" was based on then issued and outstanding common shares of 3,580,000,193 shares as of March 31, 2017

Note 3: Refer to Note 5 under Profile of Directors and Supervisors (1).

Note 4: Refer to Note 10 under Profile of Directors and Supervisors (1).

Note 5: VP Jessica Huang serves concurrently as Director of Winbond Electronics (HK), Winbond Electronics Corporation Japan, Winbond Technology LTD, Winbond Electronics Corporation America, Winbond Electronics (Suzhou) Ltd., and Nuvoton Investment HoldingLtd.; Supervisor of Search Marketing Co., Chin Xin Investment, Harbinger Venture III Capital Corp and Mobile Magic Design Corp.; and management of Goldbond LLC;

Note 6: Mr. Yi-Dar Chang was an assistant VP at Winbond from October 1, 2007 to February 28, 2017. The above table discloses his information up to the date his service as a managerial officer of the Company ends.

Note 7: Mr. Wen-Hua Lu was an assistant VP at Winbond from July 1, 2011 to June 30, 2016. The above table discloses his information up to the date his service as a managerial officer of the Company ends.

3. Remunerations to directors, supervisors, president, and vice presidents in recent years

3.1 Remuneration to directors

December 31, 2016; Unit: NT$1,000; 1,000 shares

Title	Name	Director's remuneration: Remuneration (A) (Note 1) – Winbond	Remuneration (A) (Note 1) – All companies in consolidated statements (Note 6)	Pension (B) (Note 2) – Winbond	Pension (B) (Note 2) – All companies in consolidated statements (Note 6)	Director's remuneration (C) (Note 3) – Winbond	Director's remuneration (C) (Note 3) – All companies in consolidated statements (Note 6)	Business expense (D) (Note 4) – Winbond	Business expense (D) (Note 4) – All companies in consolidated statements (Note 6)	Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 7) – Winbond	Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 7) – All companies in consolidated statements (Note 6)	Pay received as an employee: Salary, bonus and special allowance (E) (Note 5) – Winbond	Salary, bonus and special allowance (E) (Note 5) – All companies in consolidated statements (Note 6)	Pension (F) (Note 2) – Winbond	Pension (F) (Note 2) – All companies in consolidated statements (Note 6)	Employee compensation (G) (Note 3) – Winbond – Cash	Employee compensation (G) (Note 3) – Winbond – Stock	Employee compensation (G) (Note 3) – All companies in consolidated statements (Note 6) – Cash	Employee compensation (G) (Note 3) – All companies in consolidated statements (Note 6) – Stock	Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (%) Note 7) – Winbond	Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (%) Note 7) – All companies in consolidated statements (Note 6)	Remuneration received from investees other than subsidiaries (Note 8)
Chairman	Arthur Yu-Cheng Chiao	1,800	2,102	-	-	25,800	27,437	2,880	3,241	1.05	1.13	27,612	28,212	96	96	324	-	324	-	2.02	2.12	47,486
Director	Matthew Feng-Chiang Miau																					
Director	Yung Chin																					
Director Corporation	Walsin Lihwa Corporation																					
Director Representative	Hui-Ming Cheng																					
Director	Tung-Yi Chan																					
Independent Director	Francis Tsai																					
Independent Director	Allen Hsu																					
Independent Director	Jerry Hsu																					
Remuneration received by directors for services rendered to all companies in the consolidated statements (e.g. non-employee consultant) aside from those disclosed in the table above in the past year: 0																						

Note 1: Remuneration to the director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: Pension includes:

a. Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.

b. Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Supervisory Committee of Workers' Retirement Reserve Funds pursuant to the old pension system under the Labor Standards Act.

c. Amount actually paid to the director in the year of retirement.

Note 3: The Company's Board of Directors has passed the 2016 compensation plan for directors, supervisors and employees. As of the date of the report (March 31, 2017), compensation to individual directors who also worked as an employee has not been decided. The figures in the table above are estimates.

Note 4: This is business expense of directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: All pays to the director who is also an employee of the Company (including the position of president, vice president, other managerial officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 6: The total pay to the director from all companies in the consolidated statements (including the Company).

Note 7: Computed based on 2016 stand-alone net income of NT$2,897,791,000 of the Company.

Note 8: a.This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company.

b.The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Range of remuneration paid to each director	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	Winbond	All companies in consolidated statements	Winbond	All investees (Note)
Below NT$2,000,000	Hui-Ming Cheng (representative of Walsin Lihwa Corporation)	Hui-Ming Cheng (representative of Walsin Lihwa Corporation)	Yui-Ming Cheng (representative of Walsin Lihwa Corporation)	
NT$2,000,000 (inclusive) ～ NT$5,000,000 (exclusive)	Matthew Feng-Chiang Miau, Yung Chin, Walsin Lihwa, Tung-Yi Chan, Francis Tsai, Allen Hsu, Jerry Hsu	Matthew Feng-Chiang Miau, Yung Chin, Walsin Lihwa, Tung-Yi Chan, Francis Tsai, Allen Hsu, Jerry Hsu	Matthew Feng-Chiang Miau, Walsin Lihwa, Francis Tsai, Allen Hsu, Jerry Hsu	Matthew Feng-Chiang Miau, Francis Tsai, Allen Hsu, Jerry Hsu
NT$5,000,000 (inclusive) ～ NT$10,000,000 (exclusive)	Arthur Yu-Cheng Chiao	Arthur Yu-Cheng Chiao		
NT$10,000,000 (inclusive) ～ NT$15,000,000 (exclusive)			Yung Chin, Tung-Yi Chan	Yung Chin, Walsin Lihwa, Tung-Yi Chan
NT$15,000,000 (inclusive) ～ NT$30,000,000 (exclusive)			Arthur Yu-Cheng Chiao	Arthur Yu-Cheng Chiao
NT$30,000,000 (inclusive) ～ NT$50,000,000 (exclusive)				Hui-Ming Cheng (representative of Walsin Lihwa Corporation)
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)				
Greater than NT$100,000,000				
Total	9 persons	9 persons	9 persons	9 persons

Note: Note: When calculating the range of remuneration, remuneration received by each director from investees other than subsidiaries was also included.

3.2 Remuneration to supervisors

December 31, 2016; Unit: NT$1,000

Title		Name	Supervisor's Remuneration						Ratio of total (A), (B), and (C) to after-tax income (%) (Note 5)		Remuneration received from Investees other than subsidiaries (D) (Note 6)
			Remuneration (A) (Note 1)		Pay (B) (Note 2)		Business expense (C) (Note 3)				
			Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	Winbond	All companies in consolidated statements (Note 4)	
Supervisor	Corporation	Chin Xin Investment Corp.	-	-	8,600	8,880	1,080	1,080	0.33	0.34	10,422
	Representative	James Wen									
Supervisor		Peter Chu									
Supervisor		Hong-Chi Yu									

Note 1: Remuneration to supervisors in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: The Company's Board of Directors has passed the 2016 directors and supervisor's compensation plan.

Note 3: This is business expense of supervisors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 4: The total pay to supervisors from all companies in the consolidated statements (including the Company).

Note 5: Computed based on 2016 stand-alone net income of NT$2,897,791,000 of the Company.

Note 6: a.This field shows the amount of remuneration a supervisor of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors), and business expense received by the supervisor serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Range of remuneration paid to each supervisor	Names of supervisors	
	Total of (A+B+C)	
	Winbond	All investees (Note)
Below NT$2,000,000	James Wen (representative of Chin Xin Investment Corp.)	James Wen (representative of Chin Xin Investment Corp.)
NT$2,000,000 (inclusive)～NT$5,000,000 (exclusive)	Chin Xin Investment Corp., Peter Chu, Hong-Chi Yu	Chin Xin Investment Corp., Peter Chu
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive)～NT$15,000,000 (exclusive)		Hong-Chi Yu
NT$15,000,000 (inclusive)～NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive)～NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
Greater than NT$100,000,000		
Total	4 persons	4 persons

Note: When calculating the range of remuneration, remuneration received by each supervisor from investees other than subsidiaries was also included.

3.3 Remunerations to president and vice presidents

December 31, 2016; Unit: NT$1,000; 1,000 shares

Title	Name	Salary (A) (Note 1)		Severance pay and pension (B) (Note 2)		Bonus and allowance (C) (Note 3)		Employee compensation (D) (Note 4)				Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 6)		Remuneration received from investees other than subsidiaries (Note 7)
		Winbond	All companies in consolidated statements (Note 5)	Winbond	All companies in consolidated statements (Note 5)	Winbond	All companies in consolidated statements (Note 5)	Winbond		All companies in consolidated statements (Note 5)		Winbond	All companies in consolidated statements (Note 5)	
								Cash	Stocks	Cash	Stocks			
CEO	Arthur Yu-Cheng Chiao													
President	Tung-Yi Chan													
Executive Vice President	Wilson Wen													
Vice President	Yuan-Mow Su	42,952	49,250	432	685	28,985	28,985	865	-	865	-	2.53	2.75	3,322
Vice President	Pei-Ming Chen													
Vice President	Cheng-Kung Lin													
Vice President	Chin-Fen Tsai													
Vice President	Pei-Lin Pai													
Vice President	Jessica Huang													

Note 1: Salary, additional pay, and severance pay received by the president or vice president in the past year.

Note 2: Pension includes:

a.Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.

b.Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Pension Supervision Committee pursuant to the old pension system under the Labor Standards Act.

c.Amount actually paid to the president or vice president in the year of retirement.

Note 3: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other pays received by the president or vice president in the past year. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 4: The Company's Board of Directors has passed the 2016 compensation plan for employees. Figures of employee compensation to president and vice presidents in the table above are estimates.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 6: Computed based on 2016 stand-alone net income of NT$2,897,791,000 of the Company.

Note 7: a.This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Range of remuneration paid to presidents and vice presidents	Names of presidents and vice presidents	
	Winbond	All investees (Note)
Below NT$2,000,000		
NT$2,000,000 (inclusive)～NT$5,000,000 (exclusive)		
NT$5,000,000 (inclusive)～NT$10,000,000 (exclusive)	Arthur Yu-Cheng Chiao, Wilson Wen, Yuan-Mow Su, Pei-Ming Chen, Cheng-Kung Lin, Chin-Fen Tsai, Pei-Lin Pai, Jessica Huang	Wilson Wen, Pei-Ming Chen, Cheng-Kung Lin, Chin-Fen Tsai, Pei-Lin Pai, Jessica Huang
NT$10,000,000 (inclusive)～NT$15,000,000 (exclusive)	Tung-Yi Chan	Arthur Yu-Cheng Chiao, Tung-Yi Chan, Yuan-Mow Su
NT$15,000,000 (inclusive)～NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive)～NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
Greater than NT$100,000,000		
Total	9 persons	9 persons

Note: When calculating the range of remuneration, remuneration received by president and vice presidents from investees other than subsidiaries was also included.

3.4 Manager's name and the distribution of employee bonus

December 31, 2016; Unit: NT$1,000

	Title	Name	Stock	Cash	Total	Total remuneration as a percentage of earnings (%) (Note 2)
Manager	CEO	Arthur Yu-Cheng Chiao	-	1,367	1,367	0.05%
	President	Tung-Yi Chan				
	Executive Vice President	Wilson Wen				
	Vice President	Yuan-Mow Su				
	Vice President	Pei-Ming Chen				
	Vice President	Cheng-Kung Lin				
	Vice President	Chin-Fen Tsai				
	Vice President	Pei-Lin Pai				
	Vice President, Chief Financial Officer and Chief Accounting Officer	Jessica Huang				
	Chief Business Officer	Eungjoon Park				
	Assistant Vice President	Shi-Yuan Wang				
	Assistant Vice President	Yi-Dar Chang				
	Assistant Vice President	Wen-Chang Hong				
	Assistant Vice President	Mao-Hsiang Yen				
	Assistant Vice President	Hsiu-Han Liao				
	Assistant Vice President	Yo-Song Cheng				

Note 1: The Company's Board of Directors has passed the 2016 employee compensation plan. The figures in the table above are estimates.

Note 2: Computed based on 2016 stand-alone net income of NT$2,897,791,000 of the Company.

3.5 Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risks

(1) Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of the Company's earnings in the last two years

Title	Total remuneration as a percentage of earnings (%)			
	2016		2015	
	Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements
Director	2.02%	2.12%	1.71%	1.75%
Supervisor	0.33%	0.34%	0.24%	0.25%
President and Vice President	2.53%	2.75%	3.06%	3.27%

(2) In light that the Board of Director's works of guiding the Company's strategic directions and overseeing the Company's operations and management are highly correlated with the Company's business performance, the Remuneration Committee will recommend remuneration of directors and supervisors in accordance with the Company's articles of incorporation and the internal Rules for Remuneration and Performance Evaluation of Directors and Supervisors and the Board of Directors and submit the recommendation for approval by the Board of Directors.

(3) Starting December 2011, the remuneration of managerial officers will be decided according to the resolution passed by the Remuneration Committee and the Board of Directors pursuant to the internal Rules for Remuneration and Performance Evaluation of Managerial Officers.

(III) Implementation of corporate governance

1.Operation of the Board of Directors

(1)A total of 6 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance in person (%) (B/A)	Notes
Chairman	Arthur Yu-Cheng Chiao	6	0	100%	
Director	Matthew Feng-Chiang Miau	3	3	50%	
Director	Yung Chin	5	1	83%	
Director	Hui-Ming Cheng (representative of Walsin Lihwa Corporation)	5	1	83%	
Director	Tung-Yi Chan	6	0	100%	
Independent Director	Francis Tsai	6	0	100%	
Independent Director	Allen Hsu	6	0	100%	
Independent Director	Jerry Hsu	3	3	50%	

(2)Resolutions adopted by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act:

Board of Directors Date	Term	Agenda item and resolution	Opinions of independent director	Company's action with regard to the opinion of independent director	Objections or qualified opinions expressed by independent directors on record or in writing.
2016.01.29	13th meeting of 10th-term Board	2015 directors and supervisors compensation distribution plan. Resolution: Passed as proposed.	None	None	None
		2015 employee compensation distribution plan. Resolution: Passed as proposed.	None	None	None
		2016 capital expenditure budget. Resolution: Passed as proposed.	None	None	None
		Annual remuneration paid to accounting firm Deloitte & Touche. Resolution: Passed as proposed.	None	None	None
2016.03.25	14th meeting of 10th-term Board	Increase in budget for capital expenditure. Resolution: Passed as proposed.	None	None	None
		Removal of non-compete clause for representative of institutional director Mr. Hui-Ming Cheng. Resolution: Passed as proposed.	None	None	None
		Amendment to Internal Control System for Shareholder Service Unit. Resolution: Passed as proposed.	None	None	None
		2016 pay and compensation for individual 10th-term directors and supervisors. Resolution: Passed as proposed.	None	None	None
		2015 compensation for individual 10th-term directors and supervisors. Resolution: Passed as proposed.	None	None	None
		2016 pay and compensation for individual managerial officers. Resolution: Passed as proposed.	None	None	None

Board of Directors Date	Term	Agenda item and resolution	Opinions of independent director	Company's action with regard to the opinion of independent director	Objections or qualified opinions expressed by independent directors on record or in writing.
2016.07.28	16th meeting of 10th-term Board	Increase in budget for capital expenditure. Resolution: Passed as proposed.	None	None	None
2016.10.25	17th meeting of 10th-term Board	Increase in budget for capital expenditure. Resolution: Passed as proposed.	None	None	None
		2015 pay and compensation for individual managerial officers. Resolution: Passed as proposed.	None	None	None
2017.02.03	19th meeting of 10th-term Board	Increase in 2017 budget for capital expenditure. Resolution: Passed as proposed.	None	None	None
		Annual remuneration paid to accounting firm Deloitte & Touche. Resolution: Passed as proposed.	None	None	None
2017.03.24	20th meeting of 10th-term Board	Increase in 2017 budget for capital expenditure. Resolution: Passed as proposed.	None	None	None
		Amendment to Procedure for Acquisition and Disposal of Assets. Resolution: Passed as proposed.	None	None	None
		Amendment to Rules for Endorsements and Guarantees. Resolution: Passed as proposed.	None	None	None
		Amendment to Operating Procedure for Fund Lending. Resolution: Passed as proposed.	None	None	None
		Removal of non-compete clause for directors (independent directors included). Resolution: Passed as proposed.	None	None	None
		Amendment to Internal Control System for Shareholder Service Unit. Resolution: Passed as proposed.	None	None	None
		2016 compensation for individual 10th-term directors and supervisors. Resolution: Passed as proposed.	None	None	None
		2017 pay and compensation for individual 10th-term directors and supervisors. Resolution: Passed as proposed.	None	None	None
		2016 pay and compensation for individual managerial officers. Resolution: Passed as proposed.	None	None	None
		2017 pay and compensation for individual managerial officers. Resolution: Passed as proposed.	None	None	None

(3)Other resolutions adopted by the Board of Directors, to which an independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

(4)Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Hui-Ming Cheng	Removal of non-compete clause for representative of institutional director Mr. Hui-Ming Cheng.	The director has an interest in the matter	Did not participate in voting	14th meeting of 10th-term Board
Arthur Yu-Cheng Chiao Tung-Yi Chan	2016 pay and compensation for individual managerial officers.	The director has an interest in the matter	Did not participate in voting	14th meeting of 10th-term Board
Arthur Yu-Cheng Chiao Tung-Yi Chan	2015 pay and compensation for individual managerial officers.	The director has an interest in the matter	Did not participate in voting	17th meeting of 10th-term Board
Jerry Hsu	Removal of non-compete clause for directors (independent directors included).	The director has an interest in the matter	Did not participate in voting	20th meeting of 10th-term Board
Arthur Yu-Cheng Chiao Tung-Yi Chan	2016 pay and compensation for individual managerial officers.	The director has an interest in the matter	Did not participate in voting	20th meeting of 10th-term Board
Arthur Yu-Cheng Chiao Tung-Yi Chan	2017 pay and compensation for individual managerial officers.	The director has an interest in the matter	Did not participate in voting	20th meeting of 10th-term Board

(5)An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

1. The Company has established Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and would post information on the attendance by directors and supervisors on the Market Observation Post System after each board meeting and disclose important resolutions adopted by board meetings on the Company website.
2. The Company holds strategy review meeting every quarter before the scheduled board meeting, at which directors and supervisors are present to understand Company's finance and business conditions as well as the execution of major business plans. The Company endeavors to enhance the transparency of corporate information. Aside from holding investors conference to discuss the Company's business and financial conditions after the semi-annual and annual board meetings, the Company also posts related information on the Market Observation Post System and Company website.
3. The Company established a board of director’s performance assessment system in 2011 to measure the works of directors guiding the Company's strategic directions and overseeing the Company's operations and management so as to help increase the long-term shareholder value.
4. The Company's directors and supervisors perform self-assessment of the overall board operation in December every year with respect to participation in company operations, enhancing the quality of board decisions, composition and structure of the board of directors, appointment/election of directors and continuing education, and internal controls in accordance with the Rules for Remuneration and Performance Evaluation of Director and Supervisors. Members of the board also conduct self-assessment of their familiarity with Company goals and missions, knowledge of director's responsibilities, personal participation in company operations, internal relationship management and communications, professional knowhow and continuing education, and internal controls. The staff in charge of board meeting affairs will compile the self-assessment results and submit the

results to the Compensation Committee and the Board of Directors. The 2016 overall evaluation results show that the board's participation in company operations received a score of 0.88 (out of full score of 1 whereas board performance in other areas received a score of 1 or close to 1), which is relatively low. Thus the Company continues to arrange communications between board members and management team and offer directors and supervisors diverse continuing education courses to enhance their governance abilities. The Company also plans to hold general shareholders' meetings in Taipei to make it more convenient for directors, supervisors and shareholders to attend the meeting.

5. The Company attaches great importance to corporate governance and has switched the election of directors and supervisors to candidate nomination system since 2014.
6. Pursuant to the newly promulgated Statements on Auditing Standards and applicable regulations, the Company's independent directors and supervisors have communicated key auditor matters (KAM) in 2016 financial statements with the Company's CPA. KAM）

2. Attendance of supervisors in board meetings

A total of 6(A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	Attendance rate (%) (B/A)	Notes
Supervisor	James Wen (representative of Chin Xin Investment Corp.)	6	100%	
Supervisor	Peter Chu	5	83%	
Supervisor	Hong-Chi Yu	5	83%	

Other matters that require reporting:

1. Composition and responsibility of supervisors:

(1) Communication between supervisors and Company's employees and shareholders:

The supervisors have attended the shareholders' meetings, and if deemed necessary, would communicate directly with employees, shareholders or stakeholders.

(2) Communication between supervisors and the Company's internal audit chief and CPA:

(1) The audit chief submitted the completed audit report (or follow-up report) to supervisors for examination in the following month, and attended the Board of Directors meetings to report on audit operations, and periodically reported to the supervisors the annual audit operation and annual internal control self-inspection operation, to which the supervisors did not raise any objection.

(2) The Company's supervisors go over and communicate timely with the certifying CPA on Company's financial statements, independent auditor's report and newly promulgated international accounting standards and relevant rules and regulations. In 2016, the Company's CPA communicated with the supervisors on key auditor matters (KAM) in the new form of independent auditor's report. KAM

(3) If deemed necessary, supervisors would communicate directly with CPA on the financial condition of the Company.

II. If a supervisor voices opinion in the Board of Directors meeting, describe the date of board meeting, term of the board, agenda items, resolutions adopted by the board, and actions taken by the company in response to the opinion of the supervisor: Not applicable.

3. State of operations of the audit committee: Not applicable for the Company does not have an audit committee set up.

4. State of operations of the Compensation Committee:

The Remuneration Committee is in charge of the performance evaluation of directors, supervisors and managerial officers, setting and reviewing the remuneration policy, system standards and structure, and the remuneration of individual director, supervisor and managerial officer, and proposes same to the Board of Directors for discussion.

(1) Members of the Compensation Committee:

Status	Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Compliance of independence (Note)								Number of other public companies in which the member also serves as a member of their compensation committee	Notes
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or 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 commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Francis Tsai			V	V	V	V	V	V	V	V	V	-	
Independent director	Allen Hsu			V	V	V	V	V	V	V	V	V	1	
Independent director	Jerry Hsu			V	V	V	V	V	V	V	V	V	2	

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "V" the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates;

(2) Not a director or supervisor of the Company or any of its affiliates; The same does not apply in cases where the committee member is an independent director of the Company, its parent company, or any subsidiary established in accordance with the ROC law or law of the host country.

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor or employee of an institutional shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.

(6) Not a director, supervisor, manager or shareholder holding 5% 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 or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.

(8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(2) Operation of Compensation Committee:

1. The Compensation Committee comprises 3 members, who are all independent directors of the Company.
2. Current term of office: June 17, 2014 ~ June 13, 2017 (re-election of directors will be held in 2017 general shareholders' meeting); a total of 3 (A) meetings of the Compensation Committee were held in the most recent year. The members' qualifications and attendance were as follows:

Title	Name	Attendance in person (B)	Attendance by proxy	Attendance in person rate (%) (B/A)	Notes
Convener	Francis Tsai	3	-	100%	
Member	Allen Hsu	3	-	100%	
Member	Jerry Hsu	2	1	67%	

Other matters that require reporting:

I.If the Board of Directors did not adopt or revised the recommendations of the Remuneration Committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the Remuneration Committee: N/A.

II.If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: N/A.

5. Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I.Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on Company website.	None
2. Shareholding structure & shareholders' rights				
(1) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	V		(1) The Company's Shareholders' Affairs Department is in charge of shareholder services and handling shareholder suggestions, questions and complaints in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units.	None
(2) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(2) The Company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations.	None
(3) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	V		(3) Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions.	None
(4) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market?	V		(4) The Company has established the Insider Trading Prevention Procedure, publicizes the procedure among employees regularly every half a year, and discloses the procedure on Company website.	None
3. Composition and responsibilities of the Board of Directors				
(1) Does the board of directors develop and implement a diversified policy for the composition of its members?	V		(1)Article 20 of the Company's Corporate Governance Principles specify that the structure of Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The Company's 10th-term directors meet the aforementioned goals. Please refer to the section Directors and Supervisors (3).	None
(2) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?	V		(2) The Company has established an "Employees' Welfare Committee," "Supervisory Committee of Workers' Retirement Reserve Funds," and "ESH and Risk Management Committee," and "Patent Committee."	None
(3) Does the company establishes standards and method for evaluating the performance of the board of directors, and implemented it annually?	V		(3) The Company has established the Rules for Remuneration and Performance Evaluation of Directors and Supervisors, and directors and supervisors perform self-assessment of the board operations and board members in December every year. Please refer to the section under "Operation of the Board of Directors."	None
(4) Does the company regularly evaluate the independence of CPAs?	V		(4) The Company's Board of Directors periodically evaluates the independence of certifying CPAs every year in accordance with the No. 10 Statement on Professional Ethics Standards for ROC Accountants - "Integrity, Objectivity and Independence" published by the ROC Certified Public Accountants Association to examine whether the certifying CPA is a company director or shareholder or draws salary from the Company and to confirm	None

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			that the certifying CPA is not a stakeholder. In addition, certifying CPA is required to recuse him/herself if his/her service or him/herself has a direct relationship with or interest in the matter concerned. The Company also observes relevant rules in rotation of accountant.	
4. A TWSE/TPEx listed company may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)	V		The Company's Operations Management Center is in charge of corporate governance affairs and charged with the following main responsibilities: (1) Operations Management Center will study and formulate organizational framework and systems to optimize the board performance, enhance the transparency of corporate information, and implement regulatory compliance and internal audit and internal controls. (2) Operations Management Center plans next year's board meeting dates in the previous year to facilitate planning and attendance by board members: Pursuant to the Company Act and the Rules of Procedures for Board of Directors Meetings, Operations Management Center sends out meeting notice to directors and furnishes adequate meeting information at least 7 days before the scheduled board meeting and reminds in advance if any board member has an interest in any of the motions to be discussed in the meeting. (3) The Company has established the Rules for Remuneration and Performance Evaluation of Directors and Supervisors, and board members perform self-assessment of the board operations and board members in December every year. The Company will formulate improvement plan based on the assessment results to boost the performance of the board of directors in the hope to maximize the efficacy of the board of directors on a long term basis. (4) The Company holds a general shareholders' meeting before June 30 every year. The Operations Management Center will post the Chinese and English meeting notice, meeting brochure and annual report on the Market Observation Post System for perusal by shareholders, and implement resolutions or election affairs decided in the shareholders' meeting afterwards, such as distribution of dividends, registration of amended Articles of Incorporation or newly elected directors and supervisors.	None
5. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, clients and suppliers), set up a dedicated stakeholder area on the Company website,	V		The Company maintains an effective communication channel with stakeholders, and sets up a stakeholder section on Company website to respond properly important corporate social responsibility issues of concern to stakeholders.	None

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
as well as appropriately responded to important corporate and social responsibility issues that stakeholders are concerned about?				
6. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?		V	The Company handles shareholder service matters by itself.	N/A.
7. Disclosure of information (1) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status? (2) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V V		(1) The Company discloses periodically (quarterly) financial and business as well as corporate governance information on its website. (2) The Company's material information is made public in accordance with the internal Spokesperson and Deputy Spokesperson Operation Instruction and the Investor Relations Department are in charge of collecting and revealing corporate information, and posting the quarterly investor conference information on Company website. The Company website posts information in traditional Chinese, simplified Chinese and English.	None None
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1.The Company discloses corporate governance structure, internal audit operations, corporate social responsibility policies, stakeholder section and relevant operational rules on Company website: http://www.winbond.com/hq/about-winbond/csr/policy 2.Continuing education of directors and supervisors: To enhance the functions of the Board of Directors, the Company arranges continuing education courses for directors and supervisors every year, and provides from time to time information on professional courses offered by outside institutions to the directors and supervisors. The continuing education courses taken by directors and supervisors are presented in the table below. 3. Attendance records of directors and supervisors: Please see pp. 16 and 18 of this report for the operations of the Board of Directors. 4. Purchase of liability insurance for directors and supervisors: The Company has purchased directors' and officers' liability (D&O) insurance for its directors and supervisors starting year 2015. Please refer to Market Observation Post System/Corporate Governance/ Liability Insurance for Directors and Supervisors at the website below: http://mops.twse.com.tw/mops/web/t135sb03	None
9. Describe the improvement actions taken in response to the corporate governance assessment results published by the TWSE Corporate Governance Center in the most recent year and priority items and measures for matters that have not been improved. The Company ranked in the top 5% in the 2016 corporate governance assessment of TWSE-listed companies and will continue to improve its corporate governance.				

Continuing education for directors and supervisors in 2016:

Title	Name	Date	Organizer	Course	Hours
Chairman	Arthur Yu-Cheng Chiao	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey; China's Financial Environment and Practices	3
Chairman	Arthur Yu-Cheng Chiao	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Chairman	Arthur Yu-Cheng Chiao	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Chairman	Arthur Yu-Cheng Chiao	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Director	Matthew Feng-Chiang Miau	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Director	Matthew Feng-Chiang Miau	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Director	Matthew Feng-Chiang Miau	2016/03/08	TWIoD	Transforming Competitiveness - International Climate and Response Strategies after Cop 21	3
Director	Yung Chin	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Director	Yung Chin	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Corporate Director Representative	Hui-Ming Cheng	2016/10/28	Taiwan Corporate Governance Association	Investment Decision Planning and Process	3
Corporate Director Representative	Hui-Ming Cheng	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey; China's Financial Environment and Practices	3
Corporate Director Representative	Hui-Ming Cheng	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Corporate Director Representative	Hui-Ming Cheng	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Corporate Director Representative	Hui-Ming Cheng	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Corporate Director Representative	Hui-Ming Cheng	2016/04/08	Taiwan Corporate Governance Association	Responsibility and Practices of Board of Directors and Functional Committees under It	3
Director	Tung-Yi Chan	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Director	Tung-Yi Chan	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Independent director	Francis Tsai	2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey; China's Financial Environment and Practices	3
Independent director	Francis Tsai	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Independent director	Francis Tsai	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Independent director	Allen Hsu	2016/10/05	Taiwan Corporate Governance Association	Responsibility of Directors and Supervisors in Merger and Acquisition	3
Independent director	Allen Hsu	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Independent director	Allen Hsu	2016/07/12	Securities & Futures Institute	How to Strengthen Corporate Governance by Emphasizing Fraud Detection and Protection of Trade Secrets	3
Independent director	Allen Hsu	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Independent director	Allen Hsu	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Independent director	Jerry Hsu	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Independent director	Jerry Hsu	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Representative of institutional supervisor	James Wen	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
Representative of institutional supervisor	James Wen	2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
Representative of institutional supervisor	James Wen	2016/04/12	Taiwan Corporate Governance Association	Innovation - Unique Bias, Going it Alone Green Industry Development Trends	3
Representative of institutional supervisor	James Wen	2016/01/26	Securities & Futures Institute	2016 Corporate Governance Forum Series - Insider Trading and Corporate Social Responsibility	3
Supervisor	Peter Chu	2016/10/28	Taiwan Corporate Governance	Investment Decision Planning and Process	3

Title	Name	Date	Organizer	Course	Hours
			Association		
		2016/10/06	Taiwan Corporate Governance Association	12th International Summit Forum on Corporate Governance	3
		2016/09/30	Taiwan Corporate Governance Association	Economic Trends in Turkey; China's Financial Environment and Practices	3
		2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
		2016/06/03	Taiwan Corporate Governance Association	Sharing of Cross-Strait Economic Trends; Block Chain Technology and Application Cases	3
		2016/04/08	Taiwan Corporate Governance Association	Responsibility and Practices of Board of Directors and Functional Committees under It	3
Supervisor	Hong-Chi Yu	2016/09/30	Taiwan Corporate Governance Association	Leadership in the Age of Innovation; On Industry Innovation from IoT, Cloud Service and Big Data	3
		2016/08/05	Securities & Futures Institute	Workshop on Compliance with Insider Equity Trading Regulations by Listed Companies	3
		2016/04/21	Securities & Futures Institute	2016 Corporate Governance Forum Series - Insider Trading and Corporate Social Responsibility	3

6. Implementation of corporate social responsibility (CSR)

Company's systems and measures and implementation status with respect to environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities:

Assessed areas:	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
1. Corporate governance implementation				
(1) Does the company establish corporate social responsibility policy or system and examine its implementation results?	V		(1)The Company has established CSR policies approved by the Board of Directors and set up the internal "Code of Practice for Corporate Social Responsibility" to examine regularly the implementation results.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2)The Company holds CSR training courses for all existing employees and newcomers, and produces cards to promote the CSR policies.	None
(3) Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	V		(3)The Company's Quality & ESH Center is in charge of promoting CSR related operations and regularly reviews the implementation status. The Company President reports the CSR implementation to the Board of Directors regularly (fourth quarter) every year.	None
(4) Does the company establish a reasonable salary remuneration policy, and integrate the employee performance evaluation system with its CSR policy, and establish an effective reward and disciplinary system?	V		(4)The Company clearly defines award and disciplinary items in the work rules for observation by all employees.	None
2. Fostering a sustainable environment				
(1) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	V		(1) To boost the energy use efficiency, the Company has established key performance indicators (KPI) for the use of all important energy resources, including water and electricity, and set annual goals and implement management programs to undertake reduction of water and electricity consumption and waste output or increase waste reutilization on an ongoing basis. The Company president will review the execution results and target attainment every quarter. Appropriate recycling systems have been considered in the design phase of plants and priority considerations are given to the recovery and reuse of wastewater, waste heat and solid waste generated by plant operations. Thus the Company has taken actions to effectively reduce the consumption of resources and impact on the environment. In 105, the Company achieved 81% recycling of plant-wide water consumed, 91% recycling of process water consumed (meeting the commitments made in the environmental assessment conducted by the Science Park Administration - 77% recycling of plant-wide water consumed and 85% recycling of process water consumed). Regulatory compliance is only the basic requirements set by the Company. The Company endeavors to make sure every drop of water is fully utilized and to reduce the discharge of wastewater. In 2016, carbon reduction measures adopted by the Company helped reduce 179,235 tons of carbon dioxide equivalent emissions, which amounts to the annual carbon sequestration of 484 Da-an Forest Park (note: calculated by the standard of 370 tons of carbon dioxide absorbed by Da-an Forest Park every year) With respect to the future development of advanced technologies and capacity expansion,	None
	V			None
(2) Does the company establish a proper environmental management system based on the characteristics of	V			None

the industry? (3) Does the company monitor the impact of climate change on business operations, conduct greenhouse gas inventory and formulate strategies for energy conservation and carbon and greenhouse gas reduction?			the Company will continue to promote carbon reduction plans and enhance energy use efficiency with the goals of reducing indirect greenhouse gas emission for every photomask layer in 12-inch wafer fabrication by 21% in 2020 as compared to 2010 and reducing total greenhouse gas emission by 12% in 2020 as compared to 2010 to as to improve production efficiency and reduce impact on the environment. In the ongoing efforts of promoting waste recycling and reuse, the Company adopts source improvement approaches by reducing chemical use and extending use cycle of chemicals and parts replacement in processes to reduce waste generation, and enhance the usability of waste through better waste collection and sorting. In 2016, the Company achieved 92% waste recycling, surpassing the self-set target of 90% or higher. (2) The Company has received certification of ISO 14001 environmental management system, and undertakes internal audit every half a year and external audit every year by an international certification body to ensure normal system operations. (3) The Company watches the impact of climate change brought about by greenhouse effect on the environment and business operations. Aside from undertaking management programs to reduce the consumptions of water, electricity, and raw materials, and reduce waste generation to achieve the KPI targets, the Company has been participating in the PFCs emission reduction programs advocated by Taiwan Semiconductor Industry Association and World Semiconductor Council since 2000. Through process adjustment and use of alternative fuels, and installation of PFCs reduction equipment, the Company has been able to reduce greenhouse gas emission. The Company's PFCs emission reduction results over the years have passed the validation of international certification body. The Company has also been named "Company with Outstanding Performance in Voluntary Reduction of Greenhouse Gas Emission" by the Industrial Development Bureau, MOEA. In addition, as reference for formulating energy conservation and GHG reduction strategies, the Company performs greenhouse gas inventory taking every year and register the information on the Taiwan National Greenhouse Gas (GHG) Registry of Environmental Protection Administration, and furthermore, disclose relevant data in the CSR section of Company website.	
Assessed areas:	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/GTSM listed companies and reasons
	Yes	No	Summary	
3. Upholding public interests (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints properly? (3) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	V V V V		(1) The Company has established CSR policies approved by the Board of Directors that comply with the highest ethical standards, and protect and support human rights, such as barring any form of discrimination and respecting employee's freedom of association, and clearly defines award and disciplinary items in the work rules for observation by all employees. (2) The Company has a variety of complaint channels in place, including e-mail, suggestion box and other communication channels, which are reviewed and amended from time to time to ensure effective and full communication in the workplace so that problems are rapidly and effectively communicated and resolved when they arise. (3) The Company is OHSAS18001 (Occupational Health and Safety Management System) and TOSHMS (Taiwan Occupational Safety and Health Management System) certified, and undertakes internal audit	None None None None

	V		every half a year and external audit every year by an international certification body to ensure normal system operations. The Company vigorously observes government's safety and health regulations and undertakes related management works, including carrying out safety and health risk assessment, drafting and executing safety and health related work rules, and arranging employee safety and health training courses every year.	None
(4) Does the company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) The Company conveys important messages on changes in company operations and achieves the purpose of two-way communication through periodic executive management meeting, employee-management discussions, and internal e-bulletin and bulletin board.	None
(5) Does the company set up effective career development and training programs for its employees?	V		(5) The Company has established career development plan for employees. For managers, the Company provides proper management knowhow training based on the needs of management at different levels. For regular employees, the Company has a professional training committee set up to design proper near, medium and long-term training programs based on their job requirements.	None
(6) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?	V		(6) To uphold the interests of customers, the Company has established a complaint procedure and posts the complaint channel and product information on Company website to make sure the transparency and safety of all operational activities, from R&D, purchasing, production, to operational and services.	None
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company advertises and labels its goods and services in compliance with relevant regulations and international standards, and bars all employees from undertaking any form of unfair business conduct. The Company supports honest and fair competition and observes government rules and regulations as well as anti-trust code of conduct to uphold the interests of customers while earning trust and respect for the Company.	None
(8) Does the company evaluate the records of suppliers' impact on the environment and society before doing business with the supplier?			(8) The Company will conduct CSR audit of major material suppliers and outsourcing service providers to make sure they meet the Company's CSR policy requirements.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?			(9) The Company requires all suppliers to comply with the Company's CSR policies. When the supplier breaches the CSR policies and causes significant impact on the environment and society, the Company will terminate business relationship with the supplier.	
4. Enhancing information disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System?	V		The Company's CSR information is disclosed on: Winbond website:http://www.winbond.com/hq/about-winbond/csr/policy Market Observation Post System:http://mops.twse.com.tw	None
5. If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established "Corporate Social Responsibility Principles" in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and internal rules, and related implementation does not deviate from the established principles.				
6. Other important information to facilitate a better understanding of the company's corporate social responsibility practices: 1. The Company endeavors to meet the advanced international safety, health and environmental standards and is committed to providing employees with a complying and healthy working environment through respect, caring and counseling, and through continuous improvement, promoting personnel safety and environmental protection, and reducing risk to assets. The Company also promotes health and wellness activities and builds employee loyalty to create a corporate culture of LOHAS (lifestyle of health and sustainability). The award of "Excellence in Healthy Workplace Promotion - Ten Years of Achievement" received by the Company from the Ministry of Health and Welfare at the end of 2014 and the "2016 Work and Living Balance Award" in the categories of "Family LOHAS" and "Health Wellness" received by the Company from the Ministry of Labor in 2016 best showcase the Company's performance record in this regard. Disaster and loss can be prevented beforehand through sound management and active participation of all employees. The Company carries out effective training, communication and propagation to make sure all personnel and contractors are aware of and observe the Company's ESH rules and requirements, and conduct work in accordance with the established operating standards. Zero accident and reducing environmental loads are the social responsibility of a				

world-class corporation. Through optimum prevention and improvement measures, we gradually reduce workplace injury rate, resources consumption and pollutant discharge. We put the concepts of safety, health and environmental protection into actions to develop the Company into a sustainable green enterprise.

2. We attach great importance to the rights and health of employees. We prohibit the hiring of workers under 15 years of age (or under the age for completing compulsory education), and implement protective measures as required by law for employees and female workers over 15 years of age. We prohibit any and every form of job discrimination, sexual harassment and inhuman treatment of employees, and we respect the free agency of job candidates to choose employment and employees' right of free association. Our personnel systems (e.g. salary, benefits, performance review, promotion, award and discipline, employee cultivation, job assignment, termination of employment contract, etc.) do not harbor differential treatment because of employee's race, color, nationality, glass, language, ideology, religion, political affiliation, hometown, place of birth, gender, sexual orientation, age, marital status, pregnancy, look, features, disability or previous status as a workers' representative. With respect to management and supervision of working hours, we pay our employees compensation in compliance with local laws, including those relating to minimum wage, overtime hours and legally mandated benefits. We hold communication meetings regularly and propagate the setup of communication channels for employees to voice their opinions.
3. Over the years, the Company has been endeavoring to fulfill the social responsibility of a corporate citizen. The Company actively participates in academic seminars and technical forums, and fosters academia- industry collaboration.
4. To put its beliefs in social care, public service and friendly environment in actions, the Company gathers internal resources and the passion and love of its employees and put them to work in four areas - "promoting public interests", "assisting disadvantaged groups", "caring for youth and children", and "emergency aid."

A. Promotion of public interests:

Blood donation activity: The Company calls employees to donate blood in the annual blood drive which illustrates the Company's belief in the value of life in actions. In 2016, 391 employees participated in the blood drive and donated altogether 651 bags of blood.

Charity sale activity: The Company collects second-hand items and calls volunteers to participate in annual charity sale. In 2016, the Company collected more than 11 boxes of used books and 3C products, and 788 kg of clothing and bags. By participating in the donation of materials collected and money raised in the charity sale, employees and their families join the action of cherishing the Earth resources and giving back to the society.

B. Assisting disadvantaged groups

Used computer donation project: The Company participates in the used computer donation project regularly to join the efforts of narrowing urban-rural information gap and raising awareness to environmental protection and recycling. From 2013 up to now, the Company has donated 331 computers to organizations including St. Francis Early Childhood Center, St. Francis Girls Home, Taichung Christian Herald Children's Home, Nantou Ren-Ai Childcare Foundation, Miracle Home under Franciscan Missionaries of Mary, An Free Teaching Website, Taoyuan Long Gang Elementary School, Hsinchu Dongmen Elementary School, Hsinchu Fenguang Junior High, Changhua Hubei Elementary School, Changhua Luojin Elementary School and Taiwan Triple-E Institute.

Orphanage home service: Working with public interest groups, Winbond employees join volunteer services to help clean orphanage homes and contributed to the replacement of damaged facilities. In 2016, 136 Winbond employees provided 929 hours of service to help alleviate manpower shortage at orphanage homes.

C. Caring for youth and children:

Christmas Dream activity: Company employees actively participate in donation activities organized by the Company, such as the "Dream Come True" activity, which collects year-end gifts for disadvantaged children in Hsinchu area. In 2016, Winbond employees helped 164 disadvantaged children realize their Christmas dream, indicating that the desire to promote public interest is deeply embedded in the hearts of employees.

Breakfast project: The Company has been working with a foundation for many years, funding nutritious breakfast for school children in remote areas. In 2016, the Company donated nearly NT$1 million funds for breakfast to provide children in remote areas with the opportunity to learn in a healthy environment. Company employees also visit schools that have received donation to learn and evaluate firsthand the benefits of the service projects.

Movie appreciation project: The Company is a regular sponsor of movie watching event for orphanage children, hoping to sow the seeds of life education and help children develop an appreciation for arts. In 2016, Winbond's movie appreciation project entertained 316 orphanage children.

Family day activity: In the Company's annual family day, children from orphanage homes are invited to participate in games and activities, watch performance and enjoy good food. It is hoped that while disadvantaged children enjoy a good time, they are also motivated in learning. In 2016, the Company invited 84 children from orphanage homes to participate in the family day activity.

D. Emergency aid

Emergency aid for employees: The Company has set up employee emergency aid and loan programs to help employees in financial distress when the employee or his/her family suffers sudden calamity, such as injury, disability, death, or accident, to make sure they can continue to work and live with assurance that their livelihood is secure.

E. Others

Sponsoring academic discussions and technical forums: Winbond regularly sponsors academic discussions and participates in collaboration projects among academia, industry, research institution and

government agency to promote communications and interactions. Donation of firefighting equipment: Winbond sponsors the fire safety outfits of Daya Brigade of the Fire Bureau of Taichung City Government by donating self-contained breathing apparatus (SCBA), radio communication connectors and other firefighting equipment to help increase the rescuing capacity of firefighters and improve rescue command and efficiency.
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company's CSR report has been examined by the British Standards Institution (BSI) in accordance with the AA1000 Assurance Standard 2008.

7 Ethical corporate management and measures adopted:

Assessed items:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches (1) Does the company declare its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its board and management to implementing the management policies?	V		(1) Believing in honest management, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors. On the basis of integrity, externally the Company serves customers with integrity and good faith, and internally, the Company rigorously requires that employees practice self-discipline and observe internal rules to build good corporate governance and risk management mechanism so as to create a sustainable business environment.	None
(2) Does the company establish policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implement the policies?	V		(2) The Company has established "Conflict of Interest Reporting and Recusal Instruction", "Insider Trading Prevention Procedure", "Instruction for Personal Finance Reporting by Employees at Specific Positions and Business Related Personnel and Suppliers", "Rules for Receiving or Providing Gifts and Entertainment", "Technical and Classified Data Management Instruction", and "Anti-Trust Code of Conduct" to prevent unethical behaviors. The Company also has established "Ethical Management Violation Handling Instruction", which describes explicitly the methods and channels for filing a complaint, and vigorously promotes and implements the Instruction, and metes out disciplinary action against violators.	None
(3) Does the company establish appropriate precautionary measures for operating activities with higher risk of unethical conducts provided in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies or within	V		(3) For operating activities within the scope of business with higher risk of unethical conduct, the Company has established relevant procedures, including "Procedure for Acquisition or	None

Assessed items:	Implementation status: Yes	No	Summary	Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
its scope of business?			Disposal of Assets", "Rules for Endorsements and Guarantees", "Operating Procedure for Fund Lending", "Operating Procedure for Transactions with Group Enterprises, Specific Companies and Related Parties", and "Operating Rules for Donations" in place, and observes those procedures and regulations in related-party transactions to prevent unethical conduct.	
2. Implementation of ethical corporate management				
(1) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	V		(1)The Company requires all suppliers to sign a letter of undertaking of integrity before commencing business dealing with them.	None
(2) Does the company establish a dedicated (concurrent) unit under the board of directors to promote ethical corporate management, and report the status of implementation to the board?	V		(2)The Company's Human Resources is in charge of promoting ethical management related operations and responsible for formulating, publicizing and promoting ethical management related rules; Human Resources also offers education and training to all directors, supervisors and employees every year with regard to "Corporate Governance Principles", "Ethical Corporate Management Principles", "Corporate Social Responsibility Principles", and "Employee Code of Conduct" to ensure the implementation of ethical management. The president would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training. For related training results, please refer to "(5) Does the Company organize internal and external educational trainings periodically to help enforce honest operations?" under "2. Implementation of ethical corporate management."	None
(3) Does the company establish policies to prevent conflict of interests provide appropriate channels for filing related complaints and implement the policies accordingly?	V		(3) The Company has established Ethical Corporate Management Principles to specify the code of business conduct that employees are required to observe, and carries out regular training for employees. The Company publishes internal rules and regulations and work rules on internal company website and keeps all employees informed of any revisions. The Company also regularly educates employees on insider trading to prevent inadvertent violation of insider trading law.	None
(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, and are those systems audited by either internal auditors or CPAs on a regular basis?	V		(4) The Company has established effective accounting system and internal control systems, and has drawn up relevant operating procedures, which are readily reviewed and revised according to regulatory requirements or actual needs. The Company faithfully carries out self-inspection of internal control systems by requiring managers, internal units and subsidiaries as well as internal audit unit to conduct self-inspection at least once a year and produce a report therefor. The audit unit conducts audits according to the annual audit plan approved by the Board of Directors. The audit chief submits the completed audit report (or follow-up report) to supervisors and independent directors for examination in the following month, and attends the Board of Directors meetings to report on audit operations, and periodically reports to the supervisors the annual audit operation and annual internal control self-inspection operation.	None
(5) Does the company hold internal and external educational trainings on operational integrity regularly?				

Assessed items:	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	Summary	
			(5) The Company attaches great importance to ethical management and corporate social responsibility. Human Resources would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training. The Company steps up the publicity of worker's rights, environmental protection, health and safety, and ethics and related training to ensure observation of corporate ethics and government regulations and to improve ethical corporate management. In 2016, the Company offered 36 sessions of related courses which totaled 1,169 person-hours and 2,443 person-times of training, and all directors, supervisors and employees have attended the courses on "Ethical Corporate Management" and "Corporate Social Responsibility."	
3. Operation of whistleblowing system (1) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused? (2) Does the company establish standard operating procedures for investigating reported cases and related confidentiality mechanism? (3) Does the company provide proper whistleblower protection?	V V V		(1) The Company has a variety of complaint channels in place, including e-mail, suggestion box and other communication channels, which are reviewed and amended from time to time to ensure effective and full communication in the workplace so that problems are rapidly and effectively communicated and resolved when they arise. The Company also has relevant reward and disciplinary measures in place. (2) The Company has operating procedures and confidentiality measures in place as basis for handling reported cases. (3) The Company always tries its best to keep confidential and protect the identity of the whistleblowers to shield them from threats.	None None None
4. Enhancing information disclosure (1) Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	V		The Company has disclosed its Ethical Corporate Management Principles on its website to make it known internally/ externally. http://www.winbond.com/hq/about-winbond/investor/compliance/	None
5. If the company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", describe any discrepancy between the principles and their implementation: The Company has established "Ethical Corporate Management Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and internal rules, and related implementation does not deviate from the established principles.				
6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

8. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.

9. Other significant information which may improve the understanding of corporate governance and operation: The Company continues to improve corporate governance and simultaneously discloses its corporate governance information on the Market Observation Post System and the Company website in a timely manner.

10. Implementation of internal control system

10.1 Statement on Internal Control

Winbond Electronics Corporation

Statement on Internal Control

Date: February 3, 2017

The Company states the following with regard to its internal control system during fiscal year 2016, based on the findings of a self-evaluation:

I.The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and management, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.

II.There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company’s internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III.The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV.The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

V.Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31,2016, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

VI.This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII.This Statement has been passed by the Board of Directors Meeting of the Company held on February 3, 2017, where none of the 7 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Winbond Electronics Corporation

Chairman: Arthur Yu-Cheng Chiao

President: Tung-Yi Chan

10.2 If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

11 Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None

12 Important resolutions adopted in shareholders meeting and board of directors' meeting in the past year and up to the date of report

12.1 Report on the execution of resolutions adopted at the 2016 General Shareholders' Meeting

1. Motion: Discuss the amended Articles of Incorporation.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: The Company has completed the registration of amended Articles of Incorporation on July 5, 2016.
2. Motion: Ratify 2015 business report and financial report.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: Per resolution adopted.
3. Motion: Acknowledge the Company's 2015 earnings appropriation.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: The Company sets the ex-dividend date on August 24, 2016 and will carry out the cash dividend distribution operation starting September 14, 2016.
4. Motion: Discuss the proposal to remove non-compete clause for directors.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: Per resolution adopted.

12.2 Important resolutions adopted by the Board of Directors in 2016 and up to March 31, 2017:

Meeting date	Summary of resolution
January 29, 2016	1. Passed the amended Articles of Incorporation. 2. Passed the amended Rules for Remuneration and Performance Evaluation of Directors and Supervisors and the Board of Directors. 3. Passed the 2015 directors and supervisors compensation distribution plan. 4. Passed the 2015 employee compensation distribution plan. 5. Passed the 2015 parent company financial report and consolidated financial report and business report. 6. Passed the 2015 consolidated business report, consolidated financial statements and affiliation report covering affiliated enterprises. 7. Passed the 2015 Statement on Internal Control. 8. Passed the 2016 business plan and budget. 9. Passed the 2016 capital expenditure budget. 10. Passed the annual remuneration paid to accounting firm Deloitte & Touche. 11. Passed the purchase of liability insurance for directors, supervisors and important corporate officers. 12. Passed the amended Organizational Rules for Compensation Committee. 13. Passed the financial derivative transactions undertaken by the Company. 14. Passed the short-term line of credit obtained from financial institutions.
March 25, 2016	1. Passed the proposed increase in budget for capital expenditure. 2. Passed the2015 earnings distribution plan. 3. Passed the removal of non-compete clause for directors. 4. Passed the proposed calling of 2016 general shareholders' meeting. 5. Passed the amended Internal Control System for Shareholder Service Unit. 6. Passed the financial derivative transactions undertaken by the Company. 7. Passed the 2016 pay and compensation for individual 10th-term directors and supervisors. 8. Passed the 2015 pay and compensation for individual 10th-term directors and supervisors. 9. Passed the 2016 pay and compensation for individual managerial officers.
April 28, 2016	1. Passed the financial derivative transactions undertaken by the Company.
July 28, 2016	1. Passed the application for syndicated loan from financial institutions. 2. Passed the proposed increase in budget for capital expenditure. 3. Passed the Company's 2015 cash dividend appropriation. 4. Passed the financial derivative transactions undertaken by the Company. 5. Passed the short-term line of credit obtained from financial institutions.
October 25, 2016	1. Passed the proposed increase in budget for capital expenditure. 2. Passed the proposed 2017 audit plan. 3. Passed the financial derivative transactions undertaken by the Company.

Meeting date	Summary of resolution
	4. Passed the short-term line of credit obtained from financial institutions. 5. Passed the 2015 pay and compensation for individual managerial officers. 6. Passed the 2015 directors and supervisors compensation distribution plan. 7. Passed the 2015 employee compensation distribution plan.
November 29, 2016	1. Passed the financial derivative transactions undertaken by the Company.
February 3, 2017	1. Passed the 2016 parent company financial report and consolidated financial report. 2. Passed the 2016 consolidated business report, consolidated financial statements and affiliation report covering affiliated enterprises. 3. Passed the 2016 Statement on Internal Control. 4. Passed the 2017 business plan and budget. 5. Passed the 2017 capital expenditure budget. 6. Passed the annual remuneration paid to accounting firm Deloitte & Touche. 7. Passed the purchase of liability insurance for directors, supervisors and important corporate officers. 8. Passed the financial derivative transactions undertaken by the Company.
March 24, 2017	1. Passed the 2017 capital expenditure budget. 2. Passed the company's 2016 business report. 3. Passed the 2016 earnings distribution plan. 4. Passed the amended Articles of Incorporation. 5. Passed the amended Rules for the Election of Directors and Supervisors and name change of the Rules to "Rules for Election of Directors." 6. Passed the amended Rules Governing the Conduct of Shareholders' Meeting. 7. Passed the amended Procedure for Acquisition and Disposal of Assets. 8. Passed the amended Rules for Endorsements and Guarantees. 9. Passed the amended Operating Procedure for Fund Lending. 10. Passed the procedure for election of directors (including independent directors) in accordance with amended Article 13 of the Articles of Incorporation. 11. Passed the candidate list for 11th-term directors (including independent directors) nominated by the Board of Directors. 12. Passed the removal of non-compete clause for directors (independent directors included). 13. Passed the proposed calling of 2017 general shareholders' meeting. 14. Passed the amended Internal Control System for Shareholder Service Unit. 15. Passed the financial derivative transactions undertaken by the Company. 16. Passed the 2016 pay and compensation for individual 10th-term directors and supervisors. 17. Passed the 2017 pay and compensation for individual 10th-term directors and supervisors. 18. Passed the 2016 pay and compensation for individual managerial officers. 19. Passed the 2017 pay and compensation for individual managerial officers.

13. Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None

14. Resignation and dismissal of managerial officers related to the financial report (including chairman, president, chief accounting officer, chief financial officer, chief R&D officer and chief internal auditor) in the past year and up to the date of report:

March 31, 2017

TITLE	NAME	DATE OF APPOINTMENT	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
Chief R&D officer	Chen-Hsi Lin	2008.05.07	2016.01.01	Retirement

15. Handling of material information:

The Company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Acting Spokesperson Operation." The Company also publicizes its Procedure for Prevention of Insider Trading among employees from time to time to prevent the violation of relevant rules.

(4) Information on fees to CPA:

1. Fees paid to certifying accounts and accounting firm in 2016 are as follows, where non-audit fee is less than one fourth of audit fee:

Name of accounting firm	CPA		Duration of audit	Notes
Deloitte&Touche	K. C. Wu	Hung-Bin Yu	2016.01.01 to 2016.12.31	

Scale ＼ Fee category		Audit fee	Non-audit fee	Total
1	Below NT$2,000,000		V	
2	NT$2,000,000 ~ NT$4,000,000			
3	NT$4,000,000 ~ NT$6,000,000			
4	NT$6,000,000 ~ NT$8,000,000	V		V
5	NT$8,000,000 ~ NT$10,000,000			
6	NT$10,000,000 or above			

2. If the company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount of decrease and reason:
   The Company did not change accounting firm in 2016.

3. If the audit fee is more than 15% less than that paid in the previous year, the amount and percentage of decrease and reason:
   Not applicable.

(5) Information on change of accountants in the past two years:

Due to internal changes in the CPA firm, the Company's CPA Kuo-Tien Hung and Ker-Chang Wu have been changed to CPA Ker-Chang Wu and Hung-Bin Yu in 2016.

1. Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="3">January 1, 2016</td></tr>
<tr><td>Reasons for change and remark</td><td colspan="3">Internal adjustment of the certifying CPA firm</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td>Contracting parties / Scenario</td><td>CPA</td><td>Client</td></tr>
<tr><td>Termination initiated by client</td><td colspan="2" rowspan="2">N/A.</td></tr>
<tr><td>CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="3">None</td></tr>
<tr><td>Opinions different from those of issuer</td><td colspan="3">None</td></tr>
<tr><td>Other disclosures</td><td colspan="3">None</td></tr>
</table>

2. Regarding succeeding CPA

Name of firm	Deloitte & Touche
CPA	Ker-Chang Wu and Hung-Bin Yu
Date of appointment	January 1, 2016
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	None
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

3. The former CPA's reply to matters under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to be published in Annual Reports of Public Companies: None

(6) The Chairman, President and Financial or Accounting Manager of the Company who had worked for the Independent CPA or the affiliate in the past year: None

(7) Share transfer by directors, supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and up to the date of report

Unit: shares

Title		Name	2016		2017 up to March 31	
			Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO		Arthur Yu-Cheng Chiao	-	-	-	-
Director		Matthew Feng-Chiang Miau	-	-	-	-
Director		Yung Chin	-	-	-	-
Director	Institutional and major shareholder	Walsin Lihwa Corporation	-	-	-	-
	Representative	Hui-Ming Cheng	-	-	-	-
Director and President		Tung-Yi Chan	-	-	-	-
Independent Director		Francis Tsai	-	-	-	-
Independent Director		Allen Hsu	-	-	-	-
Independent Director		Jerry Hsu	-	-	-	-
Supervisor	Corporation	Chin Xin Investment Corp.	-	-	-	-
	Representative	James Wen	(23,000)	-	-	-
Supervisor		Peter Chu	-	-	-	-
Supervisor		Hong-Chi Yu	-	-	-	-
Executive Vice President		Wilson Wen	(400,000)	-	-	-
Vice President		Yuan-Mow Su	(162,000)	-	(126,000)	-
Vice President		Pei-Ming Chen	16,348	-	-	-
Vice President		Cheng-Kung Lin	-	-	-	-
Vice President		Chin-Fen Tsai	-	-	-	-
Vice President		Pei-Lin Pai	-	-	-	-
Vice President, Chief Financial Officer and Chief Accounting Officer		Jessica Huang	-	-	-	-
Chief Business Officer		Eungjoon Park	-	-	-	-
Assistant Vice President		Shi-Yuan Wang	-	-	-	-
Assistant Vice President		Wen-Chang Hong	-	-	-	-
Assistant Vice President		Mao-Hsiang Yen	12,036	-	-	-
Assistant Vice President		Hsiu-Han Liao	12,838	-	-	-
Assistant Vice President		Yo-Song Cheng	-	-	-	-
Assistant Vice President		Wen-Hua Lu (Note 3)	-	-	-	-
Assistant Vice President		Yi-Dar Chang (Note 4)	-	-	-	-

Note 1: The information above is based on actual shares held.
Note 2: Share transfer to non-related parties, not pledged.
Note 3: Mr. Wen-Hua Lu was an assistant VP at Winbond from July 1, 2011 to June 30, 2016. The above table discloses his information up to the date his service as a managerial officer of the Company ends.
Note 4: Mr. Yi-Dar Chang was an assistant VP at Winbond from October 1, 2007 to February 28, 2017. The above table discloses his information up to the date his service as a managerial officer of the Company ends.

(8) Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

MARCH 31, 2017; UNIT: SHARES

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHERS		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE) (NOTE 3)		NOTES
	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	TITLE (OR NAME)	RELATIONSHIP	
Walsin Lihwa Corporation	811,327,531	22.66%	-	-	-	-	Arthur Yu-Cheng Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder	
							Pai-Yung Hong	A relative within first degree of	

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHERS		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE) (NOTE 3)		NOTES
	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	TITLE (OR NAME)	RELATIONSHIP	
							Yu-Lon Chiao Chin Xin Investment Corp	kinship with the chairman of the institutional shareholder Chairman of the institutional shareholder The chairmen of two institutional shareholders have second degree of kinship	
Walsin Lihwa Corporation Representative: Yu-Lon Chiao	29,694,984	0.83%	-	-	-	-	Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp	The two have second degree of kinship The two persons have first degree of kinship The chairmen of two institutional shareholders have second degree of kinship	
Chin Xin Investment Corp.	182,047,000	5.09%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Yu-Lon Chiao	The chairmen of two institutional shareholders have second degree of kinship Chairman of the institutional shareholder A relative within first degree of kinship with the chairman of the institutional shareholder A relative within second degree of kinship with the chairman of the institutional shareholder	
Chin Xin Investment Corp. Representative: Arthur Yu-Cheng Chiao	58,264,955	1.63%	10,720,537	0.30%	-	-	Walsin Lihwa Corporation Pai-Yung Hong Yu-Lon Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two have second degree of kinship	
Arthur Yu-Cheng Chiao	58,264,955	1.63%	10,720,537	0.30%	-	-	Walsin Lihwa Corporation Pai-Yung Hong Yu-Lon Chiao Chin Xin Investment Corp	A relative within second degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two have second degree of kinship Chairman of the institutional shareholder	
Dimension Emerging Market Evaluation Fund under the trust of Citibank (Taiwan)	49,446,885	1.38%	-	-	-	-	-	-	NOTE 2
LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch	39,292,000	1.10%	-	-	-	-	-	-	NOTE 2
UBS AG Account under the trust of HSBC Bank, Taipei Branch	34,796,598	0.97%	-	-	-	-	-	-	NOTE 2
Norges Bank Investment Account under the trust of Citibank (Taiwan)	32,250,586	0.90%	-	-	-	-	-	-	NOTE 2

NAME	SHAREHOLDING		SHARES HELD BY SPOUSE AND MINOR CHILDREN		SHARES HELD IN THE NAME OF OTHERS		TITLES, NAMES AND RELATIONSHIPS BETWEEN TOP 10 SHAREHOLDERS (RELATED PARTY, SPOUSE, OR KINSHIP WITHIN THE SECOND DEGREE) (NOTE 3)		NOTES
	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	SHARES	PERCENTAGE (%) (NOTE 1)	TITLE (OR NAME)	RELATIONSHIP	
Pai-Yung Hong	32,204,000	0.90%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Yu-Lon Chiao Chin Xin Investment Corp	A relative within first degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two persons have first degree of kinship A relative within first degree of kinship with the chairman of the institutional shareholder	
Vanguard Emerging Stock Market Index Fund under the trust of Standard Chartered Bank	31,255,000	0.87%	-	-	-	-	-	-	NOTE 2
Profit Trends International Corp. Investment Fund under the custody of Deutsche Bank A. G. Taipei Branch	30,800,000	0.86%	-	-	-	-	-	-	Note 2

Note 1: "Percentage (%)" was based on then issued and outstanding common shares of 3,580,000,193 shares as of March 31, 2017.
Note 2: The custodian banks are unable to provide the list of ultimate holders.
Note 3: Relationships are disclosed pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(9) The shareholding of the Company, Director, Supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2016; Unit: shares

Invested entity (Note)	Investment by the Company (A)		Investments by directors, supervisors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	Percentage (%)	Shares	Percentage (%)	Shares	Percentag e (%)
Winbond International Corporation	104,410,000	100	-	-	104,410,000	100
Pine Capital Investment Ltd.	70,980,000	100	-	-	70,980,000	100
Newfound Asian Corporation	6,595,000	100	-	-	6,595,000	100
Landmark Group Holdings Ltd.	5,893,000	100	-	-	5,893,000	100
Mobile Magic Design Corp.	5,000,000	100	-	-	5,000,000	100
Techdesign Corporation	5,000,000	100	-	-	5,000,000	100
Winbond Electronics （H.K.） Ltd.	500,000	100	-	-	500,000	100
Winbond Technology LTD	100,000	100	-	-	100,000	100
Nuvoton Technology Co.	126,620,087	61	1,853,185	1	128,473,272	62
Chin Xin Investment Corp.	182,840,999	38	194,696,278	40	377,537,277	78

Note: Long-term investment accounted for using equity method.

Capital and shareholding

1. Capital and shareholding

(1) Sources of capital

March 31, 2017; Unit: shares; NTD

Year/ month	Issue price	Authorized capital		Paid-up capital		Notes		
		Shares	Amount	Shares	Amount	Source of capital	Subscriptions paid with property other than cash	Approval date and number
2014.02	10	6,700,000,000	67,000,000,000	3,694,023,193	36,940,231,930	Exercise of employee stock options: NT$20,560,000	None	Zhong-Shang-Zi-1030003799 dated 2014/02/19
2014.05	10	6,700,000,000	67,000,000,000	3,694,466,193	36,944,661,930	Exercise of employee stock options: NT$4,430,000	None	Zhong-Shang-Zi-1030011345 dated 2014/05/14
2014.09	10	6,700,000,000	67,000,000,000	3,694,640,193	36,946,401,930	Exercise of employee stock options: NT$1,740,000	None	Zhong-Shang-Zi-1030021668 dated 2014/09/18
2014.11	10	6,700,000,000	67,000,000,000	3,694,982,193	36,949,821,930	Exercise of employee stock options: NT$3,420,000	None	Zhong-Shang-Zi-1030026773 dated 2014/11/20
2015.11	10	6,700,000,000	67,000,000,000	3,580,000,193	35,800,001,930	Decrease in treasury stock: NT$ 1,149,820,000	None	Zhong-Shang-Zi-1040028089 dated 2015/11/18

March 31, 2017: Unit: shares

Type of stock	Authorized capital			Notes
	Shares issued and outstanding	Un-issued shares	Total	
Regular Shares	3,580,000,193	3,119,999,807	6,700,000,000	Listed stock

Note 1: Of the total capital amount, up to NT$5 billion may be used for issues of employee stock options, preferred stocks or corporate bonds with warrant for a total of 500 million shares with par value of NT$10 per share. Those shares may be issued in installments. The respective amount for the issue of employee stock options, preferred stocks or corporate bonds with warrant may be adjusted by resolution of the Board of Directors in view of the capital market situation and business needs.

Note 2: Information on shelf registration: None. None

(2) Shareholder structure

March 31, 2017

Quantity\ shareholder structure	Government agencies	Financial institutions	Other corporations	Individual investors	Foreign institutions and foreigners	Chinese investors (Note)	Total
Number of people	2	75	149	187,251	311	3	187,791
Shares held	39,106,455	27,376,646	1,031,406,125	1,727,655,571	754,455,021	375	3,580,000,193
Percentage (%)	1.09%	0.77%	28.81%	48.26%	21.07%	0.00%	100.00%

Note: Chinese investors refer to Mainland Area individuals, juristic persons, groups, other institutions or companies based in a third area as provided in Article 3 of the Regulations Governing Investment by People in Mainland Area in Taiwan.

(3) Dispersion of equity ownership

1. Common stocks:

March 31, 2017; par value of NT$10 per share

Shares	Number of shareholders	Shares held	Percentage (%)
1 ~ 999	59,663	18,606,517	0.52
1,000 ~ 5,000	84,098	200,116,410	5.59
5,001 ~ 10,000	21,204	173,505,852	4.85
10,001 ~ 15,000	6,308	80,566,045	2.25
15,001 ~ 20,000	5,080	96,021,180	2.68
20,001 ~ 30,000	3,955	102,928,522	2.88
30,001 ~ 50,000	3,293	135,072,538	3.77
50,001 ~ 100,000	2,325	171,925,711	4.80
100,001 ~ 200,000	957	137,211,985	3.83
200,001 ~ 400,000	433	125,165,658	3.50
400,001 ~ 600,000	139	69,484,738	1.94
600,001 ~ 800,000	75	53,268,919	1.49
800,001 ~ 1,000,000	44	40,102,888	1.12
>1,000,001	217	2,176,023,230	60.78
Total	187,791	3,580,000,193	100.00

2. Preferred stocks: N/A.

(4) List of major shareholders

1. Names, shares and percentage of shareholding of shareholders with more than 5% of equity:

March 31, 2017

Name\shareholding of major shareholder	Shares held	Percentage (%)
Walsin Lihwa Corporation	811,327,531 shares	22.66%
Chin Xin Investment Corp.	182,047,000 shares	5.09%

2. For names, shares and percentage of shareholding of top ten shareholders please refer to pages 32-33.

(5) Stock price, net worth, earnings, dividends and related information for the previous two years

Unit: NT$

Item\Year			2015	2016	2017 up to March 31
Stock price (Note 1)	High		11.40	10.55	17.50
	Low		5.95	6.89	9.93
	Average		8.95	9.41	13.42
Net worth per share (Note 2)	Before distribution		10.89	12.29	-
	After distribution		10.79	(Note 6)	-
Earnings per share	Weighted average shares (1,000 shares)		3,648,377	3,572,482	-
	Earnings per share		0.90	0.81	-
Dividends per share	Cash dividend		0.10	(Note 6)	-
	Stock dividend	Earnings	-	(Note 6)	-
		Capital surplus	-	(Note 6)	-
	Accumulated unpaid dividend		-	-	-
Return analysis	Price-earnings ratio (Note 3)		9.94	11.62	-
	Price-dividend ratio (Note 4)		89.50	(Note 6)	-
	Cash dividend yield (Note 5)		1.12%	(Note 6)	-

Note 1: The year's high and low market prices of common stock are provided and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Net worth per share is computed based on the number of shares issued and outstanding at the end of the year.

Note 3: Price-earnings ratio＝Year's average per share closing price / earnings per share.

Note 4: Price-dividend ratio＝Year's average per share closing price / cash dividend per share.

Note 5: Cash dividend yield＝ Cash dividend per share / year's average per share closing price.

Note 6: The 2016 earnings distribution plan will be finalized after the shareholders' meeting.

(6) Dividend policy and implementation status

1. Dividend policy

The Company's dividend policy declared in Article 22-1 of the Articles of Incorporation is as follows:

Any profit at the closing of each fiscal year shall be used to offset prior years' losses after paying all taxes. The Company shall set aside 10% of the remainder, if any, as legal reserve until such reserve equals the paid-in capital. Special reserve may be set aside or reversed according to laws or the competent authority. For the remainder, if any, plus undistributed earnings in prior years, the Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval.

The Company's dividend policy is set up in accordance with the Company Act and the Articles of Incorporation of Winbond Electronics Corp. in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. Hence the distribution of dividends will factor in the future plans for operational scale and cash flow needs, which however shall not be less than 50% of distributable earnings for the year and may be distributed in the form of stock or cash, in which cash dividend to be distributed shall not be less than 50% of total dividends to promote the sustainable development of the Company.

2. Dividend distribution to be proposed to the shareholders' meeting:

The Company's 2016 earnings distribution plan as decided in the Board of Directors' meeting on March 24, 2017 is cash dividend of NT$0.6 per share, which will be distributed after it is approved in shareholders' meeting to be held on June 13, 2017.

(7) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share: N/A.

(8) Remuneration to employees, directors and supervisors

1. Percentage or scope of compensation for employees, directors and supervisors provided in Company's Articles of Incorporation:

The Company shall set aside not more than 1% of its earnings before tax for the year prior to deducting compensation of employees, directors and supervisors as remuneration to directors and supervisors, and not less than 1% as employee compensation. Employee compensation shall be decided by the Board of Directors, and may be distributed in the form of stock or cash to employees, including employees of subsidiaries meeting certain criteria.
However when the Company still has accumulated loss, a certain amount of the earnings shall be retained for making up the loss and the remainder may be set aside as employee compensation and remuneration to directors and supervisors according to the percentage specified in the preceding paragraph.
The "employees of subsidiaries meeting certain criteria" as described in the first paragraph will be determined by the Board of Directors or by Chairman as authorized by the Board of Directors.

2. Basis for estimating the amount of compensation for employees, directors and supervisors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

According to Article 22 of the Company's Articles of Incorporation, 1% of the Company's 2016 CPA-audited earnings in the amount of NT$34,400,306 will be appropriated as remuneration to directors and supervisors, and 1% in the amount of NT$34,400,306 will be appropriated as employee compensation. The remuneration to directors and supervisors and the employee compensation will all be distributed in cash. The aforementioned appropriation ratios and amounts have been passed by the Compensation Committee and the Board of Directors.
If the estimated amount differs from the actual amount after the date of the consolidated financial report, the discrepancy will be treated according to changes in accounting estimates and adjusted and entered into account the following year.

3. Distribution of compensation passed by the Board of Directors:

(1) Employee compensation and remuneration to directors and supervisors distributed in the form of cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed.

Year of compensation: 2016
Date passed by the Board of Directors March 24, 2017 Unit: shares; NT$

Employee compensation				Remuneration to directors and supervisors	Any difference between the amounts and the estimates stated in the financial statements for the year		
Cash	Stocks	Number of shares	Total	Cash	Difference	Reason	Actions taken
34,400,306	0	0	34,400,306	34,400,306	No difference	N/A.	N/A.

Note: There is no difference between the aforementioned compensation of employees, directors and supervisors and the amount recognized in the 2016 consolidated financial statements.

(2) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined: N/A.

4. Information on actual distribution of employee compensation and remuneration to directors and supervisors in the previous year:

<table>
<tr><td colspan="8">Year of compensation: 2015
Dated passed by the Board of Directors January 29, 2016 Unit: shares; NT$</td></tr>
<tr><td colspan="4">Employee compensation</td><td>Remuneration to directors and supervisors</td><td colspan="3">Any difference between the amounts and the estimates stated in the financial statements for the year</td></tr>
<tr><td>Cash</td><td>Stocks</td><td>Number of shares</td><td>Total</td><td>Cash</td><td>Difference</td><td>Reason</td><td>Actions taken</td></tr>
<tr><td>28,475,168</td><td>0</td><td>0</td><td>28,475,168</td><td>28,475,168</td><td>No difference</td><td>N/A.</td><td>N/A.</td></tr>
</table>

Note: The above amount determined by the Board of Directors has been reduced to costs in 2015 and the amount is consistent with the amount proposed by the Board of Directors.

(9) Stock buyback: None

2. Issuance of corporate bonds: None

3. Issuance of preferred stocks: None

4. Issuance of global depositary receipts (GDR)

March 31, 2017

<table>
<tr><td>Date of issue</td><td colspan="2">February 5, 1999</td></tr>
<tr><td>Place of issue and trading</td><td colspan="2">Luxembourg</td></tr>
<tr><td>Total amount</td><td colspan="2">US$333,502,000</td></tr>
<tr><td>Offer price per unit</td><td>February 5, 1999 - initial issue US$11.45</td><td>November 18, 1999 - additional issue US$16.70</td></tr>
<tr><td rowspan="5">Total units issued (units)</td><td colspan="2">30,336,980</td></tr>
<tr><td>February 5, 1999 - initial issue</td><td>14,600,000</td></tr>
<tr><td>November 18, 1999 - additional issue</td><td>9,960,000</td></tr>
<tr><td>July 7, 2000 - additional issue for the distribution of free stock dividends</td><td>2,108,252</td></tr>
<tr><td>June 1, 2001 additional issue for the distribution of free stock dividends</td><td>3,668,728</td></tr>
<tr><td>Source of underlying security</td><td colspan="2">Issuance of new shares for cash capital increase</td></tr>
<tr><td>Underlying security</td><td colspan="2">10 common shares of Winbond</td></tr>
<tr><td>Rights and obligations of GDR holder</td><td colspan="2">Dividends, interest distribution and relevant taxes of the underlying shares represented by the GDRs shall be governed by the laws of the Republic of China, the Depository Agreement and the Custodial Agreement.</td></tr>
<tr><td>Trustee</td><td colspan="2">None</td></tr>
<tr><td>Depository bank</td><td colspan="2">Bank of New York Mellon Corp.</td></tr>
<tr><td>Custodial bank</td><td colspan="2">Bank International Commercial Bank</td></tr>
<tr><td>Balance outstanding (units)</td><td colspan="2">13,354</td></tr>
<tr><td>Fees incurred in issuance and the outstanding period of the GDRs</td><td colspan="2">Borne by Winbond Electronics Corp.</td></tr>
</table>

<table>
<tr><td colspan="3">Covenants of depository agreement and custodial agreement</td><td>The deposit, redemption and delivery of the underlying shares represented by the GDRs and the re-issuance of the GDRs shall be governed by the laws of the Republic of China, Depository Agreement and the Custodial Agreement.</td></tr>
<tr><td rowspan="6">Unit price (US$)</td><td rowspan="3">2016</td><td>High</td><td>3.31</td></tr>
<tr><td>Low</td><td>2.10</td></tr>
<tr><td>Average</td><td>2.90</td></tr>
<tr><td rowspan="3">2017 up to March 31</td><td>High</td><td>5.60</td></tr>
<tr><td>Low</td><td>3.11</td></tr>
<tr><td>Average</td><td>3.90</td></tr>
</table>

5. Exercise of employee stock option plan (ESOP): None

6. Restricted stock awards: None

7. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:

   None

8. Implementation of capital allocation plan: Not applicable, for the Company was free of the situation of having any securities issuance that was uncompleted or completed in the most recent three years but has not yet fully yielded the planned benefits.

Business Overview

1. Business activities

a. Business Scope

1. Major business activities and percentages of total revenue

Winbond's core products include DRAM and Code Storage Flash Memory. Logic ICs are the principal products of Nuvoton Technology Corporation ("Nuvoton Technology"), a major subsidiary of Winbond.
2016 revenue breakdown by product (as percentages of consolidated revenue):

Unit: NT$1,000

Key products	Revenue	%
DRAM product income	21,430,695	51
Flash memory product income	12,461,559	30
Logic IC revenue	8,198,689	19
Other income	766	-
Sales revenue - Consolidated financial statements	42,091,709	100

2. Key products

2.1 Dynamic random access memory (DRAM)

- Specialty DRAM: They are chiefly used in computing, communication and consumer electronics, automotive and industrial electronics, and medical electronics. Specifications include 16Mb-4Gb and KGD (Known Good Die).
- Mobile RAM: They are chiefly used in cell phones, tablets, low power mobile handheld devices, wearable devices, automotive and industrial electronics, and the Internet of Things (IoT). Specifications include 32Mb-256Mb pseudo SRAM and 128Mb-2Gb Low Power Mobile DRAM.

2.2 Code Storage Flash Memory

They are chiefly used in computers and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, and household appliance modules, etc. Specifications include 512Kb-4Gb.

2.3 Logic IC

Nuvoton Technology's primary business consists of IC design and sales and IC foundry services. The main IC products are ICs with a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products. Nuvoton Technology also owns a 6-inch IC plant with a capacity of 45,000 wafers per month and equipped with diversified processing technologies to provide professional IC foundry services.

3. New products and services under development

3.1 Dynamic random access memory (DRAM)

Specialty DRAM: The company continues to develop 3xnm process low and medium density products. They are chiefly used in computing, communication and consumer electronics, automotive and industrial electronics, and medical electronics. The company also continues to develop the advanced 2xnm process.

Mobile RAM: The company continues to develop low and medium density as well as low power consumption products used principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, and automotive and industrial electronics.

3.2 Code Storage Flash Memory

The company continues to develop the new process to produce high density, high-performance and low power consumption products, providing a complete value added Code Storage Flash product line to meet the requirements of the following applications: computers and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, household appliance modules, and IT security. The company also continues to develop the advanced 3xnm process.

3.3 Logic IC

The development of new logic products focuses on providing high-grade manufacturing process of low power consumption MCU products to satisfy low power consuming applications in the IoT and healthcare sectors. The development in audio products in the smartphone, portable tablet, and digital headphone markets involves smart Class D speaker amplifiers and high quality highly integrated audio MCUs. With regard to cloud computing products, innovative features and functions that will be essential to future products are developed while external components are made highly integrated and simplified in order to create control chips that customers can use on different platforms.

b. Industry overview

1. Industry current trends and future outlook

1.1 Dynamic random access memory (DRAM)

The DRAM market saw a number of shifts and twists in 2016. Stagnant demand for end products in the first half year led to weak prices. The DRAM market started showing signs of recovery after the third quarter as smartphone shipments heated up in China and PC shipments started returning to the previous level. Moreover, the DRAM market is an oligopoly, and suppliers tend to take a cautious attitude toward expansion of production capacity. Therefore, demand and supply both provide favorable conditions for consistent growth. Market expectations suggest that the annual bit supply growth rate in 2017 will be slightly lower than the demand growth rate, which is likely to hold DRAM prices steady.

1.2 Code Storage Flash Memory

Winbond's code storage flash memory features a serial interface. Winbond is one of the world's three leading serial flash memory suppliers and holds more than one third of the global market. Code storage flash memory is a relatively stable market in terms of size and growth. In 2017, in addition to an increase in the number of end products, a higher rate of AMOLED utilization and growth in IoT and automotive electronics all contributed to steady growth in the sector.

1.3 Logic IC

The demand for MCU continues to climb. The 32-bit ARM® Cortex®-M MCU is the backbone of the market and demand is increasing rapidly as the product offers low power consumption and high performance. With respect to audio products, a wave of revolution and innovations involving applications that enable hands free natural language interaction between human-machine interfaces (HMI) and the internet is setting the industry standards. Meanwhile, the demand for cloud service applications keeps growing and it has also led to the optimization of energy efficiency, security structure and interface integration in hardware and software development.

2. Relationships with suppliers in the industry's supply chain

2.1 Memory industry

In terms of the supply chain, upstream equipment suppliers provide the manufacturing equipment, while raw material suppliers are responsible for producing silicon wafers, masks, chemicals, metal targets, gases, and other raw materials for the production of memory.

Midstream memory suppliers, after purchasing equipment and raw materials, use the manufacturing equipment to develop a series of complex processes, such as lithography, rapid hi-temperature processing, chemical vapor deposition, ion implantation, etching, chemical machinery polishing and grinding, and process control and monitoring. Moreover, midstream memory manufacturers will design and develop related memory products based on market demand and future trends. Manufacturers will use process technology to etch the finished product onto the wafers and deliver the wafers to downstream packaging and testing suppliers for backend packaging and testing.

Downstream packaging and testing suppliers are responsible for cutting, grinding, packaging, and completing the final tests of wafers produced in the preceding stage before delivering the finished product to the memory manufacturers. Memory manufacturers sell the finished product to end-product system manufacturers, module manufacturers, IC manufacturers, or distributors who will then apply the memory to related products or IC or sell the memory to end customers.

2.2 Logic IC industry

The supply chain of the Logic IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants. In terms of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, downstream customers consist mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries.

3. Product trends and competition

3.1 Dynamic random access memory (DRAM)

With respect to product technology, specialty DRAM product technology has advanced from SDR, DDR, DDR2, and DDR3 to DDR4. Mobile DRAM will also move from LP DDR, LP DDR2, and LP DDR3 to LP DDR4. DDR4 and LP DDR4 will be the focus of the DRAM industry in the future, which will continue to be dominated by an oligopoly of three large international DRAM manufacturers.

With respect to process technology, international DRAM manufacturers continue to increase the percentage of advanced production such as 1xnm to 2xnm. Other manufacturers in Taiwan will implement 2xnm through technology licensing. Winbond is Taiwan's only manufacturer with in-house 38nm process technology, which will enter mass production in the second half of 2017.

3.2 Code Storage Flash Memory

With respect to product density, the demand for high-density code storage flash memory continues to increase. The density of NOR flash memory ranges from 512Kb to 1Gb, and the density of NAND flash memory has been expanded to 4Gb, which is the prevailing industry trend. Furthermore, the market will be moving toward an approach that begins with end user applications and proceeds to develop code storage flash memory that offers added value, security, high speed and low voltage. The code storage flash memory market is currently dominated by international manufacturers and some Taiwanese and Chinese manufacturers.

3.3 Logic IC

MCU products must incorporate low power consumption as well as high performance and cost effectiveness. Different application fields demand specific designs and one product cannot satisfy all requirements. Therefore, the MCU platform products are developed for different applications as is the mainstream practice. Development of audio products will continue to focus on ultra-low power (ULP) audio CODEC and the DSP algorithm for application in IoT, wearable devices and security and surveillance systems. The demand for cloud service applications keeps growing and it has also led to the optimization of energy efficiency, security structure and interface integration in hardware and software development. At present, different suppliers exist in all product lines, creating quite a competitive environment.

c. Overview of Technology and R&D

1. Winbond's R&D expenses (including those of the subsidiary Nuvoton Technology) in the previous year and in the current year up to the annual report publication date:

Unit: NT$1,000

Item	2016	2017 up to March 31
R&D Expenses	5,752,732	1,455,057

2. Successfully developed technologies and products

2.1 Dynamic random access memory (DRAM)

Winbond has completed the development of 38nm 1Gb DRAM and is proceeding to improve yield for the in-house 38nm process in order to meet customers' requirements of high quality, high reliability, and special process specifications. The product is expected to enter mass production in the second half of 2017. Winbond is Taiwan's only supplier with in-house 38nm process technology.

2.2 Code Storage Flash Memory

Winbond continues to develop code storage flash memory that offers added value, security, high speed, low power consumption, low voltage or encryption. The company also takes a step further to optimize the 58nm process in order to secure its leading position in neither serial NOR flash memory. In addition, Winbond continues to promote the serial interface and the more economical high density 1Gb/2Gb/4Gb products to meet the demand of different end user applications.

2.3 Logic IC

- 32-bit ARM® Cortex® -M0 NUC121/125 series MCU - suitable for high performance USB applications
- High performance DC brushless motor NuMicro® Motor Control microcontrollers -NM1500 series
- N570F064/I91032: Audio MCU (low power consumption audio MCUs)
- NCT3711D: used for multi-power control chips on AMD AM4 platform
- NCT6116D: used for I/O control IC in industrial computers
- NCT6796D: used for I/O control IC in desktop computers

d. Business plan - long-term and short-term

1. Short-term business development plans

1.1 Dynamic random access memory (DRAM)

- The company will be actively switching to the 38nm process to reduce product costs and improve quality control.
- The company is devoted to developing new products, new customers, and new applications in order to increase chip sales volume and revenue and improve profitability.
- Applications, customers, and product combinations are constantly enhanced to increase the value and profitability of each chip.

1.2 Code Storage Flash Memory

- The company continues to try to increase its market share in computers and their peripherals, mobile handheld devices and their peripheral modules, IoT, automotive and industrial electronics, and medical electronics.
- Applications, customers, and product combinations are optimized to increase the value and profitability of each chip.
- The company cultivates world-class brand customers in pursuit of profit stability and growth.

1.3 Logic IC

- In MCU, we enhance the advantages in cost-performance ratio and localized support and actively build an ecosphere where we provide a complete development platform to provide customers with the best development experience.
- With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions.
- Regarding cloud computing products, the company will integrate designs from Taiwan and Israel with the advantages of local service teams to expand the development of competitive hardware and software solutions in standardized IC and ASSP that are suitable for the world's leading brand names.

2. Long-term business development plans

2.1 Dynamic random access memory (DRAM)

- The company continues the development of advanced processes to increase core competitiveness.
- The company develops mobile DRAM with new specifications and explores other areas of applications.
- The company increases market share for niche markets such as KGD, automotive, industrial, and medical, MCP, and SiP.

2.2 Code Storage Flash Memory

- The company continues the development of the high-margin end product application market, including automotive and industrial electronics, medical electronics, IoT, and wearable devices. We have received certification from leading international manufacturers.
- The goal is to offer value in high density, high speed, low voltage, low power, and heightened security levels.

2.3 Logic IC

- MCU operations will continue to focus on product development and strengthen technologies in terms of low power consumption, analog and security; and through product innovation and process technology evolution, introduce applications for specific fields.
- Audio operations will be built around the high-performance Cortex®-M0/M4 32-bit MCU and combine the ultra-low power consumption audio processing controller (ULP Audio CODEC) to provide customers with high-quality integrated audio processing IC.
- For the increasing demand for servers and data centers and consistent sales of business PCs, more product development resources have been invested in hopes of launching unique and cost-effective products.

2. Market, production and sales

a. Market analysis

1. Winbond's consolidated sales revenue (including that of the subsidiary Nuvoton Technology) by region of product sales for the year 2016:

Unit: NT$1,000

Region	Sales	Percentage
Asia	38,232,002	91%
Americas	1,232,337	3%
Europe	2,528,122	6%
Other	99,248	-
Total	42,091,709	100%

2. Market share and growth potential

2.1 Dynamic random access memory (DRAM)

In 2016, Winbond held 1.5% of the entire DRAM market. Forecasts by research institutes suggest that the annual bit supply growth rate in 2017 will be slightly lower than 20%, which will be a record-breaking low. Provided the demand does not weaken, the annual bit supply growth rate will be lower than the demand growth rate, which is likely to keep the DRAM industry steady and all suppliers operating at a profit.

2.2 Code Storage Flash Memory

After many years of market expansion efforts, Winbond is now a leading supplier of code storage flash memory in the world. Winbond held more than one third of the global market in 2016. Moreover, the demand for code storage flash memory is shifting toward high density. Higher density and the advantages of fewer pins and lower overall costs afforded by code storage flash memory using a serial interface ensure continuing growth in the market for code storage flash memory using a serial interface.

2.3 Logic IC

32-bit Cortex®-M0/M4 MCU, ARM® 7/9, and 8-bit MCUs are cost effective and well received by the market. The company's market share continues to rise every year. Output of audio products in vehicle-mounted IoT and Audio CODEC has acquired a significant market share. With regard to computer/cloud applications, market share of the company's motherboard Super I/O, notebook EC and TPM still ranked in the top three worldwide in 2016. Meanwhile, the development of MCUs is moving toward energy-efficiency, smart devices, small and light devices and multiple functions. The demand for IoT energy-conservation devices, healthcare management and smart products in the future will help MCU market growth. Output of audio CODEC IC and amplifiers in consumer electronics continues to rise.

3. Competitive edge, favorable and adverse factors for long-term growth and strategy

3.1 Dynamic random access memory (DRAM)

- Competence: Process development, product development, testing techniques, FAE capabilities, and marketing and sales strengths are Winbond's core competencies. Currently, other DRAM suppliers in Taiwan receive process technology from large foreign DRAM manufacturers by technology licensing. Most Taiwanese DRAM suppliers are not equipped with independent process development capabilities. Winbond is the only Taiwanese DRAM supplier with advanced processes development capabilities.
- Favorable conditions for future development: Higher density in smart phones, tablets, TVs, set-top boxes, networking and storage devices will increase DRAM demand. In terms of supply, Moore's law in advanced DRAM process technology is entering a bottleneck, causing the supply to slow down, which will encourage industry development.
- Unfavorable factors and countermeasures: Anti-globalization sentiments and growing uncertainty in international trade are creating more risks in the global economy, which in turn will have an impact on the end product demand. Winbond continues to optimize the applications lineup and try to establish a first-mover advantage in mobile handheld devices, automotive and industrial electronics, medical electronics, and IoT applications. The company will also invest in new processes and implement advanced processes to improve product profitability. Winbond is constantly exploring new applications and new customers as a means to reduce the risks arising from economic uncertainties.

3.2 Code Storage Flash Memory

- Competence: Winbond offers a complete Serial Flash product series (512Kb-1Gb). Since 2011, it has introduced the 58nm process and further developed high-density Flash products. In 2015 the company introduced 46nm process 1Gb - 4Gb high-density Flash. Winbond has been working in the flash memory market for many years, and held more than one third of the global serial flash market in 2016.
- Favorable conditions for future development: The company shipped more than 2 billion units and held more than one third of the global market in 2016. Winbond is highly regarded by its customers for quality and cost. The fact is demonstrated by the company holding more than 40% of the PCs and peripherals market.
- Unfavorable factors and countermeasures: Anti-globalization sentiments and growing uncertainty in international trade are creating more risks in the global economy, which in turn will have an impact on the end product demand. Winbond continues to optimize the applications lineup and try to establish a first-mover advantage in mobile handheld devices, automotive and industrial electronics, medical electronics, and IoT applications. The company will also invest in new processes and implement advanced processes to improve product profitability. Winbond is constantly exploring new applications and new customers as a means to reduce the risks arising from economic uncertainties.

3.3 Logic IC

- Competence: The company provides professional R&D and technical support teams and establishes strategic partnerships with customers. It provides total solutions to lower cost for customers and enhance their competitive edge. The company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions. With regard to cloud computing products, Winbond and customers collaborated on developing customized chips for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.
- Favorable conditions for future development: MCUs retain advantages in the ease of development by users and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The audio enhancement DSP chips and the audio amplifier integrated chip can provide audio optimization for customers' devices. Cloud computing products retain a leading position in the market.
- Unfavorable factors and countermeasures: Fierce competitions in the consumer electronics market in recent years, short product life cycles, and rapid replacement of traditional products by new products have all contributed to increased costs. The only way to maintain a leading position in the market is to develop products with high integration capabilities and lower cost while enhancing R&D capabilities. The company will continue to strengthen optimization of its products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products, which will be the direction for gaining the first-mover advantage.

b. Major product manufacturing processes

1. Major applications of core products

1.1 Dynamic random access memory (DRAM)

- SDR/DDR/DDR2/DDR3 specialty DRAM: used in computer peripherals, automobile electronics, and consumer electronic products
- Pseudo SRAM, Mobile DRAM: used in mobile devices, computers and consumer electronic products

1.2 Code Storage Flash Memory

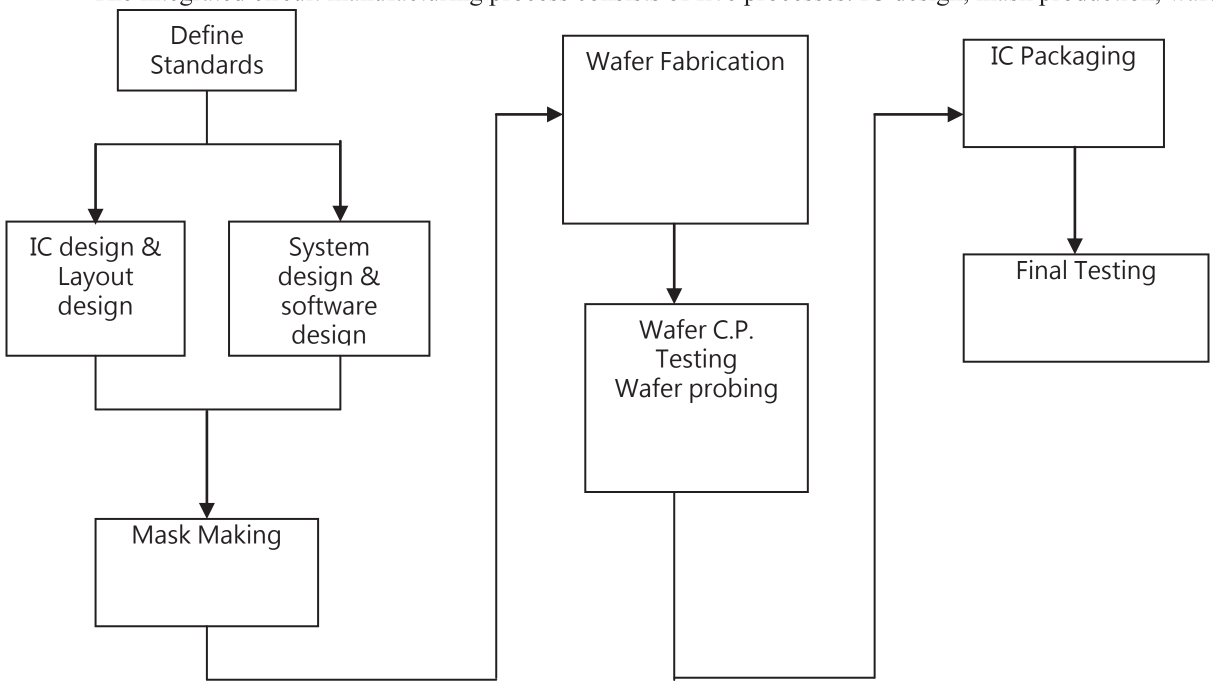
They are chiefly used in computers and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, and household appliance modules, etc.

1.3 Logic IC

Provide customers with industrial controls, consumer electronics, computer equipment, vehicle-mounted equipment, and communication products.

2. Chief product manufacturing processes

The integrated circuit manufacturing process consists of five processes: IC design, mask production, wafer



manufacturing, packaging, and testing. (see flowchart below):

c. State of supply of chief raw materials

Winbond's major raw materials and parts include silicon chips, chemicals used in processes, special gases, and targets, etc. The suppliers of these materials are located in the US, Japan, Korea, and Taiwan. A certain level of quality and a steady supply can be expected of these suppliers. Outsourced items include testing and packaging. We have at least two different qualified suppliers for each item, ensuring source and stability of supply.

d. Names of suppliers who accounted for more than 10% of the purchase by the company in the last two years, and the amount of purchase to total purchase

In 2015 and 2016, no single supplier accounted for more than 10% of the company's total purchases as reported in the consolidated financial statements.

e. Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

In 2015 and 2016, no single customer accounted for more than 10% of the company's total sales as reported in the consolidated financial statements.

f. Output volume and value during the most recent two years

Total combined output of the company and its subsidiaries, including Nuvoton Technology:

Unit: NT$1,000

Year	2016				2015			
Core products/Production capacity/Output	Production capacity (Note 1)	Output volume (Note 2)		Value	Production capacity (Note 1)	Output volume (Note 2)		Value
		Wafer	Die			Wafer	Die	
DRAM	12-inch wafers 489	1.1	1,227,888	14,500,455	12-inch wafers 501	2.2	991,483	13,371,076
Flash		0.2	2,195,870	9,255,618		0.1	1,926,041	8,275,551

Logic ICs	6-inch wafers 480	323	684,354	4,779,176	6-inch wafers 480	279	615,294	4,084,800
Total		324.3	4,108,112	28,535,249		281.3	3,532,818	25,731,427

Note 1: Wafer production capacity is measured in 1,000 pieces.

Note 2: Wafer production is measured in 1,000 pieces; die production is measured in 1,000 pieces.

g. Sales volume and value during most recent two years

Total combined sales of the company and its subsidiaries, including Nuvoton Technology:

Unit: NT$1,000

Year	2016						2015					
Product/ Sales volume and value	Domestic sales			Exports			Domestic sales			Exports		
	Sales volume (note)		Sales	Sales volume (note)		Sales	Sales volume (note)		Sales	Sales volume (note)		Sales
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
DRAM	1	361,028	5,838,372	1	892,229	15,592,323	1	270,683	5,642,557	1	701,228	14,272,611
Flash	-	336,394	1,641,458	-	1,877,125	10,820,101	-	287,451	1,560,467	-	1,623,020	9,641,992
Logic ICs	214	168,133	2,483,429	102	509,711	5,715,260	191	163,939	2,037,409	91	447,468	5,163,665
Other	-	-	227	-	-	539	-	-	23,206	-	-	8,408
Total	215	865,555	9,963,486	103	3,279,065	32,128,223	192	722,073	9,263,639	92	2,771,716	29,086,676

Note: Wafer sales are measured in 1,000 pieces; die sales are measured in 1,000 pieces.

3. Employees

Information related to the employees of the company and subsidiary Nuvoton Technology:

Year		2015	2016	2017 up to March 31
Number of employees	Technical personnel (engineers)	2,464	2,631	2,698
	Administration and sales staff	870	900	893
	Assistant to technicians	755	737	759
	Total	4,089	4,268	4,350
Average age		38.04	38.82	38.74
Average years of service		9.30	9.39	9.03
Education background (%)	Ph.D.	1.56	1.65	1.66
	Master's	35.10	36.91	37.32
	University/College	47.57	46.92	47.94
	Senior High School	15.17	13.89	12.64
	Senior High School and below	0.60	0.63	0.44

4. Spending on environmental protections

a. Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: None

b. Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The company upholds the spirit of the ISO 14001 environmental management system, and pledges to provide and maintain a working environment better than that required by law and industry practice. We also strive to comply with international environmental protection standards, and seek to eliminate possible environmental risks through continuous improvement.

As a member of the global village, in line with the principle of environmentally-friendly design, we strive to develop green products and energy-consuming, low-pollution products that will fulfill our vision of sustainable corporate development.

Throughout production operations, we rely on process optimization to reduce consumption of water and power, use of raw materials and parts, and pollution emissions for each output unit. With respect to organizational management, the company established a Quality and Environmental, Health, and Safety Management center responsible for environmental, health, and safety management. We have also appointed suitable environmental management specialists dedicated to air pollution control, water pollution control, and waste disposal and toxic chemicals management. In accordance with law, we have obtained all required environmental protection permits and licenses. Adequate recycling systems for process waste water exhaust gases, and solid wastes were incorporated during an early stage of the plant design process, enabling us to reduce resource losses and pollutant discharges.

Thanks to our dedication to environmental protection, we have received honors such as the Green Business Award, National Outstanding Industrial Waste Reduction Factory and Contributing Group Award, and Industry Outstanding Voluntary Greenhouse Gas Emission Reduction Factory Award from agencies including the EPA and MOEA. We have received many honors over the years, including the Council of Labor Affairs' Friendly Workplace Award and the Central Taiwan Science Park Administration's Superior Labor Health, Safety Enterprise Award and Health Promotion Administration's Outstanding Healthy Workplace Award.

Furthermore, we have also undertaken the health, safety, and risk management tasks prescribed in OHSAS 18001 and TOSHMS, and integrated an environmental, health and safety management system in order to enhance our overall environmental management performance. The company undertakes an internal environmental, health, and safety audit every half a year and an external audit yearly to ensure proper implementation.

Looking to the future, we will continue to strengthen our spirit of corporate sustainability, while responding to increasing environmental consciousness by engaging in appropriate environmental protection expenditure when needed, employing innovative technologies to improve the efficiency of pollution control equipment, and striving to minimize the environmental impact of production activities.

5. Employees-employer relations

a. Employee welfare, education and training, retirement system and implementation

1. Employee welfare

(1) The company has established an "Employee Welfare Committee," "retirement reserve fund supervisory committee," and "environmental, health, safety, and risk management committee," and employees can rely on channels such as employer-employee conferences and improvement suggestion measures to communicate with management.

(2) The company provides a comprehensive quality benefit package for its employees and their families. In addition to statutory benefits, such as Labor Insurance, National Health Insurance, and a pension reserve, the company provides a higher child allowance than the industry average.

A. Child allowance: In support of the government's policy to encourage people to have children, the company provides a higher child allowance for children born to Winbond employees. Employees who have been with the company for one year or longer will receive an allowance of NT$5,000 per month for each newborn baby until he/she reaches the age of four. The allowance has effectively improved the birth rate in the workplace, which is one of the indicators of a friendly company.

B. Marriage and childbirth allowances: In addition to the child allowance, employees are entitled to a marriage or childbirth allowance when they get married or have a child.

C. Retirement: The company has drafted retirement regulations in line with the requirements of the Labor Standards Law and Labor Pension Act. It makes contributions to the pension reserve for its employees under the old or new pension plan.

- Employees under the old pension plan pursuant to the Labor Standards Act: The contribution rate, in addition to monthly contributions at 2% of the monthly salary, is reviewed every year. The Supervisory Committees of Workers' Retirement Reserve Funds is in place to audit pension contributions regularly and to review pension applications.
- Employees under the new pension plan pursuant to the Labor Pension Act: Monthly contributions are made at 6% of the corresponding pay grade into the employees' personal pension accounts. Employees may make voluntary monthly contributions up to 6% of the corresponding pay grade into their personal pension accounts.

2. Employee training and education

The company has established a complete, diversified learning environment in accordance with the Education and Training Management Procedures, and has trained several dozen in-house lecturers in line with the ideal of "respect for the individual and cultivation of professionalism." A total of 334 training classes were held in 2016, and were attended for a total of 34,449 person-hours. Employees took part in training a total of 23,695 person-times, training expenditures totaled NT$13.72 million, and the average training cost per employee was NT$5,800. The company's main learning channels included the following:

(1) Classroom classes: In accordance with demand, we formulate professional, QC, work safety, management, and general education and training classes on an annual basis, and hold classes in accordance with

plans; employees may sign up to participate in these classes. The following is a summary of the various types of classes:

A. We offer management development training activities in accordance with our management functions blueprint; these activities include high-level, mid-level, and basic-level new manager training and other elective classes.
B. We offer common, QC, and work safety training in accordance with the company's quality policy, government laws, and overall demand. Examples of these training classes include working methods, statistical analysis methods, and emergency response safety training classes.
C. Professional training is offered when our units have need of specific professional functions. Examples include R&D design classes, process testing classes, and international seminar sharing sessions.
D. New employee training classes are geared to getting newcomers quickly up to speed, and include the employment system, corporate culture, and work adaptation classes.
E. We conduct basic training assessments for direct personnel, including new employees, as well as continuing advanced professional skills assessments.

(2) Online classes: The company's training website provides information on various online classes. To ensure that learning is not limited to certain times or places, employees can access lecture notes from various types of classes online at any time. We offer the following types of online classes: Classes on the company environment and management system, etc.; classes on laws, regulations, and rules of conduct; basic process training; language classes and other elective classes.

(3) Lifelong learning: To encourage employers' continuing development and personal growth, in accordance with the In-service Continuing Education Regulations, we recommend that employees study for Master's or Ph.D. degrees at Ministry of Education-accredited domestic universities or approved foreign universities, and the company will subsidize relevant costs. We also provide employees subsidies for enhancement and work-related skills training provided by an external or foreign organization.

b. Licenses held by personnel involved in meaning the transparency of financial information:

Certification	Number of people
International certified internal auditor (CIA)	3
International certification in control self-assessor (CCSA)	1
International certified information systems auditor (CISA)	3
CPA of ROC (CPA)	1

c. Labor-management harmony and employee rights maintenance measures

1. The company has drafted "employer-employee conference implementation regulations," and regularly holds employer-employee conferences to discuss and negotiate issues of importance. Items in conference resolutions must be dealt with fully by relevant units within a limited time.

2. The company has drafted "internal appeal regulations" intended to maintain employees' lawful rights and interests and help eliminate illegal and unreasonable treatment of employees, ensuring that employees enjoy a legally-compliant, reasonable, and fair working environment.

d. Losses due to labor-management disputes during the most recent year and up to the annual report publication date: None

e. Estimated losses due to current and possible future labor-management disputes and response measures

The company holds regular employer-employee conferences to promote the exchange of views between employer-employee. Both sides have consistently maintained a state of consensus since the founding of the company, and no disputes have occurred.

f. Employee rules of conduct

This company has drafted comprehensive rules of conduct to provide employees with standards for work ethics and conduct, protection of intellectual property rights/business secrets, and work orders. These rules, which are described below, can be viewed by employees via the document management system, announcements in relevant internal websites, or bulletin board messages:

1. Work ethics and conduct

(1) Work rules: The company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.

(2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, The company has explicitly drafted workplace sexual harassment prevention regulations and established a dedicated awareness website, and has adopted appropriate prevention, correction, and punishment measures.

(3) Employment contracts: Specifies the requirement that employees faithfully perform their duties.

(4) Human resource management conduct guidelines: In accordance with relevant government laws and regulations and company regulations, we have drafted "human resource management conduct guidelines" classes on such subjects as eliminating discrimination, fair treatment, and prohibition of involuntary labor. To ensure that everyone can work under fair and lawful conditions, all company employees receive extensive awareness of these guidelines.

2. Rules for protection of intellectual property rights and maintenance of business secrets

(1) Work rules: The company's regulations contain general principles for maintenance of the confidentiality of business secrets.

(2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms.

3. Work orders

(1) Division of responsibilities: The "guidelines for responsibility stratification" specify the division of responsibilities, and serve to guide the performance of on-the-job duties.

(2) Duties of individual units: The mission of each unit is clearly defined.

(3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the company's internal management is not compromised unnecessarily by family relationships between employees.

(4) Attendance management

(a) "Request for leave regulations": These regulations explicitly state The company's leave request principles and regulations.

(b) "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.

(c) "Overtime regulations": These regulations explicitly specify The company's overtime principles and standards.

(d) "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major accidents.

(5) Performance management

(a) "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.

(b) "Performance guidance operating regulations": Performance guidance work seeks to enhance the productivity of the company as a whole.

(6) Reward and penalty regulations

The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations, and have the intent of encouraging and maintaining on-the-job morale and order.

(7) Manpower development

(a) "In-service continuing education regulations": These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the company's long-term operations.

(b) "Regulations concerning application to participate in academic groups and organizations": Participation in academic groups and organizations participate can promote the diffusion of knowledge and experience, and help employees to find out about the newest information in their professional fields.

(c) "Conference participation and management regulations": Participation in international conferences enables employees to acquire the newest information in their professional fields.

(8) Communication channels

(a) "Labor-management conference implementation regulations": These regulations enshrine the consensus and shared welfare of labor and management, promote teamwork for the sake of corporate development and employee welfare, establish an effective two-way communication system between labor and management, put an end to labor-management disputes, ensure harmonious labor-management relations, and encourage maximal productivity.

(b) "Corporate internal appeal regulations": These regulations provide employees with channels expressing their views and making appeals directly to the company, maintain employees' rights and interests, and encourage communication of views.

(c) "Employee suggestion regulations": Employee's ideas and creative thinking can help the company to continue to improve. These regulations provide for rewards for employees who submit proposals concerning the company's operations, and are intended to encourage employees to contribute their intelligence and experience.

6. Important contracts

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Technical cooperation	Qimonda AG of Germany	2007.06 - 2014.12 (Note 2)	Licensing of 75nm and 58nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2008.04 - 2015.12 (Note 2)	Licensing of 65nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2009.08-permanent (Note 2)	Licensing of graphics DRAM process technology and equipment purchase, expanded licensing for 90-65nm process technology, and settlement of insolvency procedure	None
Technical cooperation	Qimonda AG of Germany	2010.04-permanent (Note 2)	Licensing of 45 nm and 46 nm Buried Wordline DRAM processes and equipment purchase	None
Syndicated loan	17 banks, including Bank of Taiwan	2011.12 - 2016.12	Medium- and long-term loans	Financial ratios have to comply with the requirements in the contracts.
Equipment leasing	Powerchip Semiconductor Corp.	2013.12 - 2016.12	The company acquired foundry service production capacity (both parties entered into separate service agreements)	None
Syndicated loan	13 banks, including CTBC Bank	2014.11 - 2019.11	Medium- and long-term loans	Financial ratios have to comply with the requirements in the contracts.
Bank loans	Bank of Taiwan	2014.12 - 2021.12	Medium- and long-term loans	None
New construction	TASA Construction Corporation	2015.05 - 2121.11	Material procurement for new civil construction at FAB-C at Central Taiwan Science Park	None
New construction	TASA Construction Corporation	2015.05 - 2121.11	Construction contract for new civil construction at FAB-C at Central Taiwan Science Park	None
Syndicated loan	17 banks, including Bank of Taiwan	2016.12 - 2121.12	Medium- and long-term loans	Financial ratios have to comply with the requirements in the contracts.

Note 1: Winbond and Qimonda AG entered an agreement in August 2009 to terminate the prior agreement on reserving specific capacity.

Note 2: The licensing of 90-45nm process technologies from Qimonda AG becomes permanent after Winbond pays off royalties as agreed.

7. Financial difficulties and corporate events encountered by the company and affiliates in the past year and up to the date of report that have material impact on the financial status of the company: None

Financial Overview

1. Condensed balance sheets, statements of income, names of auditors, and audit opinions (2012-2016)

1.1 Condensed consolidated balance sheet and statements of income

1.1.1 Condensed consolidated balance sheet (2012 - 2016)

Unit: NT$1,000

Item\Year		Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
		2012	2012	2013	2014	2015	2016
Current assets		20,287,621	20,065,265	22,408,255	22,976,738	24,712,757	27,259,743
Funds and long-term investments	Financial assets available for sale	64,530	64,530	281,070	-	-	146,913
	Held-to-maturity investment	-	-	97,770	101,840	-	-
	Financial assets carried at cost	604,185	678,588	656,676	719,378	727,786	611,699
	Investment accounted for using equity method	1,727,128	1,726,533	2,407,094	2,416,386	1,724,898	2,654,477
Property, plant and equipment (fixed assets)		29,021,114	29,021,114	24,804,025	33,986,751	31,915,030	34,372,537
Intangible assets		183,310	183,310	193,947	311,616	270,926	285,304
Other assets	Other non-current assets	4,331,249	4,536,698	4,829,841	4,328,308	3,246,370	2,658,822
Total Assets		56,219,137	56,276,038	55,678,678	64,841,017	62,597,767	67,989,495
Current liabilities	Before distribution	14,373,014	14,443,119	12,501,610	14,451,378	12,333,195	14,605,735
	After distribution	14,373,014	14,443,119	12,501,610	14,451,378	12,691,195	(Note 3)
Non-current liabilities	Long-term liabilities	6,550,000	6,550,000	6,076,193	9,763,339	8,755,160	6,638,273
	Other liabilities	638,157	1,167,384	1,212,773	1,326,209	1,410,873	1,524,688
Total liabilities	Before distribution	21,561,171	22,160,503	19,790,576	25,540,926	22,499,228	22,768,696
	After distribution	21,561,171	22,160,503	19,790,576	25,540,926	22,857,228	(Note 3)
Equity attributable to owners of parent		33,472,439	33,006,052	34,813,920	38,183,244	38,901,971	43,920,961
Capital		36,856,012	36,856,012	36,940,232	36,949,822	35,800,002	35,800,002
Capital surplus		2,199,126	2,177,342	2,148,359	2,143,393	2,470,292	2,471,044
Accumulated profit (loss)	Before distribution	(4,335,976)	(4,430,750)	(4,187,772)	(1,119,684)	2,086,060	4,556,570
	After distribution	(4,335,976)	(4,430,750)	(4,187,772)	(1,119,684)	1,728,060	(Note 3)
Other interests	Unrealized gain (loss) on financial instruments	(1,408,417)	(1,408,417)	79,055	292,835	(1,436,767)	1,176,299
	Exchange differences arising on translation of foreign currency financial statements (cumulative translation adjustment)	268,081	(81,748)	(59,567)	23,265	88,771	23,433
Treasury stock		(106,387)	(106,387)	(106,387)	(106,387)	(106,387)	(106,387)
Non-controlling interests (minority interests)		1,185,527	1,109,483	1,074,182	1,116,847	1,196,568	1,299,838
Total equity (total stockholders' equity)	Before distribution	34,657,966	34,115,535	35,888,102	39,300,091	40,098,539	45,220,799
	After distribution	34,657,966	34,115,535	35,888,102	39,300,091	39,740,539	(Note 3)

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial information for FY 2012 to FY 2016 was audited and certified by accountants. The 2016 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 3: Pending final approval from Shareholders' Meeting.

1.1.2 Condensed consolidated statements of income (2012-2016)

Unit: NT$1,000

Item\Year	Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
	2012	2012	2013	2014	2015	2016
Operating revenue	32,965,283	32,965,283	33,135,448	37,989,660	38,350,315	42,091,709
Gross profit	5,160,284	5,162,985	6,908,932	10,790,461	11,821,653	12,017,772
Operating income (loss)	(1,279,475)	(1,281,362)	765,198	3,658,423	4,108,926	3,712,956
Non-operating income and	(160,596)	(168,158)	(206,544)	282,615	139,258	41,664

expense						
Net income (loss) before tax	(1,440,071)	(1,449,520)	558,654	3,941,038	4,248,184	3,754,620
Less: Income tax expense	175,037	175,037	271,288	730,494	775,311	614,546
Net income (loss)	(1,615,108)	(1,624,557)	287,366	3,210,544	3,472,873	3,140,074
Other comprehensive income		(227,705)	1,567,420	294,103	(1,754,383)	2,485,116
Total comprehensive income		(1,852,262)	1,854,786	3,504,647	1,718,490	5,625,190
Earnings (loss) per share (NT$)	(0.50)	(0.51)	0.06	0.83	0.90	0.81
Net income (loss) attributable to:						
Owners of parent		(1,862,883)	206,564	3,075,969	3,291,251	2,897,791
Non-controlling interests		238,326	80,802	134,575	181,622	242,283
Net income (loss)		(1,624,557)	287,366	3,210,544	3,472,873	3,140,074
Total comprehensive income attributable to:						
Owners of parent		(2,040,687)	1,752,631	3,364,700	1,541,648	5,376,238
Non-controlling interests		188,425	102,155	139,947	176,842	248,952
Total comprehensive income		(1,852,262)	1,854,786	3,504,647	1,718,490	5,625,190

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial information for FY 2012 to FY 2016 was audited and certified by accountants. The 2016 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

1.2 Condensed balance sheet and statements of income

1.2.1 Condensed balance sheet (2012 - 2016)

Unit: NT$1,000

Item\Year		Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
		2012	2012	2013	2014	2015	2016
Current assets		15,811,873	15,664,873	17,675,258	18,128,962	19,345,192	21,269,634
Funds and long-term investments	Financial assets available sale	64,530	64,530	281,070	-	-	-
	Held-to-maturity investme	-	-	97,770	101,840	-	-
	Financial assets carried at	56,481	56,481	40,161	40,161	80,161	37,649
	Investment accounted using equity method	5,387,887	5,285,053	6,224,488	6,576,196	6,049,338	7,201,908
Property, plant and equipment (fixed assets)		28,396,274	28,396,274	24,132,155	33,304,147	31,195,173	33,607,842
Intangible assets		38,430	38,430	52,000	52,000	76,371	69,438
Other assets	Other non-current assets	3,803,504	3,933,597	4,352,813	3,807,584	2,750,037	2,212,579
Total Assets		53,558,979	53,439,238	52,855,715	62,010,890	59,496,272	64,399,050
Current liabilities	Before distribution	13,009,438	13,055,594	11,125,426	13,194,495	10,878,474	12,760,416
	After distribution	13,009,438	13,055,594	11,125,426	13,194,495	11,236,474	Note 3
Non-current liabilities	Long-term liabilities	6,550,000	6,550,000	6,076,193	9,763,339	8,755,160	6,638,273
	Other liabilities	527,102	827,592	840,176	869,812	960,667	1,079,400
Total liabilities	Before distribution	20,086,540	20,433,186	18,041,795	23,827,646	20,594,301	20,478,089
	After distribution	20,086,540	20,433,186	18,041,795	23,827,646	20,952,301	Note 3
Capital		36,856,012	36,856,012	36,940,232	36,949,822	35,800,002	35,800,002
Capital surplus		2,199,126	2,177,342	2,148,359	2,143,393	2,470,292	2,471,044
Accumulated profit (loss)	Before distribution	(4,335,976)	(4,430,750)	(4,187,772)	(1,119,684)	2,086,060	4,556,570
	After distribution	(4,335,976)	(4,430,750)	(4,187,772)	(1,119,684)	1,728,060	Note 3
Other interests	Unrealized gain (loss) financial instruments	(1,408,417)	(1,408,417)	79,055	292,835	(1,436,767)	1,176,299
	Exchange differences arising on translation of foreign currency financial statements (cumulative translation adjustment)	268,081	(81,748)	(59,567)	23,265	88,771	23,433
Treasury stock		(106,387)	(106,387)	(106,387)	(106,387)	(106,387)	(106,387)
Total equity (total stockholders' equity)	Before distribution	33,472,439	33,006,052	34,813,920	38,183,244	38,901,971	43,920,961
	After distribution	33,472,439	33,006,052	34,813,920	38,183,244	38,543,971	Note 3

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial information for FY 2012 to FY 20164 was audited and certified by accountants. The 2016 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 3: Pending final approval from Shareholders' Meeting.

1.2.2 Condensed statements of income (2012 - 2016)

Unit: NT$1,000

Item\Year	Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
	2012	2012	2013	2014	2015	2016
Operating revenue	25,418,819	25,418,819	26,165,961	30,929,689	30,843,606	33,534,343
Gross profit	1,943,103	1,945,491	3,939,796	7,614,128	8,462,362	8,259,823
Operating income (loss)	(2,027,742)	(2,023,662)	344,684	3,224,735	3,506,698	2,969,794
Non-operating income and expense	175,206	160,779	(138,120)	447,234	403,553	401,436
Net income (loss) before tax	(1,852,536)	(1,862,883)	206,564	3,671,969	3,910,251	3,371,230
Less: Income tax expense	-	-	-	596,000	619,000	473,439
Net income (loss)	(1,852,536)	(1,862,883)	206,564	3,075,969	3,291,251	2,897,791
Other comprehensive income		(177,804)	1,546,067	288,731	(1,749,603)	2,478,447
Total comprehensive income		(2,040,687)	1,752,631	3,364,700	1,541,648	5,376,238
Earnings (loss) per share (NT$)	(0.50)	(0.51)	0.06	0.83	0.90	0.81

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial information for FY 2012 to FY 2016 was audited and certified by accountants. The 2016 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

1.3 Names of auditors and audit opinions (2012 – 2016)

Year	CPA	Audit opinion
2012	K. T. Hong and L. C. Wu	Unqualified opinion
2013	K. T. Hong and L. C. Wu	Unqualified opinion
2014	K. T. Hong and L. C. Wu	Unqualified opinion
2015	K. T. Hong and L. C. Wu	Unqualified opinion
2016	Ker-Chang Wu and Hung-Bin Yu etc.	Unqualified opinion

2. Financial Analysis of the Last Five Years.

2.1 Financial analysis of consolidated financial statements (2012 – 2016)

Item\Year		Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
		2012	2012	2013	2014	2015	2016
Financial structure	Debt-to-assets ratio (%)	38.35	39.37	35.54	39.39	35.94	33.48
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	141.99	144.14	174.07	148.26	157.49	155.30
Solvency	Current ratio (%)	141.15	138.92	179.24	158.99	200.37	186.63
	Quick ratio (%)	81.57	79.66	118.07	108.72	122.21	126.78
	Times interest earned	-	-	3.15	23.22	17.10	21.07
Operating ability	Receivables turnover ratio (times)	7.47	7.47	6.86	7.22	7.11	7.6
	Average days of collection	48	49	53	51	51	48
	Inventory turnover ratio (times)	3.61	3.61	3.47	4.09	3.57	3.74
	Payables turnover ratio (times)	6.70	6.70	6.54	6.59	5.88	6.51
	Average days of sales	101	101	105	89	102	98
	Property, plant and equipment (fixed assets) turnover ratio (times)	1.02	1.02	1.23	1.29	1.16	1.26
	Total assets turnover ratio (times)	0.56	0.56	0.59	0.63	0.60	0.64
Profitability	Return on assets (%)	(2.24)	(2.25)	0.89	5.57	5.79	5.04
	Return on equity (shareholder's equity) (%)	(4.54)	(4.63)	0.82	8.54	8.74	7.36
	Operating income to paid-in capital (%)	(3.47)	(3.47)	2.07	9.90	11.47	10.37
	Income before tax to paid-in capital (%)	(3.90)	(3.93)	1.51	10.66	11.86	10.48
	Net profit margin (%)	(4.89)	(4.92)	0.86	8.45	9.05	7.46
	Earnings per share (NT$)	(0.50)	(0.51)	0.06	0.83	0.90	0.81
Cash flows	Cash flow ratio (%)	44.21	44.03	58.05	63.21	62.09	68.4
	Cash flow adequacy ratio (%)	90.11	92.03	152.11	124.54	120.88	129.69
	Cash reinvestment ratio (%)	5.52	5.53	5.94	6.92	5.58	6.62
Leverage	Operating leverage	(9.80)	(9.78)	15.35	3.91	3.91	4.27
	Financial leverage	0.77	0.77	1.51	1.05	1.06	1.05
Reasons for changes in financial ratios exceeding 20%: Increase in times interest earned was mainly due to decrease in loans which led to decrease in interest expenses.							

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial ratios were computed based on CPA-audited financial information. The computation formulas used in financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment (fixed assets) ratio = (total equity + non-current liabilities) / net property, plant and equipment (fixed assets).
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover ratio.
   (6) Property, plant and equipment (fixed assets) turnover ratio = net sales / net average property, plant and equipment. (Fixed assets).
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) Return on equity (shareholder's equity) = after-tax profit /total average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash flow reinvestment ratio = (net cash flow of operating activities - cash dividend)/ (gross property, plant and equipment (fixed assets) value + long-term investment + other non-current assets + operating capital).
6. Leverage
   (1) Operating leverage＝ (net operating income – variable operating cost and expenses) / operating income.

(2) Financial leverage = operating income / (operating income – interest expense).

2.2 Financial analysis of financial statements (2012-2016)

Item\Year		Based on Financial Accounting Standards in Taiwan	Based on International Financial Accounting Standards (IFRSs) (Note 1)				
		2012	2012	2013	2014	2015	2016
Financial structure	Debt-to-assets ratio (%)	37.50	38.23	34.13	38.42	34.61	31.79
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	140.94	142.21	172.92	146.57	155.85	153.65
Solvency	Current ratio (%)	121.48	119.98	158.87	137.39	177.83	166.68
	Quick ratio (%)	64.00	62.70	98.50	88.99	99.46	109.12
	Times interest earned	-	-	1.79	21.73	15.9	19.02
Operating ability	Receivables turnover ratio (times)	7.54	7.54	6.88	7.24	7.13	7.73
	Average days of collection	48	48	53	50	51	47
	Inventory turnover ratio (times)	3.46	3.46	3.36	4.00	3.43	3.64
	Payables turnover ratio (times)	6.61	6.61	6.50	6.52	5.71	6.56
	Average days of sales	105	105	109	91	106	100
	Property, plant and equipment (fixed assets) turnover ratio (times)	0.80	0.80	0.99	1.07	0.95	1.03
	Total assets turnover ratio (times)	0.45	0.45	0.49	0.53	0.50	0.54
Profitability	Return on assets (%)	(2.77)	(2.79)	0.79	5.61	5.77	4.92
	Return on equity (shareholder's equity) (%)	(5.38)	(5.47)	0.60	8.42	8.53	6.99
	Operating income to paid-in capital (%)	(5.46)	(5.49)	0.93	8.72	9.79	8.29
	Income before tax to paid-in capital (%)	(5.02)	(5.05)	0.55	9.93	10.92	9.41
	Net profit margin (%)	(7.28)	(7.32)	0.78	9.94	10.67	8.64
	Earnings per share (NT$)	(0.50)	(0.51)	0.06	0.83	0.90	0.81
Cash flows	Cash flow ratio (%)	43.92	44.24	58.19	64.35	68.19	73.17
	Cash flow adequacy ratio (%)	89.30	91.60	149.53	122.07	118.15	125.75
	Cash reinvestment ratio (%)	5.81	5.88	6.14	7.36	6.15	6.98
Leverage	Operating leverage	(4.71)	(4.68)	26.17	3.56	3.71	4.18
	Financial leverage	0.84	0.84	4.02	1.05	1.08	1.06
The Company did not have changes in financial ratios exceeding 20% in the past two years.							

Note 1: The Company adopts the FSC-recognized IFRSs in preparing consolidated financial statements starting 2013.

Note 2: The financial ratios were computed based on CPA-audited financial information. The computation formulas used in financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment (fixed assets) ratio = (total equity + non-current liabilities) / net property, plant and equipment (fixed assets).
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover ratio.
   (6) Property, plant and equipment (fixed assets) turnover ratio = net sales / net average property, plant and equipment (fixed assets).
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets = [net income + interest expense (1– tax rate)] / average total assets.
   (2) Return on equity (shareholder’s equity) = after-tax profit /total average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash flow reinvestment ratio = (net cash flow of operating activities - cash dividend)/ (gross property, plant and equipment (fixed assets) value + long-term investment + other non-current assets + operating capital).

6. Leverage

(1) Operating leverage＝ (net operating income – variable operating cost and expenses) / operating income.

(2) Financial leverage = operating income / (operating income – interest expense).

3. Supervisors' Audit Report

The Company's Board of Directors has prepared the 2016 parent company only financial statements and the consolidated financial statements, which have been audited by Ker-Chang Wu and Hung-Bin Yu at Deloitte & Touche who have been retained by the Company's Board of Directors to issue an independent auditors' report. The independent auditors' report provides that the 2016 parent company only financial statements and the consolidated financial statements of the Company can fairly present the Company's financial position. We hereby produce this consolidated business report in accordance with provisions specified in Article 219 of the Company Act and submit it for your review.

To:

2016 General Shareholders’ Meeting

Winbond Electronics Corporation

Supervisor: Chih Xin Investment Corp. representative:

James Wen

Supervisor: Peter Chu

Supervisor: Hong-Chi Yu

March 27, 2017

Winbond Electronics Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying consolidated financial statements of Winbond Electronics Corporation (the Company) and its subsidiaries (collectively referred as the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Accounts Receivable

The recognition of allowance for doubtful accounts is subject to management's estimation of recoverable amount of past due and uncollectible accounts receivable, and the impairment loss on accounts receivable is influenced by management's assumptions of customer credit risk. We especially pay attention to material and slow-collecting balances of accounts receivable, and the rationale of impairment loss provisioned by management.

Accounting policies for accounts receivable are set out within Note 4 of the consolidated financial statements. Refer to Note 10 of the consolidated financial statements for disclosures of the carrying amounts of accounts receivable.

Our audit procedures in response to impairment of accounts receivable consisted of the following, evaluated the rationale of classification and provision rates used on aging report of accounts receivable prepared by management, examined the calculation of the aging report, compared the aging distribution and actual write-offs of accounts receivable of current year with those of prior year, assessed the collectability of outstanding balances of accounts receivable by checking cash collection after balance sheet date, inspected the authorization of customer credit line and reviewed transaction records of ledger book to ensure the validity of internal control of accounts receivable.

Valuation of Inventory

Fluctuating market prices of inventory caused by rapid changes of market demand and technology development may lead to slow-moving or obsolescent loss of inventory. In addition, cost allocation of inventory and the net realization value are subject to management's judgement and estimation. We especially pay attention to the Group's inventory held at lower of cost and realization value in conformity with the requirements of IAS 2 and the reasonableness of impairment loss of inventory provisioned by management.

The accounting policy for the valuation of inventory is set out within Note 4 of the consolidated financial statements. Refer to Note 12 of the consolidated financial statements for details of the inventory provisions and obsolescence.

Our audit procedures in response to inventory valuation included:

1. Performed test of details of inventory ledger to verify proper cost allocation of materials, labor costs and overheads to inventory items and ensure no understatement impairment loss caused by improper cost allocation.

2. Tested the aging report of inventory, compared the inventory provision policy of current year with prior year to analyze the differences, verified the numbers and forecast data used to calculate impairment loss of inventory, compared provisioned loss with actual inventory write-offs, and evaluated the fundamental hypothesis of forecast data to assess the validity of inventory provision policy.

3. Selected samples of inventory items and compared the latest actual selling prices with the book values to ensure inventory been stated at lower of cost and net realization value.

4. Compared the year-end quantity of inventory items with the inventory count reports to confirm the existence and completeness of the inventory. Moreover, by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provisions for obsolete and damaged goods.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 3, 2017

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 7,683,817	11	$ 6,396,615	10
Current financial assets at fair value through profit or loss (Notes 4 and 7)	5,559	-	-	-
Current available-for-sale financial assets (Notes 4 and 8)	4,486,893	7	2,500,550	4
Current held-to-maturity financial assets (Notes 4 and 9)	-	-	99,900	-
Notes and accounts receivable, net (Notes 4 and 10)	5,756,815	8	5,184,287	8
Accounts receivable due from related parties, net (Note 27)	49,531	-	80,915	-
Other receivables (Notes 6 and 11)	518,048	1	794,939	1
Inventories (Notes 4 and 12)	7,536,161	11	8,535,835	14
Other current assets	1,222,919	2	1,119,716	2
Total current assets	27,259,743	40	24,712,757	39
NON-CURRENT ASSETS				
Non-current available-for-sale financial assets (Notes 4 and 8)	146,913	-	-	-
Non-current financial assets measured at cost (Notes 4 and 13)	611,699	1	727,786	1
Investments accounted for using equity method (Notes 4 and 14)	2,654,477	4	1,724,898	3
Property, plant and equipment (Notes 4 and 15)	34,372,537	51	31,915,030	51
Investment properties (Notes 4 and 16)	61,673	-	71,866	-
Intangible assets (Notes 4 and 17)	285,304	-	270,926	-
Deferred income tax assets (Notes 4 and 22)	2,353,422	4	2,853,873	5
Other non-current assets (Notes 6 and 11)	243,727	-	320,631	1
Total non-current assets	40,729,752	60	37,885,010	61
TOTAL	$ 67,989,495	100	$ 62,597,767	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	$ 47,288	-	$ 22,427	-
Notes and accounts payable	4,209,720	6	3,846,484	6
Accounts payable to related parties (Note 27)	472,489	1	707,064	1
Payables on machinery and equipment	3,826,462	6	811,277	2
Other payables	2,786,505	4	2,455,022	4
Long-term borrowings, current portion (Note 18)	3,090,180	4	4,352,267	7
Other current liabilities	173,091	-	138,654	-
Total current liabilities	14,605,735	21	12,333,195	20
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	6,638,273	10	8,755,160	14
Net defined benefit liabilities, non-current (Notes 4 and 19)	1,062,706	1	1,025,969	2
Other non-current liabilities	461,982	1	384,904	-
Total non-current liabilities	8,162,961	12	10,166,033	16
Total liabilities	22,768,696	33	22,499,228	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)				
Common stock	35,800,002	53	35,800,002	57
Capital surplus	2,471,044	3	2,470,292	4
Retained earnings				
Legal reserve	208,606	-	-	-
Special reserve	1,395,063	2	-	-
Unappropriated earnings	2,952,901	5	2,086,060	3
Exchange differences on translation of foreign financial statements	23,433	-	88,771	-
Unrealized gains (losses) on available-for-sale financial assets	1,176,299	2	(1,436,767)	(2)
Treasury shares	(106,387)	-	(106,387)	-
Total equity attributable to owners of the parent	43,920,961	65	38,901,971	62
NON-CONTROLLING INTERESTS	1,299,838	2	1,196,568	2
Total equity	45,220,799	67	40,098,539	64
TOTAL	$ 67,989,495	100	$ 62,597,767	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE	$ 42,091,709	100	$ 38,350,315	100
OPERATING COST (Note 12)	30,073,937	71	26,528,662	69
GROSS PROFIT	12,017,772	29	11,821,653	31
OPERATING EXPENSES				
Selling expenses	1,243,513	3	1,193,005	3
General and administrative expenses	1,308,571	3	1,257,611	3
Research and development expenses	5,752,732	14	5,262,111	14
Total operating expenses	8,304,816	20	7,712,727	20
INCOME FROM OPERATIONS	3,712,956	9	4,108,926	11
NON-OPERATING INCOME AND EXPENSES				
Interest income	175,417	-	173,461	1
Dividend income	126,790	-	124,449	-
Other income	38,495	-	53,143	-
Gains (losses) on financial instruments at fair value through profit or loss	55,725	-	(121,027)	-
Share of profit of associates accounted for using equity method (Note 14)	12,384	-	21,884	-
Interest expenses	(187,010)	-	(263,751)	(1)
Other expenses	(33,008)	-	(35,172)	-
Losses on disposal of property, plant and equipment	(4,520)	-	(8,341)	-
(Losses) gains on disposal of investments	(1,811)	-	32,047	-
Foreign exchange (losses) gains	(94,713)	-	162,565	-
Impairment loss on financial assets (Note 13)	(30,000)	-	-	-
Impairment loss on property, plant and equipment (Note 15)	(16,085)	-	-	-
Total non-operating income and expenses	41,664	-	139,258	-
PROFIT BEFORE INCOME TAX	3,754,620	9	4,248,184	11
INCOME TAX EXPENSE (Notes 4 and 22)	614,546	2	775,311	2
NET PROFIT	3,140,074	7	3,472,873	9

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 19)	$ (82,556)	-	$ (97,066)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(77,894)	-	72,285	-
Unrealized gains (losses) on available-for-sale financial assets	1,728,371	4	(1,016,229)	(3)
Share of the other comprehensive income (loss) of associates accounted for using equity method	917,195	2	(713,373)	(2)
Other comprehensive income (loss)	2,485,116	6	(1,754,383)	(5)
TOTAL COMPREHENSIVE INCOME	$ 5,625,190	13	$ 1,718,490	4
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 2,897,791	7	$ 3,291,251	9
Non-controlling interests	242,283	-	181,622	-
	$ 3,140,074	7	$ 3,472,873	9
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 5,376,238	13	$ 1,541,648	4
Non-controlling interests	248,952	-	176,842	-
	$ 5,625,190	13	$ 1,718,490	4
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.81		$ 0.90	
Diluted	$ 0.81		$ 0.90	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent										
			Retained Earnings			Other Equity					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2015	$ 36,949,822	$ 2,143,393	$ -	$ -	$ (1,119,684)	$ 23,265	$ 292,835	$ (106,387)	$ 38,183,244	$ 1,116,847	$ 39,300,091
Net profit for 2015	-	-	-	-	3,291,251	-	-	-	3,291,251	181,622	3,472,873
Other comprehensive income for 2015	-	-	-	-	(85,507)	65,506	(1,729,602)	-	(1,749,603)	(4,780)	(1,754,383)
Total comprehensive income for 2015	-	-	-	-	3,205,744	65,506	(1,729,602)	-	1,541,648	176,842	1,718,490
Acquisition of treasury share	-	-	-	-	-	-	-	(822,921)	(822,921)	-	(822,921)
Retirement of treasury share	(1,149,820)	326,899	-	-	-	-	-	822,921	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(97,121)	(97,121)
BALANCE, DECEMBER 31, 2015	35,800,002	2,470,292	-	-	2,086,060	88,771	(1,436,767)	(106,387)	38,901,971	1,196,568	40,098,539
Appropriation of 2015 earnings											
Legal reserve	-	-	208,606	-	(208,606)	-	-	-	-	-	-
Special reserve	-	-	-	1,395,063	(1,395,063)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(358,000)	-	-	-	(358,000)	-	(358,000)
Total appropriations	-	-	208,606	1,395,063	(1,961,669)	-	-	-	(358,000)	-	(358,000)
Net profit for 2016	-	-	-	-	2,897,791	-	-	-	2,897,791	242,283	3,140,074
Other comprehensive income for 2016	-	-	-	-	(69,281)	(65,338)	2,613,066	-	2,478,447	6,669	2,485,116
Total comprehensive income for 2016	-	-	-	-	2,828,510	(65,338)	2,613,066	-	5,376,238	248,952	5,625,190
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	752	-	-	-	-	-	-	752	-	752
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	(145,682)	(145,682)
BALANCE, DECEMBER 31, 2016	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,952,901	$ 23,433	$ 1,176,299	$ (106,387)	$ 43,920,961	$ 1,299,838	$ 45,220,799

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,754,620	$ 4,248,184
Adjustments for:		
Depreciation expense	5,570,860	5,755,004
Amortization expense	99,669	101,995
Provision for allowance for doubtful accounts	4,932	1,698
(Reversal of) provision for decline in market value and obsolescence and abandonment of inventories	(44,645)	141,831
Net loss on financial assets and liabilities at fair value through profit or loss	19,302	5,532
Interest expense	187,010	263,751
Interest income	(175,417)	(173,461)
Dividend income	(126,790)	(124,449)
Share of profit of associates accounted for using equity method	(12,384)	(21,884)
Loss on disposal of property, plant and equipment	4,520	8,341
Impairment loss on financial assets	30,000	-
Impairment loss on non-financial assets	16,111	-
Loss (gain) on disposal of investments	1,811	(32,047)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(576,408)	245,974
Decrease in accounts receivable due from related parties	31,384	4,319
Increase in other receivables	(45,677)	(202,610)
Decrease (increase) in inventories	1,044,319	(2,360,730)
Increase in other current assets	(103,203)	(166,897)
Decrease (increase) in other non-current assets	37	(13,524)
Increase in notes and accounts payable	366,754	23,402
(Decrease) increase in accounts payable to related parties	(234,575)	64,500
Increase in other payables	355,737	204,975
Increase in other current liabilities	34,437	17,818
Increase (decrease) in other non-current liabilities	43,305	(2,833)
Cash inflow generated from operations	10,245,709	7,988,889
Interest received	34,907	46,855
Dividends received	126,790	124,449
Interest paid	(238,139)	(330,970)
Income taxs paid	(177,843)	(170,700)
Net cash flows from operating activities	9,991,424	7,658,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(504,432)	(686,329)
Proceeds from disposal of available-for-sale financial assets	146,565	80,433
Proceeds from capital reduction of available-for-sale financial assets	7,913	23,187
Acquisition of financial assets measured at cost	-	(40,000)
Proceeds from disposal of financial assets measured at cost	8,243	-
Proceeds from repayment of held-to-maturity financial assets	101,100	-

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	**2015**
Proceeds from capital reduction of financial assets measured at cost	$ 18,017	$ 31,592
Acquisitions of property, plant and equipment	(4,988,580)	(4,093,513)
Proceeds from disposal of property, plant and equipment	1,121	3,835
Acquisition of intangible assets	(111,444)	(49,576)
Decrease in financial lease receivables	574,353	299,817
Net cash used in investing activities	(4,747,144)	(4,430,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(390,213)
Proceeds in long-term borrowings	1,000,000	3,460,710
Repayments of long-term borrowings	(4,352,267)	(6,017,973)
Payments to acquire treasury shares	-	(822,921)
Increase in non-controlling interests	(158,238)	(90,342)
Cash dividends paid	(357,248)	-
Other financing activities	(38,600)	-
Net cash used in financing activities	(3,906,353)	(3,860,739)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(50,725)	53,871
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,287,202	(578,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,396,615	6,975,514
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,683,817	$ 6,396,615

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company's shares have been listed on the Taiwan Stock Exchange since October 18, 1995. Walsin Lihwa is a major shareholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2016 and 2015.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on February 3, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 2)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New, Amended or Revised Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 5 is applied prospectively to changes in method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above IFRSs in 2017 and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers does not have any material impact on the Group's accounting policies:

1) Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"

   IAS 36 was amended to clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs 2011-2013 Cycle

   The scope in IFRS 13 of the portfolio exception for measuring the fair value of a company's financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Group will choose to measure the fair value of those contracts retrospectively on a net basis.

3) Annual Improvements to IFRSs 2012-2014 Cycle

   IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate the discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

   There is no anticipated material impact of retrospective application of the above amendments starting from 2017.

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and additional requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned IFRSs amendments starting from 2017 and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. The IFRSs issued but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs except IFRS 9 and IFRS 15 starting from January 1, 2018.

New IFRSs	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment 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 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

   Attribution of total comprehensive income to non-controlling interests

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

   Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2016	% of Ownership December 31 2015
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100	100
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100	100
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100	100
Landmark	Winbond Electronics Corp. Japan ("WECJ")	Research, development, sales and after-sales service of semiconductor	100	100
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100	100
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor	100	100
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100	100
PCI	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100	100
The Company	Mobile Magic Design Corporation ("MMDC")	Design, development and marketing of Pseudo SRAM	100	100
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100	100
The Company	Newfound Asian Corp. ("NAC")	Investment holding	100	100
NAC	Baystar Holdings Ltd. ("BHL")	Investment holding	100	100
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61
The Company	Techdesign Corporation ("TDC") (Note)	Electronic commerce and product marketing	100	-
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NTC	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
NTC	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
NTC	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and service of semiconductor	100	100
NTC	Techdesign Corporation ("TDC") (Note)	Electronic commerce and product marketing	-	100

Note: On May 18, 2016, the Company purchased 100% of the shares of TDC from NTC.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

a. Financial assets

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

   The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.

   1) Financial assets at fair value through profit or loss

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

   2) Available-for-sale financial assets

      Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) Held-to-maturity financial assets

Bonds which have a specific credit rating and the Group has positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable and held-to-maturity financial assets are assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is 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. 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

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

d. Financial liabilities

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

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

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

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

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

Inventories

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

Investments in Associates

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Buildings	9-21 years
Machinery and equipment	4-8 years
Other equipment	6 years

Investment Properties

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

Intangible Assets

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

Impairment of Tangible and Intangible Assets

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

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

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

Provisions

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns; a liability is recognized for returns based on previous experience and other relevant factors. Sales of goods are recognized when the goods are delivered and title is passed to the buyer.

Leasing

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

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

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Valuation of inventory

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

b. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is 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. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 745	$ 729
Cash and deposits in banks	7,128,620	5,636,579
Repurchase agreements collateralized by bonds	554,452	759,307
	$ 7,683,817	$ 6,396,615

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

	December 31	
	2016	2015
Time deposits	$ 140,621	$ 138,225

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

	December 31	
	2016	2015
Time deposits	$ 213,553	$ 199,930

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial liabilities at FVTPA - current		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange swap contracts	$ 5,559	$ -
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	$ 47,288	$ 22,427

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Sell forward exchange contracts	USD to NTD	2017.01.06-2017.02.17	USD101,000/NTD3,209,844
Sell forward exchange contracts	RMB to NTD	2017.01.13-2017.02.17	RMB30,000/NTD137,743
Foreign exchange swap contracts	EUR to NTD	2017.01.26-2017.02.24	EUR5,665/NTD197,931
December 31, 2015			
Sell forward exchange contracts	USD to NTD	2016.01.05-2016.02.26	USD99,000/NTD3,236,233

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Listed stocks and exchange traded funds		
Walsin Lihwa Corporation	$ 2,370,000	$ 1,174,400
Hannstar Display Corporation	975,168	482,621
Walton Advanced Engineering Inc.	585,733	454,068
Walsin Technology Corporation	345,009	209,968
Vanguard Short-Term Corporate Bond ETF	158,700	32,411
Nyquest Technology Co., Ltd.	146,913	-
CIFM Money Market Fund Class B	24,873	26,307
Wal-Mart Stores, Inc.	15,604	-
Telit Communications PLC	11,806	-
Yuanta/P-Shares Taiwan Top 50 ETF	-	17,618
CTBC Financial Holding Co., Ltd.	-	56,834
Cathay Financial Holding Co., Ltd.	-	46,323
Available-for-sale financial assets	$ 4,633,806	$ 2,500,550
Current	$ 4,486,893	$ 2,500,550
Non-current	146,913	-
	$ 4,633,806	$ 2,500,550

Nyquest Technology Co., Ltd.'s shares have been listed on the Taipei Exchange since May 9, 2016; hence NTC reclassified its investment from "non-current financial assets measured at cost" to "non-current available-for-sale financial assets".

9. CURRENT HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013	$ -	$ 99,900

On March 12, 2013, the Company bought 3-year financial bonds issued by CTBC Bank Co., Ltd. with coupon rates and an effective interest rates of 2.9%, at par values of RMB20,000 thousand.

As of December 31, 2016, all of the CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013 held by the Company have been due for repayment.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2016	2015
Notes receivable	$ 72	$ 671
Accounts receivable	5,889,047	5,312,040
Less: Allowance for doubtful accounts	(132,304)	(128,424)
	$ 5,756,815	$ 5,184,287

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable were as follows:

	December 31	
	2016	2015
Not overdue	$ 5,455,371	$ 4,615,515
Overdue under 30 days	420,632	670,209
Overdue 31-60 days	7,273	6,047
Overdue 61 days and longer	5,771	20,269
	$ 5,889,047	$ 5,312,040

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 128,424	$ 127,076
Add: Provision recognized on accounts receivable	4,932	1,698
Less: Amounts written off	-	(1,602)
Effect of exchange rate changes	(1,052)	1,252
Balance at December 31	$ 132,304	$ 128,424

The Group's receivables were aged on a collective basis and not on individual account basis.

11. FINANCE LEASE RECEIVABLES

	December 31	
	2016	2015
Gross investment in leases		
Not later than one year	$ -	$ 479,741
Later than one year and not later than five years		88,944
	-	568,685
Less: Unearned finance income	-	(131,944)
Present value of minimum lease payments	$ -	$ 436,741
Finance lease receivables		
Not later than one year (recorded as "other receivables")	$ -	$ 360,009
Later than one year and not later than five years (recorded as "other non-current assets")	-	76,732
Financial lease receivables	$ -	$ 436,741

The Company entered into finance lease agreements with a non-related party for certain machinery. All leases were denominated in New Taiwan dollars. The term of finance leases agreements was 3-5 years. The machinery was partially pledged to secure long-term borrowings. As of December 31, 2016, the financial lease agreements expired, and the pledged machinery has been cancelled off its pledged status.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. As of December 31, 2015, the interest rate inherent in the finance lease was 1.7% per annum. The finance lease receivables as of December 31, 2015 was neither past due nor impaired.

12. INVENTORIES

	December 31	
	2016	2015
Finished goods	$ 1,574,361	$ 1,889,379
Work-in-process	5,426,989	6,175,291
Raw materials and supplies	530,332	462,063
Inventories in transit	4,479	9,102
	$ 7,536,161	$ 8,535,835

a. Gain on reversal of decline in market value and obsolescence and abandonment of inventories was $44,645 thousand and loss on decline in market value and obsolescence and abandonment of inventories was $141,831 thousand, which were recognized as cost of sales for the years ended December 31, 2016 and 2015, respectively. Gain on recovery of decline in market value amounted to $316,533 thousand for the year ended December 31, 2016 was due to net realizable value increasing.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2016 and 2015 amounted to $587,534 thousand and $222,235 thousand, respectively.

13. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
LTIP Trust Fund	$ 466,144	$ 466,144
United Industrial Gases Co., Ltd.	81,081	81,081
Yu-Ji Venture Capital Co., Ltd.	25,000	30,000
Harbinger III Venture Capital Corp.	10,976	23,488
Smart Catch International Co., Ltd.	10,000	40,000
Nyquest Technology Co., Ltd. (Note 8)	-	68,071
Others	18,498	19,002
Non-current financial assets measured at cost	$ 611,699	$ 727,786

Management believed that the above unlisted equity investments held by the Group have fair values that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of the reporting period.

After proper assessment, the Company recognized an impairment loss on Smart Catch International Co., Ltd. of $30,000 thousand, which was recorded as “impairment loss on financial assets” for the year ended December 31, 2016.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Investments in associates

	December 31	
	2016	2015
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	$ 2,654,477	$ 1,724,898

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
Profit from continuing operations	$ 12,384	$ 21,884
Other comprehensive income	917,195	(713,373)
Total comprehensive income for the year	$ 929,579	$ (691,489)

As of December 31, 2016, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by independent auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land	$ 1,623,646	$ 1,625,058
Buildings	7,228,631	7,909,104
Machinery and equipment	18,581,254	21,181,266
Other equipment	501,933	398,450
Construction in progress and prepayments for purchase of equipment	6,437,073	801,152
	$ 34,372,537	$ 31,915,030

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2016	$ 1,625,058	$ 21,494,688	$ 91,709,441	$ 3,260,504	$ 801,152	$ 118,890,843
Additions	-	129,356	1,483,005	238,179	6,203,107	8,053,647
Disposals	-	(225,649)	(225,498)	(40,238)	-	(491,385)
Reclassified	-	221,655	345,082	449	(567,186)	-
Effect of exchange rate changes	(1,412)	(5,019)	(1,711)	(7,234)	-	(15,376)
Balance at December 31, 2016	$ 1,623,646	$ 21,615,031	$ 93,310,319	$ 3,451,660	$ 6,437,073	$ 126,437,729
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 13,585,584	$ 70,528,175	$ 2,862,054	$ -	$ 86,975,813
Depreciation expenses	-	1,024,461	4,407,981	133,425	-	5,565,867
Disposals	-	(220,660)	(222,037)	(39,529)	-	(482,226)
Impairment loss	-	-	16,085	-	-	16,085
Effect of exchange rate changes	-	(2,985)	(1,139)	(6,223)	-	(10,347)
Balance at December 31, 2016	$ -	$ 14,386,400	$ 74,729,065	$ 2,949,727	$ -	$ 92,065,192
Cost						
Balance at January 1, 2015	$ 1,622,173	$ 20,643,796	$ 89,977,831	$ 3,120,111	$ 200,919	$ 115,564,830
Additions	-	494,037	2,014,854	147,349	1,025,718	3,681,958
Disposals	-	(26,538)	(339,076)	(11,129)	-	(376,743)
Reclassified	-	373,357	51,946	182	(425,485)	-
Effect of exchange rate changes	2,885	10,036	3,886	3,991	-	20,798
Balance at December 31, 2015	$ 1,625,058	$ 21,494,688	$ 91,709,441	$ 3,260,504	$ 801,152	$ 118,890,843
Accumulated depreciation and impairment						
Balance at January 1, 2015	$ -	$ 12,490,657	$ 66,342,347	$ 2,745,075	$ -	$ 81,578,079
Depreciation expenses	-	1,104,974	4,521,169	123,678	-	5,749,821
Disposals	-	(16,127)	(338,347)	(10,093)	-	(364,567)
Effect of exchange rate changes	-	6,080	3,006	3,394	-	12,480
Balance at December 31, 2015	$ -	$ 13,585,584	$ 70,528,175	$ 2,862,054	$ -	$ 86,975,813

a. As of December 31, 2016 and 2015, the carrying amounts of $20,272,406 thousand and $22,384,768 thousand of land, buildings and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowings. The Group was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2016	2015
Capitalized interest amounts	$ 49,882	$ 65,163
Capitalized interest rates	1.87%-1.94%	2.02%-2.16%

c. In response to future market demand and the development of advanced manufacturing processes, the Company invested in capital expenditure for the construction of the buildings and acquisition of related equipments. As of December 31 2016, unfinished buildings and machinery were in the amount of $5,996,694 thousand, which was recorded as construction in progress and prepayments for purchase of equipment.

d. The Company recognized an impairment loss of $16,085 thousand, which was recorded as “impairment loss on property, plant and equipment” for the year ended December 31, 2016 since the carrying amount of some of equipment is expected to be unrecoverable.

16. INVESTMENT PROPERTIES

	December 31	
	2016	2015
Investment properties, net	$ 61,673	$ 71,866

The investment properties is in Shen-Zhen, China. As of December 31, 2016 and 2015, the fair value of such investment properties were both approximately $200,000 thousand, which was referred by the neighborhood transactions.

	Investment Properties
Cost	
Balance at January 1, 2016	$ 114,300
Effect of exchange rate changes	(8,650)
Balance at December 31, 2016	$ 105,650
Accumulated depreciation and impairment	
Balance at January 1, 2016	$ 42,434
Depreciation expenses	4,993
Effect of exchange rate changes	(3,450)
Balance at December 31, 2016	$ 43,977
Cost	
Balance at January 1, 2015	$ 116,521
Effect of exchange rate changes	(2,221)
Balance at December 31, 2015	$ 114,300
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 38,015
Depreciation expenses	5,183
Effect of exchange rate changes	(764)
Balance at December 31, 2015	$ 42,434

17. INTANGIBLE ASSETS

	December 31 2016	December 31 2015
Deferred technical assets, net	$ 283,732	$ 269,420
Other intangible assets, net	1,572	1,506
	$ 285,304	$ 270,926

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2016	$ 18,689,626	$ 21,713	$ 18,711,339
Additions	101,431	799	102,230
Disposals	-	(68)	(68)
Effect of exchange rate changes	(1,447)	(119)	(1,566)
Balance at December 31, 2016	$ 18,789,610	$ 22,325	$ 18,811,935
Accumulated amortization and impairment			
Balance at January 1, 2016	$ 18,420,206	$ 20,207	$ 18,440,413
Amortization expenses	87,026	614	87,640
Disposals	-	(68)	(68)
Impairment losses recognized in profit or loss	-	26	26
Effect of exchange rate changes	(1,354)	(26)	(1,380)
Balance at December 31, 2016	$ 18,505,878	$ 20,753	$ 18,526,631
Cost			
Balance at January 1, 2015	$ 18,646,641	$ 20,269	$ 18,666,910
Additions	36,909	992	37,901
Effect of exchange rate changes	6,076	452	6,528
Balance at December 31, 2015	$ 18,689,626	$ 21,713	$ 18,711,339
Accumulated amortization and impairment			
Balance at January 1, 2015	$ 18,336,024	$ 19,270	$ 18,355,294
Amortization expenses	79,537	459	79,996
Effect of exchange rate changes	4,645	478	5,123
Balance at December 31, 2015	$ 18,420,206	$ 20,207	$ 18,440,413

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

18. BORROWINGS

Long-term Borrowings

	December 31			
	2016			2015
	Period	Interest Rate	Amount	Amount
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.11.27-2019.11.27	1.87%-2.23%	$ 8,166,660	$ 9,000,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	617,600	617,600
Bank of Taiwan syndicated loan (IV)	2016.12.29-2021.12.29	1.79%	1,000,000	-
Bank of Taiwan syndicated loan (III)	2011.12.23-2016.12.23	-	-	3,518,927
			9,784,260	13,136,527
Less: Current portion			(3,090,180)	(4,352,267)
Less: Syndication agreement management fee			(55,807)	(29,100)
			$ 6,638,273	$ 8,755,160

a. CTBC Bank Co., Ltd. Syndicated Loan (IV)

1) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch Fab and fund the borrowing payments, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

2) Part A will be repaid every six months from November 27, 2017 until maturity, part B will be repaid every six months from November 27, 2016 until maturity.

3) Please refer to Note 15 for collateral on bank borrowings.

b. The collateral on the Bank of Taiwan secured medium-term loan are the land and building of the Company in Zhubei, please referred to Note 15. The principal will be repaid every six months from June 29, 2017 until maturity.

c. Bank of Taiwan Syndicated Loan (IV)

1) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch Fab and fund the borrowing payments. The credit line was divided into part A and B, which amounted to $10 billion and $2 billion, respectively; and the total line of credit amounted to $12 billion.

2) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.

3) Please refer to Note 15 for collateral on bank borrowings.

d. Bank of Taiwan Syndicated Loan (III)

1) On September 19, 2011, the Company entered into a syndicated loan, with a group of 17 financial institutions, to procure equipment for 12-inch Fab. The original credit line amount of $7 billion was deducted by $0.25 billion because of prepayment, so the final credit line amounted to $6.75 billion.

2) The Company changed the terms and repayment schedule of the agreement on December 18, 2013. The loan utilized before December 22, 2013 will be repaid every six months from June 23, 2014, and the loan utilized after December 22, 2013 will be repaid every six months at 30%, 30% and 40% from December 23, 2015.

3) Please refer to Note 15 for collateral on bank borrowings.

4) The loan was fully repaid on December 23, 2016.

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

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

The Group's subsidiaries, in the United States, Japan, Hong Kong, Israel and China, monthly contribute a specified percentage of employees payroll to the retirement fund. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Company, MMDC and NTC in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and MMDC contribute amounts equal to 2% of total monthly salaries and wages; NTC contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); and the Group has no right to influence the investment policy and strategy.

The defined benefit plan adopted by WTL and NTIL are calculated on the basis of the service duration and last month salaries before retirement.

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

	December 31	
	2016	2015
Present value of the defined benefit obligation	$ 2,464,650	$ 2,015,048
Fair value of the plan assets	(1,401,944)	(989,079)
Net defined benefit liabilities, non-current	$ 1,062,706	$ 1,025,969

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	$ 2,015,048	$ (989,079)	$ 1,025,969
Service cost			
Current service cost	68,244	-	68,244
Net interest expense (income)	50,646	(25,104)	25,542
Others	1,710	(1,491)	219
Recognized in profit or loss	120,600	(26,595)	94,005
Remeasurement			
Loss on plan assets	-	11,636	11,636
Actuarial loss (gain) - changes in financial assumptions	54,958	(10,855)	44,103
Actuarial loss (gain) - experience adjustments	27,386	(569)	26,817
Recognized in other comprehensive income	82,344	212	82,556
Contributions from the employer	-	(132,021)	(132,021)
Benefits paid	(56,655)	55,519	(1,136)
Account paid	(9,919)	-	(9,919)
Reclassified	313,638	(310,367)	3,271
Effect of exchange rate changes	(406)	387	(19)
Balance at December 31, 2016	$ 2,464,650	$ (1,401,944)	$ 1,062,706
Balance at January 1, 2015	$ 1,913,155	$ (938,315)	$ 974,840
Service cost			
Current service cost	34,556	-	34,556
Net interest expense (income)	41,407	(20,353)	21,054
Recognized in profit or loss	75,963	(20,353)	55,610
Remeasurement			
Return on plan assets	-	(5,179)	(5,179)
Actuarial loss - changes in financial assumptions	77,724	-	77,724
Actuarial loss - experience adjustments	24,521	-	24,521
Recognized in other comprehensive income	102,245	(5,179)	97,066
Contributions from the employer	-	(101,547)	(101,547)
Benefits paid	(76,315)	76,315	-
Balance at December 31, 2015	$ 2,015,048	$ (989,079)	$ 1,025,969

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

	For the Year Ended December 31	
	2016	2015
Operating cost	$ 23,644	$ 24,714
Selling expenses	2,098	2,076
General and administrative expenses	8,791	4,621
Research and development expenses	59,472	24,199
	$ 94,005	$ 55,610

The fair value of the plan assets was as follows:

	December 31	
	2016	2015
Cash and cash equivalents	$ 1,401,944	$ 989,079

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

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

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

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

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

	December 31	
	2016	2015
Discount rates	1.50%-4.95%	1.75%-1.90%
Expected rates of salary increase	1.00%-3.00%	1.00%-3.00%

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

	December 31	
	2016	2015
Discount rates		
0.25%-0.50% increase	$ (87,812)	$ (79,735)
0.25%-0.50% decrease	$ 92,977	$ 85,023
Expected rates of salary increase		
0.25%-0.50% increase	$ 90,152	$ 83,978
0.25%-0.50% decrease	$ (85,374)	$ (79,466)

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

	December 31	
	2016	2015
The expected contribution to the plan for the next year	$ 142,486	$ 93,994
The average duration of defined benefit obligation	6.93-13.66 years	9.70-13.80 years

20. EQUITY

a. Common stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,580,000	3,580,000
Share issued	$ 35,800,002	$ 35,800,002

Reconciliation of outstanding shares:

	Shares (In Thousands)	Capital
January 1, 2016	3,580,000	$ 35,800,002
December 31, 2016	3,580,000	$ 35,800,002
January 1, 2015	3,694,982	$ 36,949,822
Retirement of treasury share	(114,982)	(1,149,820)
December 31, 2015	3,580,000	$ 35,800,002

As of December 31, 2016 and 2015, the balance of the Company’s capital account amounted to $35,800,002 thousand, divided into 3,580,000 thousand shares with par value of NT$10.00 per share.

b. Capital surplus

	December 31	
	2016	2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from treasury share transactions	$ 2,299,513	$ 2,298,761
Arising from conversion of bonds	136,352	136,352
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries	6,042	6,042
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	29,137	29,137
	$ 2,471,044	$ 2,470,292

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees, directors and supervisors. The shareholders held their regular meeting on June 16, 2016 and in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation and remuneration to directors and supervisors.

Amendments of the Company's Articles of Incorporation was summarized as follows:

The Company distributes employees' compensation and remuneration of directors and supervisors at the rates of no less than 1% and no higher than 1% of net profit before income tax, respectively. The board of directors will approve distribution of employees' compensation in stocks or cash, include the employees of subsidiaries of the Company meeting certain criteria.

The Company should preserve capital in advance to cover all losses and then distribute employees' compensation and remuneration of directors and supervisors at prior ratios.

The phrase "the employees of subsidiaries of the Company meeting certain criteria" from a paragraph above indicates that the board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

If the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall appropriate 10% of the earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. The Company shall appropriate special reserve to or reverse special reserve from appropriated earnings based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by the Company to be distributed to shareholders.

The Company's dividend policy is based on the Company Act and the Company's Articles of Incorporation and also based on the Company's capital, financial structure, earnings, industry properties and cycle. Accounting for the future operating scale and cash flow requirements, the Company should distribute no lower than 50% of available distributed earnings as dividends, which can be distributed as stock dividends or cash dividends. To improve the Company's future operation, the cash dividends cannot be lower than 50% of total dividends.

For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, please refer to Note 20 on employee benefits expenses.

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

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 are not subjected.

The appropriations of earnings for 2015 were approved in the shareholders' meetings on June 16, 2016.

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 208,606	
Special reserve	1,395,063	
Cash dividends	358,000	$0.10
	$ 1,961,669	

The Company experienced a loss for the year ended December 31, 2014, so the stockholders' meetings on June 18, 2015 did not cover appropriations of earnings. The relevant information about the Company is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ 88,771	$ 23,265
Exchange differences arising on translating the financial statements of foreign operations	(65,338)	65,506
Balance at December 31	$ 23,433	$ 88,771

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

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	**2015**
Balance at January 1	$ (1,436,767)	$ 292,835
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	1,695,871	(1,016,229)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates accounted for using equity method	917,195	(713,373)
Balance at December 31	$ 1,176,299	$ (1,436,767)

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

e. Treasury shares

On July 31 and October 1, 2015, the Company's board of directors passed a resolution to buy back the Company's common shares from the open market. The repurchase price ranged from NT$6.5 to NT$8.5 per share. The Company bought back 114,982,000 shares for NT$822,921 thousand. On October 31, 2015, the Company resolved to retire the 114,982,000 treasury shares.

1) Treasury shares transactions for the year of 2016 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2016	Increase During the Year	Decrease During the Year	Treasury Shares Held as of December 31, 2016
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

2) Treasury shares transactions for the year of 2015 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2015	Increase During the Year	Decrease During the Year	Treasury Shares Held as of December 31, 2015
Maintain the Company's credibility and shareholders' equity	-	114,982,000	(114,982,000)	-
Common shares held by subsidiaries	7,518,364	-	-	7,518,364
	7,518,364	114,982,000	(114,982,000)	7,518,364

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Value	Market Value
December 31, 2016			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 74,958
December 31, 2015			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 59,320

Based on the Securities and Exchange Act of the ROC, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

The purpose of holding the shares is to maintain shareholders' equity. The Company's shares held by subsidiaries were treated as treasury shares, and the holders are entitled to the rights of shareholders, except for the right to participate in the Company's share issuance for cash and vote in shareholders' meeting when the subsidiary held more than 50%. Other rights are the same as common stock.

f. Non-controlling interests

	For the Year Ended December 31 2016	2015
Balance at January 1	$ 1,196,568	$ 1,116,847
Attributable to non-controlling interests		
Share of profit for the year	242,283	181,622
Exchange difference on translation of foreign financial statements	(12,556)	6,779
Remeasurement of defined benefit plans	(13,275)	(11,559)
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	32,500	-
Decrease in non-controlling interests	(145,682)	(97,121)
Balance at December 31	$ 1,299,838	$ 1,196,568

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2016			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,558,428	$ 4,142,696	$ -	$ 6,701,124
Post-employment benefits	$ 120,778	$ 246,759	$ -	$ 367,537
Depreciation	$ 5,245,890	$ 317,034	$ 7,936	$ 5,570,860
Amortization	$ 33,293	$ 54,483	$ 11,893	$ 99,669

	For the Year Ended December 31, 2015			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,408,760	$ 3,662,839	$ -	$ 6,071,599
Post-employment benefits	$ 118,355	$ 183,953	$ -	$ 302,308
Other long-term employment benefits	$ -	$ 47,027	$ -	$ 47,027
Depreciation	$ 5,397,349	$ 349,661	$ 7,994	$ 5,755,004
Amortization	$ 33,290	$ 47,114	$ 21,591	$ 101,995

In compliance with the Company Act as amended in May 2015, the Company's shareholders held their meeting on June 16, 2016 and resolved amendments to the Company's Articles. Refer to Note 20 for employee benefits expenses. For the years ended December 31, 2016 and 2015, the employees' compensation was $34,400 thousand and $28,475 thousand, and the remuneration of directors and supervisors was $34,400 thousand and $28,475 thousand, representing 1% of the base net profit (offset of deficit included), respectively. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date of authorization of the annual consolidated financial statements for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

For the year ended December 31, 2015, the employees' compensation and remuneration of directors and supervisors were approved by the Company's board of directors on January 19, 2016. After the amendments to the Articles were resolved in the shareholders' meeting held on June 16, 2016, the appropriations of the employees' compensation and remuneration of directors and supervisors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31, 2015
Employees' compensation	$ 28,475
Remuneration of directors and supervisors	28,475

There was no difference between the amounts of the employees' compensation and the remuneration of directors and supervisors for 2015 resolved by the Company's board of directors on January 29, 2016, and the respective amounts recognized in the financial statements.

Due to the fact that there were no available earnings for distribution in 2014, there was no discussion of the distribution of bonus to employees and remuneration of directors and supervisors in the shareholders' meeting on June 18, 2015.

Information on the employees' compensation and remuneration of directors and supervisors for 2015 resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors for 2014 resolved in the shareholders' meeting in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2016	**2015**
Current income tax	$ 656,271	$ 731,757
Adjustments for prior year's tax	5,379	(5,675)
Current income tax credit	(1,888)	(5,358)
Deferred income tax	(45,216)	54,587
Income tax expense recognized in profit or loss	$ 614,546	$ 775,311

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

	For the Year Ended December 31	
	2016	**2015**
Income tax expense from continuing operations at the statutory rate	$ 750,443	$ 788,657
Tax effect of adjustment item		
Permanent differences	(109,000)	(82,749)
Others	8,501	31,090
Additional income tax on unappropriated earnings	14,327	5,759
Tax-exempt income	(8,000)	(11,000)
Current income tax	656,271	731,757
Deferred income tax		
Temporary differences	(45,216)	54,587
Current income tax credit	(1,888)	(5,358)
Adjustment for prior years' tax	5,379	(5,675)
Income tax expense recognized in profit or loss	$ 614,546	$ 775,311

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

Since the statement of profit distribution for 2016 has not been approved in the shareholders' meeting, the potential effect on income tax for 10% legal reserve appropriated may not be decided.

b. Current tax assets and liabilities

	December 31	
	2016	**2015**
Current tax assets		
Tax refund receivables (recorded as "other receivables")	$ 58,013	$ -
Current tax liabilities		
Income tax payables (recorded as "other payables")	$ 35,788	$ 61,628

c. As of December 31, 2016 and 2015, deferred income tax assets of $2,353,422 thousand and $2,853,873 thousand, respectively, were mainly net operating loss carryforwards.

d. Information about the Group's operating loss carryforwards as of December 31, 2016, and tax exemption was as follows:

As of December 31, 2016, WECA's operating loss carryforward was US$13,297 thousand, and will expire in 2025.

As of December 31, 2016, the Company's operating loss carryforwards comprised of:

Operating Loss Carryforwards	**Expiry Year**
$ 2,061,000	2018-2019
475,000	2022
$ 2,536,000	

As of December 31, 2016, NTC's profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	**Tax-exemption Period**
Advanced integrated circuit design	2014-2018

e. The information on the Company's integrated income tax was as follows:

	December 31	
	2016	**2015**
Balance of imputation credit account	$ 379,848	$ 381,992
Undistributed earnings for the years of 1998 and thereafter	$ 2,952,901	$ 2,086,060

The Company had no undistributed earnings for the years of 1997 and before.

The creditable ratio for distribution of earning is 20.48% for the year ended December 31, 2015.

f. The Company's tax returns through 2014 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Year Ended December 31, 2016				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 3,754,620	$ 2,897,791	3,572,482	$ 1.05	$ 0.81
Effect of dilutive potential common shares					
Employees' compensation	-	-	3,616		
Diluted earnings per share					
Net income attributed to common shareholders	$ 3,754,620	$ 2,897,791	3,576,098	$ 1.05	$ 0.81

	For the Year Ended December 31, 2015				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 4,248,184	$ 3,291,251	3,648,377	$ 1.16	$ 0.90
Diluted earnings per share					
Net income attributed to common shareholders	$ 4,248,184	$ 3,291,251	3,648,377	$ 1.16	$ 0.90

If the Company may settle the compensation or bonus to employees by cash or shares, the Company should presume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. NON-CASH TRANSACTIONS

	For the Year Ended December 31	
	2016	2015
Non-cash investing and financing activities		
Long-term borrowings, current portion	$ 3,090,180	$ 4,352,267
Exchange differences on translation of foreign financial statements	$ (65,338)	$ 65,506
Unrealized gains (losses) on available-for-sale financial assets	$ 2,613,066	$ (1,729,602)

25. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

NTC and the Company leased land from Science Park Administration, and the lease term will expire in 2017 and 2023, respectively, which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of NTC is a joint guarantor of such lease, please refer to Note 27.

The Group leased some of the offices in the United States, China, Japan, Israel, India, and part in Taiwan, and the lease terms will expire between 2016 and 2022 which can be extended after the expiration of the lease periods.

As of December 31, 2016 and 2015, deposits paid under operating leases amounted to $62,109 thousand and $59,519 thousand, respectively (recorded as "other non-current assets").

b. Prepayments for lease obligations

	For the Year Ended December 31	
	2016	**2015**
Current (recorded as "other current assets")	$ 4,112	$ 3,140
Non-current (recorded as "other non-current assets")	39,892	42,273
	$ 44,004	$ 45,413

c. Lease expense

	2016	**2015**
Lease expenditure	$ 214,363	$ 190,174

The Group as Lessor

Operating lease agreements

Operating leases relate to leasing the investment property with lease terms of 5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2016 and 2015, deposits received under operating leases amounted to $1,911 thousand and $2,026 thousand, respectively (recorded as "other non-current liabilities").

26. CAPITAL MANAGEMENT

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

27. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
HannStar Display Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance
HannStar Board Corporation	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2016	2015
1) Operating revenue		
Related party in substance	$ 314,131	$ 367,829
2) Manufacturing expenses		
Related party in substance	$ 2,516,392	$ 2,842,432
3) General and administrative expenses		
Related party in substance	$ 10,331	$ 11,868
Investor that exercises significant influence over the Group	8,967	8,566
	$ 19,298	$ 20,434
4) Dividend income		
Investor that exercises significant influence over the Group	$ 42,160	$ -
Related party in substance	27,467	34,590
	$ 69,627	$ 34,590
5) Other income		
Related party in substance	$ 1,436	$ 996

	December 31	
	2016	2015
6) Accounts receivable due from related parties		
Related party in substance	$ 49,531	$ 80,915
7) Accounts payable to related parties		
Related party in substance	$ 472,489	$ 707,064
8) Other current assets		
Investor that exercises significant influence over the Group	$ 340	$ 277
9) Other payables		
Related party in substance	$ 32,820	$ 33,423
Investor that exercises significant influence over the Group	6	1,545
	$ 32,826	$ 34,968
10) Refundable deposits (recorded as "other non-current assets")		
Related party in substance	$ 1,722	$ 1,722
Investor that exercises significant influence over the Group	203	203
	$ 1,925	$ 1,925

The related party transactions were conducted under normal terms.

c. Guarantee

As of December 31, 2016, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Please refer to Note 25.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employment benefits	$ 270,790	$ 253,656
Post-employment benefits	8,969	25,048
Other long-term employment benefits	-	677
	$ 279,759	$ 279,381

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

28. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 11, Note 15 and Note 18.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2016 were approximately US$7,826 thousand, JPY1,281,010 thousand and EUR352 thousand.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2016
TASA Construction Corporation	$ 1,140,000	$ 1,012,223

30. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks, mutual funds and convertible bonds).
- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

2) Fair value measurements recognized in the consolidated balance sheets

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

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

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

Fair value hierarchy as at December 31, 2016

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 267	$ -	$ 267

Fair value hierarchy as at December 31, 2015

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Held-to-maturity investments					
Domestic listed securities					
Financial bonds	$ 99,900	$ 99,565	$ -	$ -	$ 99,565
Financial assets measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 258	$ -	$ 258

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

Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPA				
Derivative financial assets (not under hedge accounting)	$ -	$ 5,559	$ -	$ 5,559
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 4,422,823	$ -	$ -	$ 4,422,823
Overseas listed securities				
Equity securities	186,110	-	-	186,110
Mutual funds	24,873	-	-	24,873
	$ 4,633,806	$ -	$ -	$ 4,633,806
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 47,288	$ -	$ 47,288

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 2,441,832	$ -	$ -	$ 2,441,832
Overseas listed securities				
Equity securities	32,411	-	-	32,411
Mutual funds	26,307	-	-	26,307
	$ 2,500,550	$ -	$ -	$ 2,500,550
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 22,427	$ -	$ 22,427

There were no transfers between the levels in 2016 and 2015, respectively.

b. Categories of financial instruments

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 7,683,817	$ 7,683,817	$ 6,396,615	$ 6,396,615
Notes and accounts receivable (included related parties)	5,806,346	5,806,346	5,265,202	5,265,202
Other receivables	518,048	518,048	794,939	794,939
Refundable deposits (recorded in other non-current assets)	181,134	181,134	175,973	175,973
Finance lease receivable (recorded in other non-current assets)	-	-	76,732	76,732
Financial assets at FVTPA	5,559	5,559	-	-
Available-for-sale financial assets (current and non-current)	4,633,806	4,633,806	2,500,550	2,500,550
Held-to-maturity financial assets	-	-	99,900	99,565
Financial assets measured at cost	611,699	611,473	727,786	727,551

(Continued)

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Measured at amortized cost				
Notes and accounts payable (included related parties)	$ 4,682,209	$ 4,682,209	$ 4,553,548	$ 4,553,548
Payable on equipment and other payables	6,612,967	6,612,967	3,266,299	3,266,299
Long-term borrowings (included current portion)	9,784,260	9,784,260	13,136,527	13,136,527
Long-term contract payable (recorded in other non-current liabilities)	22,868	22,868	34,914	32,790
Guarantee deposits (recorded in other non-current liabilities)	86,518	86,518	53,505	53,505
Financial liabilities at FVTPL	47,288	47,288	22,427	22,427

(Concluded)

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income in the amounts of $25,809 thousand and $30,609 thousand increase for the years ended December 31, 2016 and 2015, respectively.

b) Interest rate risk

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

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

	December 31	
	2016	2015
Cash flow interest rate risk		
Financial assets	$ 29,165	$ 29,114
Financial liabilities	9,784,260	13,136,527

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the years ended December 31, 2016 and 2015 would have increased by $97,551 thousand and $131,074 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2016			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 11,295,176	$ 11,434	$ 11,434	$ 11,318,044
Variable interest rate liabilities	3,090,180	2,723,520	3,970,560	9,784,260
	$ 14,385,356	$ 2,734,954	$ 3,981,994	$ 21,102,304

	December 31, 2015			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 7,819,848	$ 11,127	$ 21,663	$ 7,852,638
Variable interest rate liabilities	4,352,267	3,090,180	5,694,080	13,136,527
	$ 12,172,115	$ 3,101,307	$ 5,715,743	$ 20,989,165

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	December 31					
	2016			2015		
	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 199,411	32.25	$ 6,431,008	$ 180,326	32.825	$ 5,919,187
USD	15,393	117.02 (Note 2)	496,419	14,971	120.37 (Note 2)	491,428
EUR	2,710	33.90	91,878	1,669	35.88	59,868
JPY	2,555,860	0.2756	704,395	1,136,209	0.2727	309,844
RMB	48,389	4.617	223,412	72,568	4.995	362,475
ILS	14,568	8.3882	122,202	12,104	8.4085	101,776
Non-monetary items						
USD	13,759	32.25	443,734	13,775	32.825	452,149
Financial liabilities						
Monetary items						
USD	118,730	32.25	3,829,048	86,724	32.825	2,846,723
USD	9,587	117.02 (Note 2)	309,171	8,735	120.37 (Note 2)	286,741
EUR	3,395	33.90	115,082	1,912	35.88	68,609
JPY	2,712,845	0.2756	747,660	992,259	0.2727	270,589
ILS	14,002	8.3882	117,453	13,357	8.4085	112,313

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

Note 2: The exchange rate represents the number of JPY for which one U.S. dollars could be exchanged.

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains (loss) were loss of $94,713 thousand and gain of $162,565 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2016	**2015**	**2016**	**2015**
DRAM IC product	$ 21,430,695	$ 19,915,168	$ 4,345,993	$ 4,682,132
Flash Memory product	12,461,559	11,202,459	1,248,119	881,459
Logic IC product	8,198,689	7,201,074	1,316,862	1,234,953
Total of segment revenue	42,090,943	38,318,701	6,910,974	6,798,544
Other revenue	766	31,614	766	31,614
Operating revenue	$ 42,091,709	$ 38,350,315		
Unallocated expenditure				
Administrative and supporting expense			(1,308,571)	(1,257,611)
Sales and other common expenses			(1,890,213)	(1,463,621)
Income from operations			3,712,956	4,108,926
Non-operating income and expenses				
Interest income			175,417	173,461
Dividend income			126,790	124,449
Other income			38,495	53,143
Gain (losses) on financial instruments at fair value through profit or loss			55,725	(121,027)

(Continued)

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2016	2015	2016	2015
Share of profit of associates accounted for using equity method			$ 12,384	$ 21,884
Interest expenses			(187,010)	(263,751)
Other expenses			(33,008)	(35,172)
Losses on disposal of property, plant and equipment			(4,520)	(8,341)
(Losses) gains on disposal of investments			(1,811)	32,047
Foreign exchange (losses) gains			(94,713)	162,565
Impairment loss on financial assets			(30,000)	-
Impairment loss on property, plant and equipment			(16,085)	-
Profit before income tax			$ 3,754,620	$ 4,248,184

(Concluded)

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments, deferred income tax assets and post-employment benefit assets) by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2016	2015	2016	2015
Asia	$ 38,232,002	$ 35,068,097	$ 34,574,410	$ 32,103,482
United States	1,232,337	1,649,609	207,697	222,266
Europe	2,528,122	1,531,453	-	-
Others	99,248	101,156	-	-
	$ 42,091,709	$ 38,350,315	$ 34,782,107	$ 32,325,748

d. Major customer information

No individual customer exceeded 10% of the Group's net sales for the years ended December 31, 2016 and 2015.

Winbond Electronics Corporation

Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying financial statements of Winbond Electronics Corporation (the Company), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Accounts Receivable

The recognition of allowance for doubtful accounts is subject to management's estimation of recoverable amount of past due and uncollectible accounts receivable, and the impairment loss on accounts receivable is influenced by management's assumptions of customer credit risk. We especially pay attention to material and slow-collecting balances of accounts receivable, and the rationale of impairment loss provisioned by management.

Accounting policies for accounts receivable are set out within Note 4 of the financial statements. Refer to Note 10 of the financial statements for disclosures of the carrying amounts of accounts receivable.

Our audit procedures in response to impairment of accounts receivable consisted of the following, evaluated the rationale of classification and provision rates used on aging report of accounts receivable prepared by management, examined the calculation of the aging report, compared the aging distribution and actual write-offs of accounts receivable of current year with those of prior year, assessed the collectability of outstanding balances of accounts receivable by checking cash collection after balance sheet date, inspected the authorization of customer credit line and reviewed transaction records of ledger book to ensure the validity of internal control of accounts receivable.

Valuation of Inventory

Fluctuating market prices of inventory caused by rapid changes of market demand and technology development may lead to slow-moving or obsolescent loss of inventory. In addition, cost allocation of inventory and the net realization value are subject to management's judgement and estimation. We especially pay attention to the Company's inventory held at lower of cost and realization value in conformity with the requirements of IAS 2 and the reasonableness of impairment loss of inventory provisioned by management.

The accounting policy for the valuation of inventory is set out within Note 4 of the financial statements. Refer to Note 12 of the financial statements for details of the value of inventory provisions, depreciation, and obsolescence.

Our audit procedures in response to inventory valuation included:

1. Performed test of details of inventory ledger to verify proper cost allocation of materials, labor costs and overheads to inventory items and ensure no understatement impairment loss caused by improper cost allocation.

2. Tested the aging report of inventory, compared the inventory provision policy of current year with prior year to analyze the differences, verified the numbers and forecast data used to calculate impairment loss of inventory, compared provisioned loss with actual inventory write-offs, and evaluated the fundamental hypothesis of forecast data to assess the validity of inventory provision policy.

3. Selected samples of inventory items and compared the latest actual selling prices with the book values to ensure inventory been stated at lower of cost and net realization value.

4. Compared the year-end quantity of inventory items with the inventory count reports to confirm the existence and completeness of the inventory. Moreover, by attending year-end inventory counting, we assessed the condition of inventory and evaluated the adequacy of inventory provisions for obsolete and damaged goods.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ker-Chang Wu and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 3, 2017

<u>*Notice to Readers*</u>

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

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

WINBOND ELECTRONICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 4,874,171	8	$ 3,634,615	6
Current financial assets at fair value through profit or loss (Notes 4 and 7)	5,559	-	-	-
Cureent available-for-sale financial assets (Notes 4 and 8)	4,275,910	7	2,441,832	4
Current held-to-maturity financial assets (Notes 4 and 9)	-	-	99,900	-
Notes and accounts receivable, net (Notes 4 and 10)	3,320,240	5	2,802,110	5
Accounts receivable due from related parties, net (Note 26)	1,230,340	2	1,320,712	2
Other receivables (Note 11)	211,734	-	514,417	1
Inventories (Notes 4 and 12)	6,365,674	10	7,514,792	13
Other current assets	986,006	1	1,016,814	2
Total current assets	21,269,634	33	19,345,192	33
NON-CURRENT ASSETS				
Non-current financial assets measured at cost (Notes 4 and 13)	37,649	-	80,161	-
Investments accounted for using equity method (Notes 4 and 14)	7,201,908	11	6,049,338	10
Property, plant and equipment (Notes 4 and 15)	33,607,842	52	31,195,173	53
Intangible assets (Notes 4 and 16)	69,438	-	76,371	-
Deferred income tax assets (Notes 4 and 21)	2,066,000	3	2,527,000	4
Other non-current assets (Notes 6 and 11)	146,579	1	223,037	-
Total non-current assets	43,129,416	67	40,151,080	67
TOTAL	$ 64,399,050	100	$ 59,496,272	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	$ 46,581	-	$ 21,048	-
Notes payable	301,550	-	519,500	1
Accounts payable	3,023,405	5	2,677,142	5
Accounts payable to related parties (Note 26)	472,489	1	707,064	1
Payables on machinery and equipment	3,761,758	6	767,457	1
Other payables	2,018,276	3	1,753,839	3
Long-term borrowings, current portion (Note 17)	3,090,180	5	4,352,267	7
Other current liabilities	46,177	-	80,157	-
Total current liabilities	12,760,416	20	10,878,474	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	6,638,273	10	8,755,160	15
Net defined benefit liabilities, non-current (Notes 4 and 18)	572,610	1	524,047	1
Other non-current liabilities	506,790	1	436,620	1
Total non-current liabilities	7,717,673	12	9,715,827	17
Total liabilities	20,478,089	32	20,594,301	35
EQUITY (Note 19)				
Common stock	35,800,002	55	35,800,002	60
Capital surplus	2,471,044	4	2,470,292	4
Retained earnings				
Legal reserve	208,606	-	-	-
Special reserve	1,395,063	2	-	-
Unappropriated earnings	2,952,901	5	2,086,060	3
Exchange differences on translation of foreign financial statements	23,433	-	88,771	-
Unrealized gains (losses) on available-for-sale financial assets	1,176,299	2	(1,436,767)	(2)
Treasury shares	(106,387)	-	(106,387)	-
Total equity	43,920,961	68	38,901,971	65
TOTAL	$ 64,399,050	100	$ 59,496,272	100

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUE	$ 33,534,343	100	$ 30,843,606	100
OPERATING COSTS (Note 12)	25,274,520	75	22,381,244	72
GROSS PROFIT	8,259,823	25	8,462,362	28
OPERATING EXPENSES				
Selling expenses	808,914	3	773,989	3
General and administrative expenses	788,131	2	755,116	2
Research and development expenses	3,692,984	11	3,426,559	11
Total operating expenses	5,290,029	16	4,955,664	16
INCOME FROM OPERATIONS	2,969,794	9	3,506,698	12
NON-OPERATING INCOME AND EXPENSES				
Interest income	155,112	1	153,217	1
Dividend income	63,800	-	29,121	-
Other income	20,094	-	38,420	-
Gains (losses) on financial instruments at fair value through profit or loss	60,455	-	(109,851)	-
Share of profit of subsidiaries and associates accounted for using equity method (Note 14)	463,221	1	448,169	1
Interest expenses	(187,009)	(1)	(262,406)	(1)
Other expenses	(13,188)	-	(23,702)	-
Losses on disposal of property, plant and equipment	(4,327)	-	(8,238)	-
(Losses) gains on disposal of investments	(10,472)	-	1,625	-
Foreign exchange (losses) gains	(94,112)	-	137,198	-
Impairment loss on financial assets (Note 13)	(36,053)	-	-	-
Impairment loss on property, plant and equipment (Note 15)	(16,085)	-	-	-
Total non-operating income and expenses	401,436	1	403,553	1
PROFIT BEFORE INCOME TAX	3,371,230	10	3,910,251	13
INCOME TAX EXPENSE (Notes 4 and 21)	473,439	1	619,000	2
NET PROFIT	2,897,791	9	3,291,251	11

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 18)	$ (46,647)	-	$ (31,518)	-
Share of other comprehensive loss of subsidiaries accounted for using equity method	(22,634)	-	(53,989)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(93)	-	817	-
Unrealized gains (losses) on available-for-sale financial assets	1,642,970	5	(984,703)	(3)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	904,851	2	(680,210)	(3)
Other comprehensive income (loss)	2,478,447	7	(1,749,603)	(6)
TOTAL COMPREHENSIVE INCOME	$ 5,376,238	16	$ 1,541,648	5
EARNINGS PER SHARE (Note 22)				
Basic	$ 0.81		$ 0.90	
Diluted	$ 0.81		$ 0.90	

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity			
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	(Accumulated Deficits) Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Shares	Total
BALANCE, JANUARY 1, 2015	$ 36,949,822	$ 2,143,393	$ -	$ -	$ (1,119,684)	$ 23,265	$ 292,835	$ (106,387)	$ 38,183,244
Net profit for 2015	-	-	-	-	3,291,251	-	-	-	3,291,251
Other comprehensive income for 2015	-	-	-	-	(85,507)	65,506	(1,729,602)	-	(1,749,603)
Total comprehensive income for 2015	-	-	-	-	3,205,744	65,506	(1,729,602)	-	1,541,648
Acquisition of treasury share	-	-	-	-	-	-	-	(822,921)	(822,921)
Retirement of treasury share	(1,149,820)	326,899	-	-	-	-	-	822,921	-
BALANCE, DECEMBER 31, 2015	35,800,002	2,470,292	-	-	2,086,060	88,771	(1,436,767)	(106,387)	38,901,971
Appropriation of 2015 earnings									
Legal reserve	-	-	208,606	-	(208,606)	-	-	-	-
Special reserve	-	-	-	1,395,063	(1,395,063)	-	-	-	-
Cash dividends	-	-	-	-	(358,000)	-	-	-	(358,000)
Total appropriations	-	-	208,606	1,395,063	(1,961,669)	-	-	-	(358,000)
Net profit for 2016	-	-	-	-	2,897,791	-	-	-	2,897,791
Other comprehensive income for 2016	-	-	-	-	(69,281)	(65,338)	2,613,066	-	2,478,447
Total comprehensive income for 2016	-	-	-	-	2,828,510	(65,338)	2,613,066	-	5,376,238
Adjustments of capital surplus for company's cash dividends received by subsidiaries	-	752	-	-	-	-	-	-	752
BALANCE, DECEMBER 31, 2016	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,952,901	$ 23,433	$ 1,176,299	$ (106,387)	$ 43,920,961

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,371,230	$ 3,910,251
Adjustments for:		
Depreciation expense	5,393,102	5,589,185
Amortization expense	18,827	21,591
Provision for (reversal of) allowance for doubtful accounts	10,000	(13,398)
(Reversal of) provision for decline in market value and obsolescence and abandonment of inventories	(76,451)	121,523
Net loss on financial assets and liabilities at fair value through profit or loss	19,974	9,795
Interest expense	187,009	262,406
Interest income	(155,112)	(153,217)
Dividend income	(63,800)	(29,121)
Share of profit of subsidiaries and associates accounted for using equity method	(463,221)	(448,169)
Loss on disposal of property, plant and equipment	4,327	8,238
Loss (gain) on disposal of investments	10,472	(1,625)
Impairment loss on financial assets	36,053	-
Impairment loss on non-financial assets	16,085	-
(Gain) loss on foreign currency exchange of held-to-maturity financial assets	(1,200)	1,940
Unrealized profit on the transactions with subsidiaries	6,268	8,873
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(528,130)	746,378
Decrease (increase) in accounts receivable due from related parties	94,830	(325,014)
(Increase) decrease in other receivables	(46,849)	16,232
Decrease (increase) in inventories	1,225,569	(2,101,729)
Decrease (increase) in other current assets	30,810	(164,104)
Increase in other non-current assets	(275)	(13,511)
Decrease in notes payable	(217,950)	(15,289)
Increase (decrease) in accounts payable	349,781	(70,608)
(Decrease) increase in accounts payable to related parties	(234,575)	64,756
Increase in other payables	253,245	88,315
(Decrease) increase in other current liabilities	(33,980)	8,494
Increase in other non-current liabilities	58,928	19,166
Cash inflow generated from operations	9,264,967	7,541,358
Interest received	19,285	26,121
Dividends received	303,706	181,066
Interest paid	(238,139)	(329,626)
Income taxs paid	(12,262)	(884)
Net cash flows from operating activities	9,337,557	7,418,035

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (319,655)	$ (653,619)
Proceeds from disposal of available-for-sale financial assets	110,162	32,027
Proceeds from capital reduction of available-for-sale financial assets	7,913	23,187
Acquisition of financial assets measured at cost	-	(40,000)
Proceeds from repayments of held-to-maturity financial assets	101,100	-
Proceeds from capital reduction of financial assets measured at cost	12,512	-
Acquisition of investments accounted for using equity method	(50,000)	(5,947)
Proceeds from capital reduction of investments accounted for using equity method	-	114,651
Acquisitions of property, plant and equipment	(4,796,651)	(3,907,863)
Proceeds from disposal of property, plant and equipment	11,132	2,856
Acquisition of intangible assets	-	(24,371)
Decrease in finance lease receivables	574,353	299,818
Net cash used in investing activities	(4,349,134)	(4,159,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(390,213)
Proceeds in long-term borrowings	1,000,000	3,460,710
Repayments of long-term borrowings	(4,352,267)	(6,017,973)
Payments to acquire treasury shares	-	(822,921)
Cash dividends paid	(358,000)	-
Other financing activities	(38,600)	-
Net cash used in financing activities	(3,748,867)	(3,770,397)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,239,556	(511,623)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,634,615	4,146,238
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,874,171	$ 3,634,615

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange since October 18, 1995. Walsin Lihwa is a major stockholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2016 and 2015.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 3, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Company should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the International Accounting Standards Board (IASB) and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 2)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New Amended or Revised Standards and Interpretations are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 5 is applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the above IFRSs in 2017 and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers does not have any material impact on the Company's accounting policies:

1) Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"

   IAS 36 was amended to clarify that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, the discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment will be applied retrospectively.

2) Annual Improvements to IFRSs 2011-2013 Cycle

   The scope in IFRS 13 of the portfolio exception for measuring the fair value of a company's financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts which do not meet the definitions of financial assets or financial liabilities within IAS 32. When the amended IFRS 13 becomes effective in 2017, the Company will choose to measure the fair value of those contracts retrospectively on a net basis.

3) Annual Improvements to IFRSs 2012-2014 Cycle

   IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate the discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

   There is no anticipated material impact of retrospective application of the above amendments starting from 2017.

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and addition requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related party relationship, unless it can be demonstrated that no control or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Company has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Company's respective total transactions or balance, such transaction should be separately disclosed by the name of each related party.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company continues assessing other possible impacts that application of the aforementioned IFRSs amendments starting from 2017 and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. The IFRSs issued by IASB but not yet endorsed by the FSC

The Company has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

As of the date the financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs except IFRS 9 and IFRS 15 starting from January 1, 2018.

New IFRSs	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IFRS 15 "Clarification to IFRS 15"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment 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 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect contractual cash flows and have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period, and restatement of prior periods is not required.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Company shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange difference arising are recognized in other comprehensive income.

Cash Equivalents

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

Financial Instruments

a. Financial assets

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

   The categories of financial assets held by the Company are financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.

   1) Financial assets at fair value through profit or loss

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

   2) Available-for-sale financial assets

      Listed shares held by the Company that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

      Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

      Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

   3) Held-to-maturity financial assets

      Bonds which have a specific credit rating and the Company has positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

b. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable and held-to-maturity financial assets are assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is 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. 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, the amount is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

c. Derecognition of financial assets

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

d. Financial liabilities

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

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

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

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

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

Inventories

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

Investments Accounted for Using Equity Method

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

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

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

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

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

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

b. Investment in associates

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Buildings	9-21 years
Machinery and equipment	4-8 years
Other equipment	6 years

Intangible Assets

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

Impairment of Tangible and Intangible Assets

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

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

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

Provisions

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns; a liability is recognized a liability for returns based on previous experience and other relevant factors. Sales of goods are recognized when the goods are delivered and title is passed to the buyer.

Leasing

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

   Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

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

a. Current tax

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Valuation of inventory

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

b. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is 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. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand	$ 230	$ 230
Cash and deposits in banks	4,463,291	2,898,278
Repurchase agreements collateralized by bonds	410,650	736,107
	$ 4,874,171	$ 3,634,615

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

	December 31	
	2016	2015
Time deposits	$ 73,255	$ 71,373

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

	December 31	
	2016	2015
Time deposits	$ 3,733	$ -

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets at FVTPA - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange swap contracts	$ 5,559	$ -
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	$ 46,581	$ 21,048

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Sell forward exchange contracts	USD to NTD	2017.01.06-2017.02.17	USD96,000/NTD3,049,301
Sell forward exchange contracts	RMB to NTD	2017.01.13-2017.02.17	RMB30,000/NTD137,743
Foreign exchange swap contracts	EUR to NTD	2017.01.26-2017.02.24	EUR5,665/NTD197,931
December 31, 2015			
Sell forward exchange contracts	USD to NTD	2016.01.08-2016.02.26	USD89,000/NTD2,909,362

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Listed stocks and exchange traded funds		
Walsin Lihwa Corporation	$ 2,370,000	$ 1,174,400
Hannstar Display Corporation	975,168	482,621
Walton Advanced Engineering Inc.	585,733	454,068
Walsin Technology Corporation	345,009	209,968
CTBC Financial Holding Co., Ltd.	-	56,834
Cathay Financial Holding Co., Ltd.	-	46,323
Yuanta/P-Shares Taiwan Top 50 ETF	-	17,618
Current available-for-sale financial assets	$ 4,275,910	$ 2,441,832

9. CURRENT HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2016	2015
CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013	$ -	$ 99,900

On March 12, 2013, the Company bought 3-year financial bonds issued by CTBC Bank Co., Ltd. with coupon rates and effective interest rates of 2.9%, at par values of RMB20,000 thousand.

As of December 31, 2016, all of the CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013 held by the Company have been due for repayment.

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31 2016	December 31 2015
Notes receivable	$ -	$ 658
Accounts receivable	3,401,240	2,872,452
Less: Allowance for doubtful accounts	(81,000)	(71,000)
	$ 3,320,240	$ 2,802,110

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable were as follows:

	December 31 2016	December 31 2015
Not overdue	$ 3,207,725	$ 2,438,918
Overdue under 30 days	182,636	427,393
Overdue 31-60 days	5,371	633
Overdue 61 days and longer	5,508	5,508
	$ 3,401,240	$ 2,872,452

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

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Balance at January 1	$ 71,000	$ 86,000
Add: Provisions (reversal of) recognized on accounts receivable	10,000	(13,398)
Less: Amounts written off	-	(1,602)
Balance at December 31	$ 81,000	$ 71,000

The Company's receivables were aged on a collective basis and not on individual account basis.

11. FINANCE LEASE RECEIVABLES

	December 31 2016	December 31 2015
Gross investment in leases		
Not later than one year	$ -	$ 479,741
Later than one year and not later than five years	-	88,944
	-	568,685
Less: Unearned finance income	-	(131,944)
Present value of minimum lease payments	$ -	$ 436,741

(Continued)

	December 31	
	2016	2015
Finance lease receivables		
Not later than one year (recorded as “other receivables”)	$ -	$ 360,009
Later than one year and not later than five years (recorded as “other non-current assets”)	-	76,732
Financial lease receivables	$ -	$ 436,741

(Concluded)

The Company entered into finance lease agreements with a non-related party for certain machinery. All leases were denominated in New Taiwan dollars. The term of finance leases agreements was 3-5 years. The machinery was partially pledged to secure long-term borrowings. As of December 31, 2016, the financial lease agreements expired, and the pledged machinery has been cancelled off its pledged status.

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. As of December 31, 2015, the interest rate inherent in the finance lease was 1.7% per annum. The finance lease receivables as of December 31, 2015 was neither past due nor impaired.

12. INVENTORIES

	December 31	
	2016	2015
Finished goods	$ 1,337,539	$ 1,700,038
Work-in-process	4,576,960	5,419,231
Raw materials and supplies	451,175	387,505
Inventories in transit	-	8,018
	$ 6,365,674	$ 7,514,792

a. Gain on reversal of decline in market value and obsolescence and abandonment of inventories was $76,451 thousand and loss on decline in market value and obsolescence and abandonment of inventories was $121,523 thousand, which were recognized as cost of sales for the years ended December 31, 2016 and 2015, respectively. Gain on recovery of decline in market value amounted to $295,062 thousand for the year ended December 31, 2016 was due to net realizable value increasing.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2016 and 2015 amounted to $587,534 thousand and $222,235 thousand, respectively.

13. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Harbinger III Venture Capital Corp.	$ 14,396	$ 26,908
Smart Catch International Co., Ltd.	10,000	40,000
Others	13,253	13,253
Non-Current financial assets measured at cost	$ 37,649	$ 80,161

Management believed that the above unlisted equity investments held by the Company have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant; therefore they were measured at cost less impairment at the end of reporting period.

After proper assessment, the Company recognized an impairment loss on Smart Catch International Co., Ltd of $30,000 thousand, which was recorded as an impairment loss on financial assets for the year ended December 31, 2016.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 4,547,431	$ 4,324,440
Investments in associates	2,654,477	1,724,898
	$ 7,201,908	$ 6,049,338

a. Investments in subsidiaries

	December 31			
	2016		2015	
Name of Subsidiaries	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation	$ 2,039,669	61	$ 1,882,834	61
Unlisted companies				
Winbond Int'l Corporation	1,871,256	100	1,865,121	100
Pine Capital Investment Limited	279,000	100	294,852	100
Landmark Group Holdings Ltd.	274,718	100	249,903	100
Techdesign Corporation	38,953	100	-	-
Winbond Technology LTD.	37,767	100	31,730	100
Winbond Electronics (H.K.) Limited	6,068	100	-	100
Newfound Asian Corp.	-	100	-	100
Mobile Magic Design Corporation	-	100	-	100
	$ 4,547,431		$ 4,324,440	

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

	December 31	
Name of Subsidiary	2016	2015
Nuvoton Technology Corporation	$ 4,900,197	$ 3,893,568

2) In May 2015, the Company subscribed for shares of Winbond Int'l Corporation for cash of $3,068 thousand.

3) In March 2015, the Company subscribed for shares of Pine Capital Investment Limited for cash of $1,583 thousand.

4) In October 2015, the Company subscribed for shares of Newfound Asian Corp. for cash of $1,296 thousand.

5) In January and December 2015, the board of directors of Landmark Group Holdings Ltd. totally resolved capital reductions in the amount of $114,651 thousand.

6) In May 2016, the Company purchased 100% of the shares of Techdesign Corporation from Nuvoton Technology Corporation.

7) In 2016 and 2015, the Company recognized shares of subsidiaries' profit under the equity method in the amounts of $450,837 thousand and $426,285 thousand, respectively.

b. Investments in associates

	December 31	
	2016	2015
1) Associates that are not individually material	$ 2,654,477	$ 1,724,898

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Company's share of:		
Profit from continuing operations	$ 12,384	$ 21,884
Other comprehensive income	917,195	(713,373)
Total comprehensive income for the year	$ 929,579	$ (691,489)

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2016	2015
Land	$ 1,544,450	$ 1,544,450
Buildings	7,054,308	7,712,140
Machinery and equipment	18,206,326	20,865,443
Other equipment	401,479	281,329
Construction in progress and prepayments on purchase of equipment	6,401,279	791,811
	$ 33,607,842	$ 31,195,173

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2016	$ 1,544,450	$ 17,743,372	$ 80,138,341	$ 2,814,896	$ 791,811	$ 103,032,870
Additions	-	119,649	1,333,014	215,915	6,172,256	7,840,834
Disposals	-	(225,649)	(118,285)	(5,750)	-	(349,684)
Reclassified	-	221,656	340,672	460	(562,788)	-
Balance at December 31, 2016	$ 1,544,450	$ 17,859,028	$ 81,693,742	$ 3,025,521	$ 6,401,279	$ 110,524,020
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ 10,031,232	$ 59,272,898	$ 2,533,567	$ -	$ 71,837,697
Depreciation expense	-	994,147	4,302,955	96,000	-	5,393,102
Disposals	-	(220,659)	(104,522)	(5,525)	-	(330,706)
Impairment loss recognized in profit or loss	-	-	16,085	-	-	16,085
Balance at December 31, 2016	$ -	$ 10,804,720	$ 63,487,416	$ 2,624,042	$ -	$ 76,916,178
Cost						
Balance at January 1, 2015	$ 1,544,450	$ 16,917,886	$ 78,361,236	$ 2,712,452	$ 199,453	$ 99,735,477
Additions	-	475,078	1,895,035	104,816	1,016,376	3,491,305
Disposals	-	(22,906)	(168,634)	(2,372)	-	(193,912)
Reclassified	-	373,314	50,704	-	(424,018)	-
Balance at December 31, 2015	$ 1,544,450	$ 17,743,372	$ 80,138,341	$ 2,814,896	$ 791,811	$ 103,032,870
Accumulated depreciation and impairment						
Balance at January 1, 2015	$ -	$ 8,966,207	$ 55,017,785	$ 2,447,338	$ -	$ 66,431,330
Depreciation expense	-	1,077,572	4,423,020	88,593	-	5,589,185
Disposals	-	(12,547)	(167,907)	(2,364)	-	(182,818)
Balance at December 31, 2015	$ -	$ 10,031,232	$ 59,272,898	$ 2,533,567	$ -	$ 71,837,697

a. As of December 31, 2016 and 2015, the carrying amounts of $20,272,406 thousand and $22,384,768 thousand of land, buildings and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowing. The Company was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2016	2015
Capitalized interest amounts	$ 49,882	$ 65,163
Capitalized interest rate	1.87%-1.94%	2.02%-2.16%

c. In response to future market demand and the development of advanced manufacturing processes, the Company invested in capital expenditure for the construction of the buildings and acquisition of related equipment. As of December 31, 2016, unfinished buildings and machinery were in the amount of $5,996,694 thousand, which was recorded as construction in progress and prepayments on purchase of equipment.

d. The Company recognized an impairment loss of $16,085 thousand, which was recorded as impairment loss on property, plant and equipment for the year ended December 31, 2016, since the carrying amount of some of equipment is expected to be unrecoverable.

16. INTANGIBLE ASSET

	December 31	
	2016	2015
Deferred technical assets, net	$ 69,438	$ 76,371

	Deferred Technical Assets
Cost	
Balance at January 1, 2016	$ 17,787,924
Balance at December 31, 2016	$ 17,787,924
Accumulated amortization and impairment	
Balance at January 1, 2016	$ 17,711,553
Amortization expense	6,933
Balance at December 31, 2016	$ 17,718,486
Cost	
Balance at January 1, 2015	$ 17,763,553
Additions	24,371
Balance at December 31, 2015	$ 17,787,924

(Continued)

	Deferred Technical Assets
Accumulated amortization and impairment	
Balance at January 1, 2015	$ 17,711,553
Balance at December 31, 2015	$ 17,711,553

(Concluded)

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

17. BORROWINGS

	December 31	
	2016	2015
Long-term borrowings	$ 9,728,453	$ 13,107,427

Long-term Borrowings

	December 31			
	2016			2015
	Period	Interest Rate	Amount	Amount
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.11.27-2019.11.27	1.87%-2.23%	$ 8,166,660	$ 9,000,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	617,600	617,600
Bank of Taiwan syndicated loan (IV)	2016.12.29-2021.12.29	1.79%	1,000,000	-
Bank of Taiwan syndicated loan (III)	2011.12.23-2016.12.23	-	-	3,518,927
			9,784,260	13,136,527
Less: Current portion			(3,090,180)	(4,352,267)
Less: Syndication agreement management fee			(55,807)	(29,100)
			$ 6,638,273	$ 8,755,160

a. CTBC Bank Co., Ltd. Syndicated Loan (IV)

1) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch Fab and fund the borrowing payments, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

2) Part A will be repaid every six months from November 27, 2017 until maturity, part B will be repaid every six months from November 27, 2016 until maturity.

3) Please refer to Note 15 for collateral on bank borrowings.

b. The collateral on the Bank of Taiwan secured medium-term loan are the land and building of the Company in Zhubei, please referred to Note 15. The principal will be repaid every six months from June 29, 2017 until maturity.

c. Bank of Taiwan Syndicated Loan (IV)

1) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch Fab and fund the borrowing payments. The credit line was divided into part A and B, which amounted to $10 billion and $2 billion, respectively; and the total line of credit amounted to $12 billion.

2) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.

3) Please refer to Note 15 for collateral on bank borrowings.

d. Bank of Taiwan Syndicated Loan (III)

1) On September 19, 2011, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch Fab. The original credit line amount of $7 billion was deducted by $0.25 billion because of prepayment, so the final credit line amounted to $6.75 billion.

2) The Company changed the terms and repayment schedule of the agreement on December 18, 2013. The loan utilized before December 22, 2013 will be repaid every six months from June 23, 2014, and the loan utilized after December 22, 2013 will be repaid every six months from December 23, 2015.

3) Please refer to Note 15 for collateral on bank borrowings.

4) The loan was fully repaid on December 23, 2016.

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31	
	2016	**2015**
Present value of the defined benefit obligation	$ 1,067,856	$ 1,013,847
Fair value of the plan assets	(495,246)	(489,800)
Net defined benefit liabilities, non-current	$ 572,610	$ 524,047

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2016	$ 1,013,847	$ (489,800)	$ 524,047
Service cost			
Current service cost	17,226	-	17,226
Net interest expense (income)	17,614	(8,501)	9,113
Recognized in profit or loss	34,840	(8,501)	26,339
Remeasurement			
Loss on plan assets	-	5,086	5,086
Actuarial loss - changes in financial assumptions	24,171	-	24,171
Actuarial loss - experience adjustments	17,390	-	17,390
Recognized in other comprehensive income	41,561	5,086	46,647
Contributions from the employer	-	(14,504)	(14,504)
Benefits paid	(12,473)	12,473	-
Account paid	(9,919)	-	(9,919)
Balance at December 31, 2016	$ 1,067,856	$ (495,246)	$ 572,610
Balance at January 1, 2015	$ 984,184	$ (502,500)	$ 481,684
Service cost			
Current service cost	14,900	-	14,900
Net interest expense (income)	20,965	(10,764)	10,201
Recognized in profit or loss	35,865	(10,764)	25,101
Remeasurement			
Return on plan assets	-	(2,501)	(2,501)
Actuarial loss - changes in financial assumptions	37,933	-	37,933
Actuarial gain - experience adjustments	(3,914)	-	(3,914)
Recognized in other comprehensive income	34,019	(2,501)	31,518
Contributions from the employer	-	(14,256)	(14,256)
Benefits paid	(40,221)	40,221	-
Balance at December 31, 2015	$ 1,013,847	$ (489,800)	$ 524,047

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

	For the Year Ended December 31	
	2016	2015
Operating cost	$ 14,363	$ 14,014
Selling expenses	1,973	1,890
General and administrative expenses	2,779	2,805
Research and development expenses	7,224	6,392
	$ 26,339	$ 25,101

The fair value of the plan assets was as follows:

	December 31	
	2016	2015
Cash and cash equivalents	$ 495,246	$ 489,800

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

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

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

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

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

	December 31	
	2016	2015
Discount rate	1.50%	1.75%
Expected rate of salary increase	3.00%	3.00%

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

	December 31	
	2016	2015
Discount rate		
0.5% increase	$ (47,645)	$ (47,080)
0.5% decrease	$ 51,145	$ 50,642
Expected rate of salary increase		
0.5% increase	$ 50,149	$ 49,781
0.5% decrease	$ (47,218)	$ (46,769)

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

	December 31	
	2016	2015
The expected contribution to the plan for the next year	$ 14,939	$ 6,630
The average duration of defined benefit obligation	9.30 years	9.70 years

19. EQUITY

a. Common stock

	December 31	
	2016	2015
Number of shares authorized (in thousands)	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,580,000	3,580,000
Share issued	$ 35,800,002	$ 35,800,002

Reconciliation of outstanding shares:

	Shares (In Thousands)	Capital
January 1, 2016	3,580,000	$ 35,800,002
December 31, 2016	3,580,000	$ 35,800,002
January 1, 2015	3,694,982	$ 36,949,822
Retirement of treasury share	(114,982)	(1,149,820)
December 31, 2015	3,580,000	$ 35,800,002

As of December 31, 2016 and 2015, the balance of the Company's capital account amounted to $35,800,002 thousand, divided into 3,580,000 thousand shares with par value of NT$10.00 per share.

b. Capital surplus

	December 31	
	2016	**2015**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from treasury share transactions	$ 2,299,513	$ 2,298,761
Arising from conversion of bonds	136,352	136,352
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries	6,042	6,042
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	29,137	29,137
	$ 2,471,044	$ 2,470,292

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees, directors and supervisors. The shareholders held their regular meeting on June 16, 2016 and in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation and remuneration to directors and supervisors.

Amendments of the Company's Articles of Incorporation was summarized as follows:

The Company distribute employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 1% of net profit before income tax, respectively. The board of directors will approve distribution of employees' compensation in stocks or cash, include the employees of subsidiaries of the Company meeting certain criteria.

The Company should preserve capital in advance to cover all losses and then distribute employees' compensation and remuneration of directors and supervisors at prior ratios.

The phrase "the employees of subsidiaries of the Company meeting certain criteria" from a paragraph above indicates that the board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

If the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall appropriate 10% of the earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals to the paid-in capital of the Company. The Company shall appropriate special reserve to or reverse special reserve from appropriated earnings based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the stockholders will be retained partially by the Company to be distributed to shareholders.

The Company’s dividend policy is based on the Company Act and the Company's Articles of Incorporation and also based on the Company's capital, financial structure, earnings, industry properties and cycle. Accounting for the future operating scale and cash flow requirements, the Company should distribute no lower than 50% of available distributed earnings as dividends, which can be distributed as stock dividends or cash dividends. To improve the Company’s future operation, the cash dividends cannot be lower than 50% of total dividends.

For information about the accrual basis of the employees’ compensation and remuneration of directors and supervisors and the actual appropriations, please refer to Note 20 on employee benefits expenses.

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

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

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 are not subjected.

The appropriations of earnings for 2015 were approved in the shareholders’ meetings on June 16, 2016.

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 208,606	
Special reserve	1,395,063	
Cash dividends	358,000	$0.10
	$ 1,961,669	

The Company experienced a loss for the year ended December 31, 2014, so the stockholders’ meetings on June 18, 2015 did not cover appropriations of earnings. The relevant information about the Company is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 88,771	$ 23,265
Exchange differences arising on translating the financial statements of foreign operations	(93)	817
Share of exchange difference of subsidiaries and associates accounted for using the equity method	(65,245)	64,689
Balance at December 31	$ 23,433	$ 88,771

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

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ (1,436,767)	$ 292,835
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	1,642,970	(984,703)
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using equity method	970,096	(744,899)
Balance at December 31	$ 1,176,299	$ (1,436,767)

Unrealized gain/loss on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

e. Treasury shares

On July 31 and October 1, 2015, the Company's board of directors passed a resolution to buy back the Company's common shares from the open market. The repurchase price ranged from NT$6.5 to NT$8.5 per share. The Company bought back 114,982,000 shares for NT$822,921 thousand. On October 31, the Company resolved to retire the 114,982,000 treasury shares.

1) Treasury shares transactions for the year of 2016 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2016	Increase During the Year	Decrease During the Year	Treasury Shares Held as of December 31, 2016
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

2) Treasury shares transactions for the year of 2015, were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2015	Increase During the Year	Decrease During the Year	Treasury Shares Held as of December 31, 2015
Maintain the Company's credibility and shareholders' equity	-	114,982,000	(114,982,000)	-
Common shares held by subsidiaries	7,518,364	-	-	7,518,364
	7,518,364	114,982,000	(114,982,000)	7,518,364

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held	Carrying Value	Market Value
December 31, 2016			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 74,958
December 31, 2015			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 59,320

Based on the Securities and Exchange Act of the ROC, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

The purpose of holding the shares is to maintain shareholders' equity. The Company's shares held by subsidiaries were treated as treasury shares, and the holders are entitled to the rights of stockholders, except for the right to participate in the Company's share issuance for cash and vote in stockholders' meeting when the subsidiary held more than 50%. Other rights are the same as common stock.

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2016			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 1,743,341	$ 1,471,123	$ -	$ 3,214,464
Insurance	$ 118,544	$ 80,620	$ -	$ 199,164
Post-employment benefits				
Pension	$ 87,673	$ 58,684	$ -	$ 146,357
Depreciation	$ 5,147,057	$ 246,045	$ -	$ 5,393,102
Amortization	$ -	$ 6,933	$ 11,894	$ 18,827

	For the Year Ended December 31, 2015			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 1,595,909	$ 1,297,193	$ -	$ 2,893,102
Insurance	$ 116,780	$ 74,134	$ -	$ 190,914
Post-employment benefits				
Pension	$ 83,780	$ 61,692	$ -	$ 145,472
Depreciation	$ 5,305,178	$ 284,007	$ -	$ 5,589,185
Amortization	$ -	$ -	$ 21,591	$ 21,591

There were 2,434 and 2,321 employees in the Company as of December 31, 2016 and 2015, respectively.

In compliance with the Company Act as amended in May 2015, the Company's shareholders held their meeting on June 16, 2016 and resolved amendments to the Company's Articles. Refer to Note 19 for employee benefits expenses. For the years ended December 31, 2016 and 2015, the employees' compensation was $34,400 thousand and $28,475 thousand, and the remuneration of directors and supervisors was $34,400 thousand and $28,475 thousand, representing 1% of the base net profit (offset of deficit included), respectively. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date of authorization of the annual financial statements for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

For the year ended December 31, 2015, the employees' compensation and remuneration of directors and supervisors were approved by the Company's board of directors on January 19, 2016. After the amendments to the Articles were resolved in the shareholders' meeting held on June 16, 2016, the appropriations of the employees' compensation and remuneration of directors and supervisors for 2015 were reported in the shareholders' meeting.

	For the Year Ended December 31, 2015
Employees' compensation	$ 28,475
Remuneration of directors and supervisors	28,475

There was no difference between the amounts of the employees' compensation and the remuneration of directors and supervisors for 2015 resolved by the Company's board of directors on January 29, 2016, and the respective amounts recognized in the financial statements

Due to the fact that there were no available earnings for distribution in 2014, there was no discussion of the distribution of bonus to employees and remuneration of directors and supervisors in the shareholders' meeting on June 18, 2015.

Information on the employees' compensation and remuneration of directors and supervisors for 2015 resolved by the Company's board of directors in 2016 and bonus to employees, directors and supervisors for 2014 resolved in the shareholders' meeting in 2015 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2016	2015
Current income tax expense		
In respect of the current year	$ 493,000	$ 597,000
Additional income tax expense on unappropriated earnings	12,439	-
Deferred income tax		
In respect of the current year	(32,000)	22,000
Income tax expense recognized in profit or loss	$ 473,439	$ 619,000

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

	For the Year Ended December 31	
	2016	2015
Income tax expense from continuing operations at the statutory rate	$ 573,000	$ 665,000
Tax effect of adjustment items		
Permanent difference	(80,000)	(68,000)
Current income tax expense	493,000	597,000
Temporary difference	(32,000)	22,000
Additional income tax expense on unappropriated earnings	12,439	-
Income tax expense recognized in profit or loss	$ 473,439	$ 619,000

The applicable tax rate used by the Company is 17%.

b. Current tax assets and liabilities

	December 31	
	2016	2015
Current income tax assets		
Tax refund receivable (recorded as “other receivables”)	$ 19,457	$ 7,195
Current income tax liabilities		
Income tax payable (recorded as “other payables”)	$ 12,439	$ -

c. As of December 31, 2016 and 2015, deferred tax assets of $2,066,000 thousand and $2,527,000 thousand, respectively, were mainly net operating loss carryforwards.

d. Information about the Company's operating loss carryforwards as of December 31, 2016 was as follows:

Operating loss carryforwards as of December 31, 2016, comprised of:

Operating Loss Carryforwards	Expiry Year
$ 2,061,000	2018-2019
475,000	2022
$ 2,536,000	

e. The information on the integrated income tax was as follows:

	December 31	
	2016	2015
Balance of imputation credit account	$ 379,848	$ 381,992
Undistributed earnings for the years of 1998 and thereafter	$ 2,952,901	$ 2,086,060

The Company had no undistributed earnings for the years of 1997 and before.

The actual creditable ratio for distribution of earning is 20.48% for the year ended December 31, 2015.

f. The tax returns through 2014 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	For the Year Ended December 31, 2016				
	Amounts (Numerator)		Shares	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator) (In Thousands)	Before Tax	After Tax
Basic earnings per share					
Net income attributed to common shareholders	$ 3,371,230	$ 2,897,791	3,572,482	$ 0.94	$ 0.81
Effect of dilutive potential common shares					
Employees' compensation	-	-	3,616		
Diluted earnings per share					
Net income attributed to common shareholders	$ 3,371,230	$ 2,897,791	3,576,098	$ 0.94	$ 0.81

	For the Year Ended December 31, 2015				
	Amounts (Numerator)		Shares	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator) (In Thousands)	Before Tax	After Tax
Basic earnings per share					
Net income attributed to common shareholders	$ 3,910,251	$ 3,291,251	3,648,377	$ 1.07	$ 0.90
Diluted earnings per share					
Net income attributed to common shareholders	$ 3,910,251	$ 3,291,251	3,648,377	$ 1.07	$ 0.90

If the Company may settle the compensation or bonus to employees by cash or shares, the Company should presume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. NON-CASH TRANSACTIONS

	For the Year Ended December 31	
	2016	**2015**
Non-cash investing and financing activities		
Long-term borrowings, current portion	$ 3,090,180	$ 4,352,267
Exchange differences on translation of foreign financial statements	$ (65,338)	$ 65,506
Unrealized gains (losses) on available-for-sale financial assets	$ 2,613,066	$ (1,729,602)

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration until 2023, and the lease term can extended after the expiration of the lease period.

The Company leased some of the offices, and the lease terms will expire between 2017 and 2022 which can be extended after the expiration of the lease periods.

As of December 31, 2016 and 2015, deposits paid under operating leases amounted to $15,785 thousand and $14,160 thousand, respectively (recorded as “other non-current assets”).

b. Lease expense

	For the Year Ended December 31	
	2016	**2015**
Lease expenditure	$ 86,701	$ 67,649

25. CAPITAL MANAGEMENT

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

26. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
Winbond Electronics (H.K.) Limited	Subsidiary
Mobile Magic Design Corporation	Subsidiary
Winbond Electronics (Suzhou) Limited	Subsidiary
Winbond Electronics Corporation America	Subsidiary
Winbond Electronics Corporation Japan	Subsidiary
Winbond Technology LTD.	Subsidiary
Nuvoton Technology Corporation	Subsidiary
Techdesign Corporation	Subsidiary
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
HannStar Display Corporation	Related party in substance
HannStar Board Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2016	2015
1) Operating revenue		
Subsidiaries	$ 12,339,040	$ 11,026,137
2) Manufacturing expenses		
Related party in substance	$ 2,516,392	$ 2,842,432
3) Selling expenses		
Subsidiaries	$ 162,472	$ 152,566
4) General and administrative expenses		
Investor that exercises significant influence over the Company	$ 8,967	$ 8,566
Related party in substance	-	1,537
	$ 8,967	$ 10,103
5) Research and development expenses		
Subsidiaries	$ 926,205	$ 804,772

	For the Year Ended December 31	
	2016	2015
6) Other income		
Subsidiaries	$ 2,609	$ 2,111
Related party in substance	1,323	663
	$ 3,932	$ 2,774
7) Dividend income		
Investor that exercises significant influence over the Company	$ 42,160	$ -
Related party in substance	19,392	24,021
	$ 61,552	$ 24,021

	December 31	
	2016	2015
8) Accounts receivable due from related parties		
Subsidiaries	$ 1,230,340	$ 1,320,712
9) Accounts payable to related parties		
Related party in substance	$ 472,489	$ 707,064
10) Other receivables and other current assets		
Subsidiaries	$ 11,159	$ 52
Investor that exercises significant influence over the Company	340	277
	$ 11,499	$ 329
11) Other payables		
Subsidiaries	$ 217,711	$ 237,184
Related party in substance	32,819	33,423
Investor that exercises significant influence over the Company	6	1,545
	$ 250,536	$ 272,152
12) Refundable deposits (recorded as "other non-current assets")		
Subsidiaries	$ 545	$ 545
Investor that exercises significant influence over the Company	203	203
	$ 748	$ 748

The related party transactions were conducted under normal terms.

13) Disposal of property, plant and equipment

	For the Year Ended December 31			
	2016		2015	
	Proceeds	Gain on Disposal	Proceeds	Gain on Disposal
Subsidiaries	$ 10,551	$ 160	$ -	$ -

14) Acquisition of financial assets

		For the Year Ended December 31, 2016		
Related Parties Types	Account Items	Number of Shares	Underlying Assets	Acquisition Price
Subsidiaries	Investment accounted for using equity method	5,000,000	Techdesign Corporation	$ 50,000

c. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employment benefits	$ 112,479	$ 114,453
Post-employment benefits	528	19,953
	$ 113,007	$ 134,406

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

27. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 11, Note 15 and Note 17.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2016 were approximately US$7,472 thousand, JPY1,281,010 thousand and EUR352 thousand.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2016
TASA Construction Corporation	$ 1,140,000	$ 1,012,223

29. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks, mutual funds and convertible bonds).

- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

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

2) Fair value measurements recognized in the balance sheets

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

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

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

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

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

Fair value hierarchy as at December 31, 2015

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Held-to-maturity investments					
Domestic listed securities					
Financial bonds	$ 99,900	$ 99,565	$ -	$ -	$ 99,565

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

Fair value hierarchy as at December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPA				
Derivative financial assets (not under hedge accounting)	$ -	$ 5,559	$ -	$ 5,559
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 4,275,910	$ -	$ -	$ 4,275,910
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 46,581	$ -	$ 46,581

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 2,441,832	$ -	$ -	$ 2,441,832
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 21,048	$ -	$ 21,048

There were no transfers between the levels in 2016 and 2015, respectively.

b. Categories of financial instruments

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 4,874,171	$ 4,874,171	$ 3,634,615	$ 3,634,615
Notes and accounts receivable (included related parties)	4,550,580	4,550,580	4,122,822	4,122,822
Other receivables	211,734	211,734	514,417	514,417
Refundable deposits (recorded in other non-current assets)	94,860	94,860	90,964	90,964
Finance lease receivable (recorded in other non-current assets)	-	-	76,732	76,732

(Continued)

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets at FVTPA	$ 5,559	$ 5,559	$ -	$ -
Available-for-sale financial assets	4,275,910	4,275,910	2,441,832	2,441,832
Held-to-maturity financial assets	-	-	99,900	99,565
Financial assets measured at cost	37,649	37,649	80,161	80,161
<u>Financial liabilities</u>				
Measured at amortized cost				
Notes and accounts payable (included related parties)	3,797,444	3,797,444	3,903,706	3,903,706
Payable on equipment and other payables	5,780,034	5,780,034	2,521,296	2,521,296
Long-term borrowings (included current portion)	9,784,260	9,784,260	13,136,527	13,136,527
Guarantee deposits (recorded in other non-current liabilities)	458	458	458	458
Financial liabilities at FVTPL	46,581	46,581	21,048	21,048

(Concluded)

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against U.S. dollars, there would be impact on net income in the amounts of $25,417 thousand and $28,964 thousand increase for the years ended December 31, 2016 and 2015.

b) Interest rate risk

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

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

	December 31	
	2016	**2015**
Cash flow interest rate risk		
Financial assets	$ 493	$ 493
Financial liabilities	9,784,260	13,136,527

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the years ended December 31, 2016 and 2015 would increase by $97,838 thousand and $131,360 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2016			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing	$ 9,577,478	$ -	$ -	$ 9,577,478
Variable interest rate liabilities	3,090,180	2,723,520	3,970,560	9,784,260
	$ 12,667,658	$ 2,723,520	$ 3,970,560	$ 19,361,738

	December 31, 2015			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,425,002	$ -	$ -	$ 6,425,002
Variable interest rate liabilities	4,352,267	3,090,180	5,694,080	13,136,527
	$ 10,777,269	$ 3,090,180	$ 5,694,080	$ 19,561,529

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2016			2015		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 176,037	32.25	$ 5,677,197	$ 158,458	32.825	$ 5,201,376
EUR	2,603	33.90	88,249	1,668	35.88	59,848
JPY	2,532,339	0.2756	697,913	1,103,491	0.2727	300,922
RMB	46,220	4.617	213,398	70,992	4.995	354,605
Non-monetary items						
ILS	4,502	8.3882	37,767	3,774	8.4085	31,730
Financial liabilities						
Monetary items						
USD	97,225	32.25	3,135,513	70,220	32.825	2,304,985
EUR	3,244	33.90	100,971	1,871	35.88	67,146
JPY	2,680,660	0.2756	738,790	955,934	0.2727	260,683

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

	For the Year Ended December 31	
Foreign Currencies	2016	2015
USD	$ (80,152)	$ 144,843
RMB	(19,696)	(11,525)
JPY	11,754	2,703
	$ (88,094)	$ 136,021

Financial Position, Financial Performance and Risk Analysis

1. Financial position

Unit: NT$1,000

Item\Year	2016 Consolidated Financial Statements	2015 Consolidated Financial Statements	Increase (decrease) amount	Change (%)
Current assets	27,259,743	24,712,757	2,546,986	10
Property, plant and equipment	34,372,537	31,915,030	2,457,507	8
Intangible assets	285,304	270,926	14,378	5
Other assets	6,071,911	5,699,054	372,857	7
Total Assets	67,989,495	62,597,767	5,391,728	9
Current liabilities	14,605,735	12,333,195	2,272,540	18
Non-current liabilities	8,162,961	10,166,033	(2,003,072)	(20)
Total liabilities	22,768,696	22,499,228	269,468	1
Equity attributable to owners of parent	43,920,961	38,901,971	5,018,990	13
Paid-in capital	35,800,002	35,800,002	-	-
Capital surplus	2,471,044	2,470,292	752	-
Retained earnings	4,556,570	2,086,060	2,470,510	118
Other interests	1,199,732	(1,347,996)	2,547,728	189
Treasury stock	(106,387)	(106,387)	-	-
Non-controlling interests	1,299,838	1,196,568	103,270	9
Total equity	45,220,799	40,098,539	5,122,260	13

Reasons for changes exceeding 20%:
1. Decrease in non-current liabilities was mainly due to decrease in long-term loans in 2016.
2. Increase in retained earnings was due to increase in net profit in 2016.
3. Increase in other interests was mainly due to reversal of unrealized valuation loss on available-for-sale financial assets.

2. Financial performance

Unit: NT$1,000

Item\Year	2016 Consolidated Financial Statements	2015 Consolidated Financial Statements	Increase (decrease) amount	Change (%)
Net revenue	42,091,709	38,350,315	3,741,394	10
Operating cost	30,073,937	26,528,662	3,545,275	13
Gross profit	12,017,772	11,821,653	196,119	2
Operating expenses	8,304,816	7,712,727	592,089	8
Operating profits	3,712,956	4,108,926	(395,970)	(10)
Non-operating income and expense	41,664	139,258	(97,594)	(70)
Net income (loss) before tax	3,754,620	4,248,184	(493,564)	(12)
Income tax expense	614,546	775,311	(160,765)	(21)
Current period net profit	3,140,074	3,472,873	(332,799)	(10)
Other comprehensive income	2,485,116	(1,754,383)	4,239,499	242
Total comprehensive income	5,625,190	1,718,490	3,906,700	227

Reasons for changes exceeding 20%: 1.Decrease in net non-operating income was mainly due to increase in loss on foreign currency exchange and Impairment loss of financial assets as well as decrease in gain on disposal of investments. 2.Decrease in income tax expense was mainly due to decrease in taxable income. 3. Increase in other comprehensible income and total comprehensive income was mainly due to reversal of unrealized valuation loss on available-for-sale financial assets. Sales forecast for the coming year and main reasons for the forecast of growth in sales: Based on current market performance, future market demands and the Company's capacity, we project that the outputs of 12-inch wafer (equivalent) could reach 550,000 units in 2017.

3. Cash flow analysis

3.1 Cash flow analysis of 2016 consolidated financial statements

Unit: NT$1m

Cash balance, beginning (December 31, 2015)	Net cash flow from operating activities (2016)	Net cash flow from investing and financing activities (2016) 淨全年現金流量(105 年度)	Cash surplus (December 31, 2016)	Remedial measures for cash deficit	
				Investment plan	Financial plan
6,397	9,991	(8,704)	7,684	-	-

1.Analysis on the cash flow changes in 2016 consolidated financial statements:

(1) Operating activities: Operating activities produced a net cash inflow of NT$10 billion.

(2) Investing activities: Purchase of production equipment produced a cash outflow of NT$5 billion. In addition, equity investment and others produced a cash outflow of NT$300 million.

(3) Financing activities: Net cash outflow primarily resulted from NT$3.4 billion repayment of borrowing and NT$600 million for distribution of cash dividends and other cash outflows.

2. Remedial action for cash deficit and liquidity analysis: N/A.

3.2 Analysis on consolidated cash flow for the coming year

Net cash inflow from operating activities of the Company and subsidiaries for the coming year is estimated at NT$8.5 billion, and net cash outflow due to investing and financing activities, to be used mainly on capital spending and equity investment, is estimated at NT$10 billion.

4. Effect of major capital spending on financial position and business operation

4.1 Utilization of fund on major capital spending and sources of funds

Unit: NT$1m

Project	Actual or expected source of funds	Actual or estimated completion date	Total funding need	Actual or expected status of spending		
				2015	2016	2017
Expansion of Fab facilities and capacity and process upgrade	Bank loan, capitalization of retained earnings or operating profit	2017	22,254	3,115	4,083	15,056

4.2 Anticipated benefit

Expansion of plant facilities and capacity, accelerated upgrade of process technology, and sustained market share.

5. Industry-specific key performance indicator

Performance indicator	2016
Output of 12-inch wafer	488,541 pcs
Average in-line yield	99.32 %

6. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

(1) Investment policy: The Company makes investment in the hope to boost business performance in principle.

(2) Investment profit or loss in recent years: The Company recognized NT$463 million of gain on equity method investments in 2016 (NT$12 million of gain on equity method investments in consolidated statements).

(3) Investment plan for the next year: The Company will formulate investment plan in view of operating needs of the Company and invested enterprises.

7. Risk management and evaluation

7.1 Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures

(1) Interest rate change

The Company's interest expenses arise mainly from long-term borrowing to meet the operational needs of process upgrade or capacity expansion. The consolidated interest expense in 2016 amounted to NT$11,593,000, accounting for 0.03% of the year's consolidated revenue and 0.31% of the year's consolidated net income before tax. Rate changes are not expected to produce much impact on Company operations.

The Company currently has long-term floating rate loans from banks, which all carry preferred interest rates based on then market conditions. In the future, the Company will watch closely interest rate movement and the impact of borrowing on cash flows, and in view of the situation, lock in favorable rates at the time of financing to reduce the impact of interest rate changes.

(2) Exchange rate change

The Company's exchange gain (loss) arises mainly from the foreign currency positions associated with its import/export business. The income/loss from foreign exchange transactions (including financial derivatives transactions) in 2016 amounted to NT$38,988,000, representing 0.09% of the years' consolidated revenue and 1.04% of the year's consolidated net income before tax. The Company would trade financial derivatives to hedge the exchange rate risk associated with the net position of its foreign-currency assets/liabilities in view of the exchange rate fluctuation. As of year-end 2016, the Company held USD 101,000,000, RMB 30,000,000 and EUR 5,665,000 of financial derivatives assets which are subject to exchange rate risk. The unrealized loss on those assets valued by fair value amounted to NT$41,729,000, which is within controllable range. The Company will continue to adopt the following response actions for exchange rate risk:

(1)Engage in financial derivatives transactions for the main purpose of hedging exchange rate risks, and choose financial derivative products to primarily hedge the risks associated with the Company's business operations. In the selection of trading counterparty, give primary consideration to credit risk to avoid loss arising from counterparty's failure to perform its contractual obligation. In addition, financial institutions with low credit risk and good relationship with the Company, and having the capability to provide the Company with professional information will be chosen as trading counterparties.

(2)The Company keeps abreast of financial market information, predicts market trends, gets familiar with financial products and related regulations and trading techniques, and provides full and timely information to the management and relevant departments for reference.

(3)The Company sets the limit of unrealized loss on all financial derivatives contracts to 30% of the contract values or 3% of shareholders' equity, whichever is lower. The Company's finance unit evaluates the Company's position on financial derivatives every month and produces a report therefor, which is submitted to the head of finance and senior management authorized by the Board of Directors for review in the hope to predict the risk of each every transaction and potential loss.

(3) Inflation

The inflation problem has not been serious in recent years and hence has had limited impact on Company's profit.

7.2 Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

(1) The Company does not engage in any high-risk, high-leverage investment. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge. Under this principle, all derivatives trading undertaken by the Company correspond to the real positions held by the Company. Any gain or loss resulting from derivative transactions and hedged positions during the period arises from difference in time of disposing a real position and the time a gain or loss on a derivative trading is realized. Such gain or loss is insignificant. Other than those derivatives transactions described above, the Company does not engage in other high-risk derivatives transactions and will continue to observe the principle of hedging only positions actually owned by the Company.

(2) The Company does not extend loans to other companies or individuals.

(3) The Company does not make endorsement/guarantee for other companies or individuals.

7.3 Future R&D projects and estimated R&D expenditure

The Company's subsidiaries including Nuvoton Technology are expected to spend NT$6.8 billion on R&D in the following directions in 2017:

1. DRAM:

Specialty DRAM: We will continue to develop medium to low density specialty DRAM using 3xnm process for applications principally in computer, communications and consumer (3C) electronics, automotive electronics, industrial electronics and medical electronic devices. We will also continue to develop advanced 2xnm process technology.

Mobile RAM: In the area of mobile DRAM, we will continue to develop medium to low density as well as low power consumption mobile DRAM for applications principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, automotive and industrial electronics.

2. Code Storage Flash Memory products

We will continue to develop safe, high performance, low power consumption code storage flash memory products with high added value for applications in PCs and peripherals, mobile handheld devices and peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, household appliance modules, and information security, etc. We will also continue to develop advanced 3xnm process technology.

3. Logic IC

The development of new logic IC will focus on low power consumption MCU using high-end processing technologies to satisfy the demands for low-power applications in IoT, health care, etc. Current development of audio products focuses on Class D smart amplifier and audio MCU for applications in cell phone, portable notebook and digital earphone markets. In the area of cloud computing products, we will focus on developing control IC with innovative features and functions and integrating and streamlining external components for use by clients on different platforms.

7.4 Major changes in government policies and laws at home and broad and the impact on Company finance and business

The Company's operation policies must follow laws and regulations and the Company must also watch closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. In the last year and up to the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

7.5 Impact of recent technological and market changes on the Company's finance and business, and response measures

The Company watches closely technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

7.6 Impact of corporate image change on risk management and response measures

Winbond believes in honesty and integrity in business practice. We emphasize honest dealing with customers and rigorously demand self-discipline and compliance with internal rules from employees. We are committed to information disclosure and financial transparency, and utilize all kinds of communication channels to help shareholders, institutional investors and the general public know more about Winbond and win their recognition and support for our management philosophy and directions. In addition, we have departments set up to take charge of investor relations, employee relationship, internal audit, risk management, quality management, and customer service. Those departments work closely with related business units to unite the resources and strength throughout the company. In case of any contingency, the Company's senior officer will act as the convenor and promptly set up a crisis response team to quickly address the crisis, and prepare readiness plans to prevent and control all kinds of latent risks. As of the date of report, the Company is free of corporate image change event that calls for prompt actions in crisis management.

7.7 Expected benefits and potential risks of merger and acquisition

The Company does not any merger and acquisition plan in the last year and up to the date of report.

7.8 Expected benefits and potential risks of capacity expansion

All undertakings of expansion and construction of new-generation fab have had feasibility evaluation done by relevant professional teams before the project is proceeded. The purpose of fab expansion is to enhance the process technology and reduce production costs so as to fend off market competition and make headway into end-market applications. In light of the high market volatility of the memory industry, we will watch closely the market movement and supply-demand situation. We will take a prudent approach to capacity allocation, and opt for a diversity of optimal product mixes to keep our production plans flexible. We will also adopt advanced process to optimize the cost structure in the efforts to minimize the risk associated with market volatility. Financially, we will plan our future expansion and the necessary capital expenditure and funds in a prudent manner. We will also draw up sound business plans to lower the risk of incurring heavy debt. We believe we will have sufficient profit and cash flows to meet the additional investment needs and repayment obligations. Our technical team consists of wafer fabrication experts and IC design experts with dozens of years of experience in related fields. We also bring in advanced processes from abroad and embark on R&D with our own technology. The switch to high-end process is expected to improve our cost control capability and augment the possibility of product expansion. To sum up, Winbond will endeavor in fending off the risk of market volatility from the aspects of product, finance and technology, and in the process, maximize our profitability.

7.9 Risks associated with over-concentration in purchase or sale and response measures

Purchasing from a sole supplier carries the risk of over-concentration that the Company may not receive timely delivery when the supplier's plant has an accident or the supplier has financial or quality problems. The Company has multiple sources and qualified suppliers for all of its main materials to ensure supply stability.

Concentration in sales was a result of adjustment of customer structure and long-term strategic cooperation. The Company has credit management and internal control and audit systems in place, and adopts computerized operations for sales, and hence does not run the risk of over-concentration in sales.

7.10 Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interests on the Company, associated risks and response measures

In the last year and up to the date of report, Company directors and Walsin Lihwa, a shareholder holding more than 10% interests on the Company did not transfer their equity.

7.11 Impact of change of management rights on the Company, associated risk and response measures

The Company is free of the aforementioned situation in the last year and up to the date of report.

7.12 Material litigious or non-litigious events

7.12.1 Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: None

7.12.2 The outcome of concluded or pending litigious, non-litigious, or administrative litigation events involving the director, supervisor, president, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company

(1) With respect to pending litigious events as of the date of report, Winbond Chairman Arthur Yu-Cheng Chiao has made a reply to the Company as follows:

A. I am involved in only one pending lawsuit as of the date of your company's annual report.

B. Description of the lawsuit:

(a) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center (“SFIPC”) filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. (“Pacific Electric”). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a director of Pacific Electric between 1999 and 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled continued oral argument procedures for July 19, 2017.

(b) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(c) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The court has held many rounds of oral argument, but the oral argument phase has not yet concluded due to the complexity of the case. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(d) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages as a director of Pacific Electric at one time, my liability should not be too far off the amounts of settlement described above.

C. I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

(2) With respect to pending litigious events as of the date of report, Winbond Director Yung Chin has made a reply to the Company as follows:

A. I am involved in only one pending lawsuit as of the date of your company’s annual report.

B. Description of the lawsuit:

(a) Facts, amount of claim, lawsuit start date, main parties concerned:

The Securities and Futures Investor Protection Center ("SFIPC") filed a lawsuit with Taiwan Taipei District Court on April 27, 2005 over misrepresentation of the financial statements of Pacific Electric Wire & Cable Co., Ltd. ("Pacific Electric"). The lawsuit names myself and others (including other directors, supervisors and accounting firm) as co-defendants on grounds that I acted as a supervisor of Pacific Electric from 1999 to September 24, 2001 and SFIPC requests compensation for damages from the co-defendants (Case No.: Taiwan Taipei District Court (referred to as "Taipei District Court" hereunder) 94-Jing-Zi-#22).

When SFIPC first initiated the action on April 27, 2005, it sought compensation in the amount of NT$7,910,422,313 from 277 defendants. SFIPC later added Fubon Life Insurance and Hsing Yo Investment to the list of defendants on June 21, 2005 that brought the number of defendants to 279.

SFIPC subsequently made several expansions and reductions of claim due to increase in the number of people who appoint SFIPC as their representative in the class action suit and settlement reached with several defendants. So far, SFIPC has reached settlement with 248 defendants involving total settlement amount of NT$196,100,000. Following several changes to the method of calculation and expansion and reductions of claim, the amount requested is NT$7,836,447,750 according to the civil brief submitted by SFIPC on May 21, 2014. The court has scheduled continued oral argument procedures for July 19, 2017.

(b) Current status:

This case is currently in the first stance proceedings in Taipei District Court.

(c) My and my attorney's views and action plan on the case:

The case is still in first instance proceedings. The court has held many rounds of oral argument, but the oral argument phase has not yet concluded due to the complexity of the case. Thus my appointed attorney and I are not in the position to assess the results of the trial at the present time.

(D) Possible maximum loss and possible amount of indemnification received from the case:

Based on the settlement information provided by SFIPC, the amount of settlement reached between SFIPC and individual director or supervisor of Pacific Electric ranges between NT$12,330,000 and NT$26,000,000. Thus even if I am later found to be liable for damages for I was once a supervisor of Pacific Electric, my liability should not be too far off the amounts of settlement described above.

C. I am not financially strapped or losing my good credit standing as of the date of this reply.

An evaluation of the aforementioned lawsuit by the Company concludes that because the lawsuit is a personal affair of the director and does not involve the Company's finance or business, it is not expected to have any material impact on the interests of the Company's shareholders or stock price.

7.13 Risk management organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

7.14 Other significant risks and response measures: None

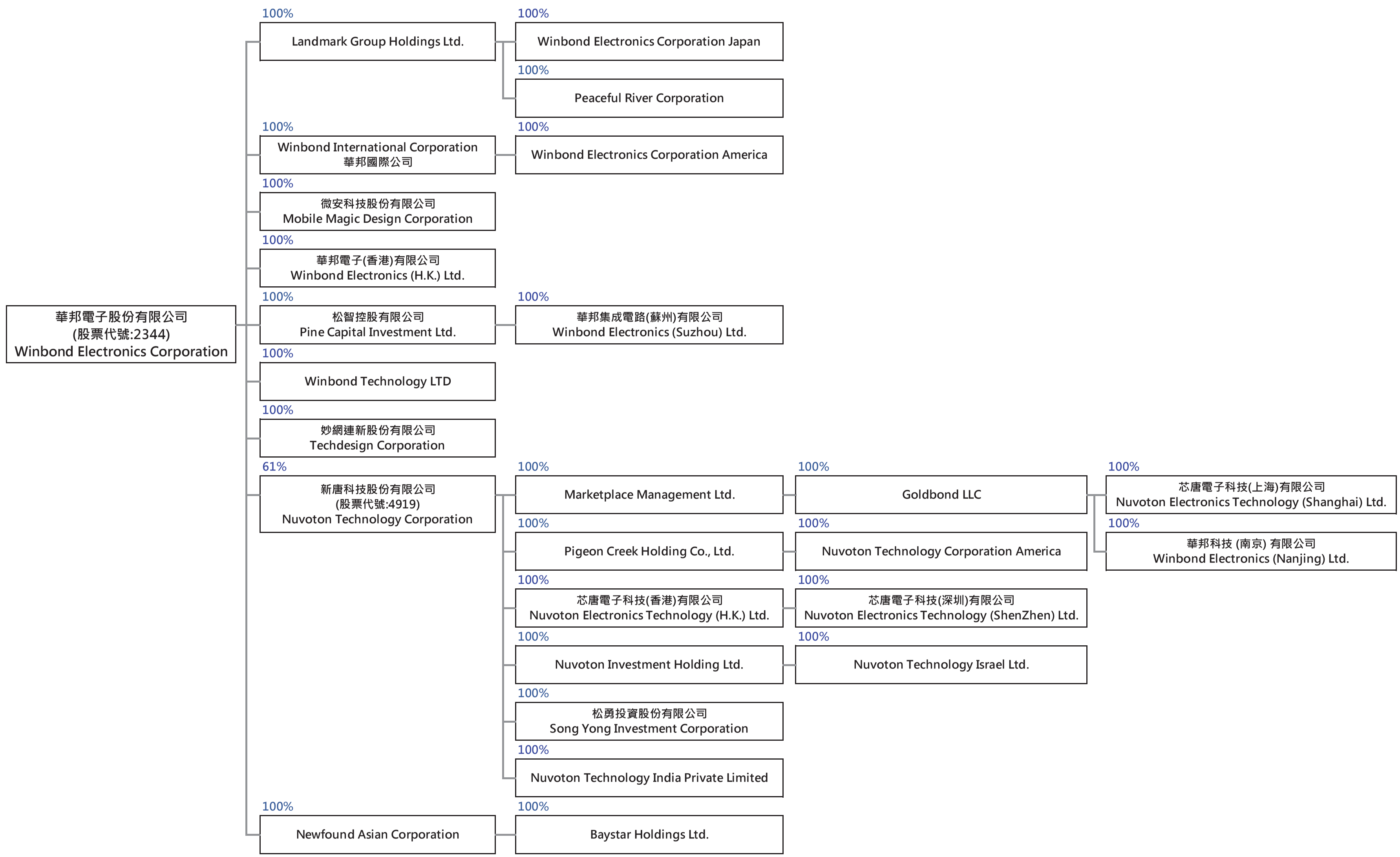
8. Other important events: None

Important Notice

I. Profiles on affiliates and subsidiaries

A. Consolidated business report

1. Corporate affiliation chart



2. Profile of individual affiliates

December 31, 2016; Unit: NT$1,000

Name of enterprise	Date of Establishment	Address	Paid-in Capital	Principal business or core products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Rd.,Daya Dist., Taichung City 428, Taiwan, R.O.C.	TWD 36,800,002	Research, development,production, and sale of semiconductor parts and components used in integrated circuits and other system products
Landmark Group Holdings Ltd.	2005.07.25	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	USD 5,893	Investments
Winbond Electronics Corporation Japan	2001.01.05	Shin-Yokohama Square Bldg. 9F, 2-3-12 Shin-Yokohama, Kouhoku-ku, Yokohama, Kanagawa, Japan 222-0033	JPY 148,500	Research, development and sales of semiconductor parts and components, and after-sale service
Peaceful River Corporation	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 6,260	Investments
Winbond International Corporation	1995.08.28	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 104,410	Investments
Winbond Electronics Corporation America	1998.07.01	32 Loockerman Square, suite L-100, Dover, Kent 19904, Delaware	USD 58,917	Design, sales and service of semiconductor parts and components
Mobile Magic Design Corporation	2003.07.25	2F, No. 40, Industrial East 4th Road, Hsinchu Science-Based Industrial Park	TWD 50,000	Research, development, design, manufacturing and sales of Pseudo RAM and Low-Power SDRAM
Winbond Electronics (H.K.) Ltd.	2008.06.13	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 500	Sales and service of semiconductor parts and components
Pine Capital Investment Ltd.	2011.01.12	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 70,980	Investments
Winbond Electronics (Suzhou) Ltd.	2011.06.21	Rm.515, No.2, Xu Gong Qiao Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	USD 9,000	Research, design, development and sales of integrated circuit and equipments, and after-sale service
Winbond Technology LTD	2013.07.31	1. Abba Eban Ave, Building B, First Floor Herzliya: 4672519, Israel	ILS 1	Design and service of semiconductor components
Techdesign Corporation	2015.03.03	3F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan	TWD 50,000	E-commerce and product sales
Nuvoton Technology Corp	2008.04.09	No. 4, Yan Hsing 3rd Road, Hsinchu Science-Based Industrial Park	TWD 2,075,544	Research, design, development, manufacturing and sales of logic IC, 6” fab production, testing, and OEM
Marketplace Management Limited	2000.07.28	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 8,753	Investments
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	USD 44,704	Investments
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	27F, No. 2299, Yen An W. Road, Shanghai	RMB 16,555	Repair and maintenance, testing and technology consultation service on IC, system and related software
Winbond Technology (Nanjing) Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing	RMB 4,046	Provides computer software services (excluding IC design)
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 13,868	Investments
Nuvoton Technology Corporation America	2008.05.01	2711 Centerville Road, Suite 400, Wilmington, DE 19808, Delaware	USD 6,050	Design, sales and service of semiconductor parts and components
Nuvoton Electronics Technology (H.K.) Ltd.	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 107,400	Sales and service of semiconductor parts and components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	Room 801, 8F Microprofit Building, Gaoxinnan 6 Road, High-Tech Industrial Park, Nanshan Dist. Shenzhen, P.R. China	RMB 46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesales
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands	USD 19,720	Investments
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzlia B, 4672835 Israel	ILS 1	Design and service of semiconductor components
Song Yong Investment Corporation	2014.04.09	3F., No.192, Jingye 1st Rd., Zhongshan Dist., Taipei	NTD 38,500	Investments

		City 104, Taiwan		
Nuvoton Technology India Private Limited	2014.09.26	Suite #2, Tech Park Business Centre, Ground Floor, Innovator Building, International Tech Park, Whitefield, Bangalore 560066	INR 60,000	Design, sales and service of semiconductor parts and components
Newfound Asian Corporation	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 6,595	Investments
Baystar Holdings Ltd.	1998.08.18	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 22,630	Investments

3. Profiles on shareholders deemed to have dominant-subordinate relations: None

4. Profiles of directors, supervisors and presidents of affiliates and subsidiaries

December 31, 2016; Unit: shares

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	58,264,955	2%
	Director	Matthew Feng-Chiang Miau	100,000	0%
	Director	Yung Chin	10,720,537	0%
	Director	Hui-Ming Cheng (Representative of Walsin Lihwa Corporation)	811,327,531 (Note 1)	23%
	Director	Tung-Yi Chan	500,000	0%
	Independent director	Francis Tsai	-	-
	Independent director	Allen Hsu	-	-
	Independent director	Jerry Hsu	-	-
	Supervisor	Chin Xin Investment Co., Ltd. Representative - James Wen	182,047,000 (Note 1)	5%
	Supervisor	Peter Chu	-	-
	Supervisor	Hong-Chi Yu	-	-
	President	Tung-Yi Chan	500,000	0%
Landmark Group Holdings Ltd.	Director Director Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Robert I.S. Hsu	5,893,000 (Note 1)	100%
Winbond Electronics Corporation Japan	Director Director Director Director Director Supervisor	Landmark Group Holdings Ltd. Representative - Tatsuo Okamoto Landmark Group Holdings Ltd. Representative - Tung-Yi Chan Landmark Group Holdings Ltd. Representative - Robert I.S. Hsu Landmark Group Holdings Ltd. representative: Hsiang-Yun Fan Landmark Group Holdings Ltd. Representative – Jessica Huang Landmark Group Holdings Ltd. Representative - Yung Chin	2,970 (Note 1)	100%
	President	Tatsuo Okamoto	-	-
Peaceful River Corporation	Director Director Director	Landmark Group Holdings Ltd. Representative - Arthur Yu-Cheng Chiao Landmark Group Holdings Ltd. Representative - Tung-Yi Chan Landmark Group Holdings Ltd. Representative - Yung Chin	6,260,000 (Note 1)	100%
Winbond International Corporation	Director Director Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Robert I.S. Hsu	104,410,000 (Note 1)	100%
Winbond Electronics Corporation America	Chairman Director Director Director Director Director Director	Winbond International Corporation Representative - Yuan-Mow Su Winbond International Corporation Representative - Arthur Yu-Cheng Chiao Winbond International Corporation Representative - Tung-Yi Chan Winbond International Corporation Representative - Yung Chin Winbond International Corporation Representative - Pei-Ming Chen Winbond International Corporation Representative - Jessica Huang Winbond International Corporation Representative - Eung Joon Park	3,067 (Note 1)	100%
	President	Eung Joon Park	-	-
Mobile Magic Design Corporation	Chairman Director Director Director Supervisor	Winbond Electronics Corp. Representative - Pei-Ming Chen Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Wilson Wen Winbond Electronics Corp. Representative: Shi-Yuan Wang Winbond Electronics Corp. Representative – Jessica Huang	5,000,000 (Note 1)	100%
	President	Shi-Yuan Wang	-	-
Winbond Electronics (H.K.) Ltd.	Chairman Director Director Director	Winbond Electronics Corp. Representative - Yung Chin Winbond Electronics Corp. Representative - Yuan-Mou Su Winbond Electronics Corp. Representative – Jessica Huang Winbond Electronics Corp. Representative - Hsiang Yun Fan	500,000 (Note 1)	100%
	President	Yuan-Mow Su	-	-
Pine Capital Investment Ltd.	Chairman Director	Winbond Electronics Corp. Representative - Yung Chin Winbond Electronics Corp. Representative - Tung-Yi Chan	70,980,000	100%

	Director	Winbond Electronics Corp. Representative - Cheng-Kung Lin	(Note 1)	
	President	Jessica Huang	-	-
Winbond Electronics (Suzhou) Ltd.	Chairman Director Director Director Director Supervisor	Pine Capital Investment Ltd. Representative - Tung-Yi Chan Pine Capital Investment Ltd. Representative - Yuan-Mou Su Pine Capital Investment Ltd. Representative –Pei-Ming Chen Pine Capital Investment Ltd. Representative – Jessica Huang Pine Capital Investment Ltd. Representative –Eddie Hong Pine Capital Investment Ltd. Representative - Yung Chin	(Note 2)	100%
	President	Cheng-Kung Lin	-	-
Winbond Technology LTD	Chairman Director Director	Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Jessica Huang Winbond Electronics Corp. Representative - Ilia Stolov	100,000 (Note 1)	100%
	President	Ilia Stolov	-	-

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	%
Techdesign Corporation	Chairman Director Director Director Director Supervisor	Winbond Electronics Corp. Representative - Fu-Yuan Lee Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Sean Tai Winbond Electronics Corp. Representative - Jen-Lieh Lin Winbond Electronics Corp. Representative - Hsiang Yun Fan Winbond Electronics Corp. Representative - Cheng-Kung Lin	5,000,000 (Note 1)	100%
Nuvoton Technology Corp	Chairman	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	126,620,087 (Note 1)	61%
	Director	Robert Hsu	191,328	0%
	Director	Yung Chin	–	–
	Director	Ken-Shew Lu	–	–
	Director	Chi-Lin Wea	–	–
	Independent director	Allen Hsu	–	–
	Independent director	Yu-Chun Hong	–	–
	Independent director	David Shu-Chyuan Tu	–	–
	Independent director	Jerry Hsu	–	–
	President	Sean Tai	40,000	0%
Marketplace Management Limited	Director Director Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Representative - Robert I.S. Hsu Nuvoton Technology Corp. Representative - Tung-Yi Chan	8,752,524 (Note 1)	100%
Goldbond LLC	Manager (Note 3) Manager (Note 3) Manager (Note 3)	Marketplace Management Limited Representative – Arthur Yu-Cheng Chiao Marketplace Management Limited Representative – Jessica C. Huang Marketplace Management Limited Representative – Hsiang-Yun Fan	(Note 2)	100%
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman Director Director Supervisor	Goldbond LLC Representative - Sean Tai Goldbond LLC Representative - Jen-Lieh Lin Goldbond LLC Representative - Hsiang-Yun Fan Goldbond LLC Representative - Yung Chin	(Note 2)	100%
	President	Patrick Wang	–	–
Winbond Technology (Nanjing) Ltd.	Chairman Director Director	Goldbond LLC Representative - Jen-Lieh Lin Goldbond LLC Representative - Sean Tai Goldbond LLC Representative - James Wen	(Note 2)	100%
	President	Mao-Sen Chen	–	–
Pigeon Creek Holding Co., Ltd.	Director Director Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Representative - Tung-Yi Chan Nuvoton Technology Corp. Representative - Robert I.S. Hsu	13,867,925 (Note 1)	100%
Nuvoton Technology Corporation America	Chairman Director Director Director Director	Pigeon Creek Holding Co., Ltd. Representative – His-Jung Tsai Pigeon Creek Holding Co., Ltd. Representative - Robert I.S. Hsu Pigeon Creek Holding Co., Ltd. Representative - Sean Tai Pigeon Creek Holding Co., Ltd. Representative - Jen-Lieh Lin Pigeon Creek Holding Co., Ltd. Representative - Hsiang-Yun Fan	60,500 (Note 1)	100%
	President	Aditya Raina	–	–
Nuvoton Electronics Technology (H.K.) Ltd.	Chairman Director Director Director	Nuvoton Technology Corp. Representative - Sean Tai Nuvoton Technology Corp. Representative - Yung Chin Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Peng-Chou Peng	107,400,000 (Note 1)	100%
	President	Peng-Chou Peng	–	–
Nuvoton Electronics Technology (Shenzhen) Ltd.	Chairman Director Director Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Sean Tai Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Robert I.S. Hsu Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hsiang-Yun Fan Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Jen-Lieh Lin	(Note 2)	100%
	President	Peng-Chou Peng	–	–
Nuvoton Investment Holding Ltd.	Director Director Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Representative - Robert I.S. Hsu Nuvoton Technology Corp. Representative - Jessica Huang	19,720,000 (Note 1)	100%
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director Director	Nuvoton Investment Holding Ltd. Representative - Hsin-Lung Yang Nuvoton Investment Holding Ltd. Representative - Robert I.S. Hsu Nuvoton Investment Holding Ltd. Representative - Bor-Yuan,Huang Nuvoton Investment Holding Ltd. Representative - Hsiang-Yun Fan Nuvoton Investment Holding Ltd. Representative - Biranit Levany Nuvoton Investment Holding Ltd. representative – Erez Naory	1,000 (Note 1)	100%
	President	Biranit Levany	–	–
Song Yong Investment Corporation	Chairman Director	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	3,850,000	100%

	Director Supervisor	Nuvoton Technology Corp. Representative - Sean Tai Nuvoton Technology Corp. Representative - Jen-Lieh Lin	(Note 1)	
Nuvoton Technology India Private Limited	Chairman Director Director	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Jitendra Patil Nuvoton Technology Corp. Representative - Fu-Yuan Lee	600,000 (Note 1)	100%
	President	Jitendra Patil	—	—

Name of enterprise	Title	Name or Representative	Shares held	
			Shares	Shares
Newfound Asian Corporation	Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao		
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan	6,595,000	100%
	Director	Winbond Electronics Corp. Representative - Yung Chin	(Note 1)	
Baystar Holdings Ltd.	Director	Newfound Asian Corporation Representative - Arthur Yu-Cheng Chiao		
	Director	Newfound Asian Corporation Representative - Tung-Yi Chan	22,630,000	100%
	Director	Newfound Asian Corporation Representative - Robert I.S. Hsu	(Note 1)	

Note 1: Institutional shareholder.

Note 2: Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Ltd, Winbond Technology (Nanjing) Ltd. and Nuvoton Electronics Technology (Shenzhen) Ltd. are not company limited by shares.

Note 3: Goldbond LLC adopts the manager system.

5. Businesses covered by the affiliates' operations overall

Business activities covered by affiliates' operations are primarily research, design, development, production, sale and service of integrated circuits, semiconductor parts and components and other system products. A few affiliates engage in investment business only. Overall, the affiliates support each other through technology, marketing and services to turn Winbond into a highly competitive company with its own product lines.

6. Business overview of affiliates

December 31, 2016; Unit: NT$1,000; Earning (loss) per share (NT$)

Name of enterprise	Capital	Total Assets	Total liabilities	Book value	Operating revenue	Operating profit (loss)	Net profit (loss)	Net earnings (loss) per share (NTD)
Winbond Electronics Corporation	35,800,002	64,399,050	20,478,089	43,920,961	33,534,343	2,969,794	2,897,791	0.81
Landmark Group Holdings Ltd.	190,049	275,048	330	274,718	22,939	22,463	22,463	3.81
Winbond Electronics Corporation Japan	40,927	636,492	363,304	273,188	3,858,588	42,777	19,658	6,618.73
Peaceful River Corporation	201,885	15,215	12,249	2,966	3,572	3,281	3,281	0.52
Winbond International Corporation	3,367,223	1,903,007	31,751	1,871,256	31,033	29,742	29,742	0.28
Winbond Electronics Corporation America	1,900,080	1,534,443	99,472	1,434,971	1,417,762	41,348	31,031	10,117.85
Mobile Magic Design Corporation	50,000	98,941	164,846	(65,905)	187,506	5,461	4,758	0.95
Winbond Electronics (H.K.) Ltd.	2,079	689,769	683,701	6,068	6,214,950	12,071	10,528	21.06
Pine Capital Investment Ltd.	295,135	286,439	444	285,995	13,963	13,440	13,440	0.19
Winbond Electronics (Suzhou) Ltd.	290,250	460,764	175,377	285,387	1,670,208	16,771	13,961	(Note 1)
Winbond Technology LTD	8	77,755	39,988	37,767	223,630	9,582	6,950	69.50
Techdesign Corporation	50,000	30,769	1,051	29,718	65	(11,393)	(11,249)	(2.25)
Nuvoton Technology Corp	2,075,544	5,835,705	2,457,231	3,378,474	8,046,760	596,770	613,165	2.95
Marketplace Management Limited	282,269	77,921	219	77,702	943	607	607	0.07
Goldbond LLC	1,441,699	79,765	2,003	77,762	1,277	943	943	(Note 1)
Nuvoton Electronics Technology (Shanghai) Ltd.	76,433	91,489	11,887	79,602	69,787	(4,155)	1,276	(Note 1)
Winbond Technology (Nanjing) Ltd.	18,678	1,399	3,232	(1,833)	0	0	1	(Note 1)
Pigeon Creek Holding Co., Ltd.	447,241	192,252	13,466	178,786	4,432	4,285	4,285	0.31
Nuvoton Technology Corporation America	195,113	241,065	48,842	192,223	453,597	12,000	4,432	73.25
Nuvoton Electronics Technology (H.K.) Ltd.	446,569	542,523	98,274	444,249	3,295,753	1,570	2,027	0.02
Nuvoton Electronics Technology (Shenzhen) Ltd.	214,386	229,619	25,531	204,088	132,205	(9,635)	569	(Note 1)
Nuvoton Investment Holding Ltd.	635,970	297,942	40	297,902	5,061	4,897	4,897	0.25
Nuvoton Technology Israel Ltd.	8	356,540	60,731	295,809	645,754	15,042	5,061	5,061.00
Song Yong Investment Corporation	38,500	57,990	161	57,829	3,112	2,899	2,854	0.74
Nuvoton Technology India Private Limited	28,500	27,215	159	27,056	0	(2,878)	(1,084)	(1.81)
Newfound Asian Corporation	212,689	61,619	80	61,539	340	121	121	0.02
Baystar Holdings Ltd.	729,818	76,413	80	76,333	752	340	340	0.02

Note 1: Not applicable for Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Electronics Technology (Shanghai) Ltd., Winbond Technology (Nanjing) Ltd. and Nuvoton Electronics Technology (Shenzhen) Ltd. are not company limited by shares.

Note 2: Exchange rates used for assets and liabilities items:
1 USD= 32.25 NTD; 1JPY= 0.2756 NTD; 1RMB= 4.6170 NTD; 1 ILS= 8.3882 NTD
Note 3: Exchange rates used for profit and loss items:
1 USD= 32.26 NTD; 1JPY= 0.2801 NTD; 1RMB= 4.8457 NTD; 1 ILS= 8.4015 NTD

B. Consolidated financial statements: Please see pp. 53 ~ 133

C. Affiliation report: Not applicable for the Company is not a subsidiary of another company.

II. Private placement activities: None

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report

March 31, 2017

Name of subsidiary	Paid-in capital	Sources of capital	Holding Percentage	Date of acquisition or disposal	Shares and amount of acquisition	Shares and amount of disposal	Investment gain or loss	Shares held and value as of date of report	Pledge	Amount of endorsement/guarantee provided for subsidiary	Loans to subsidiary
Baystar Holdings Ltd.	US$22,630,000	Capital	100%	87.12～98.5	-	-	-	7,518,364 shares US$ 3,061,000	None	None	None

IV. Other supplemental information: None

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of Securities and Exchange Act in the past year and up to the date of report: None

winbond

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