Winbond Electronics Corporation

Financial Statements for the
Years Ended December 31, 2011 and 2010 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying balance sheets of Winbond Electronics Corporation (the "Company") as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Certain long-term investments were accounted for under the equity method based on financial statements as of and for the years ended December 31, 2011 and 2010 of the investees, which were audited by other auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to zero and NT$21,598 thousand as of December 31, 2011 and 2010, respectively; investment (loss) income amounted to NT$(1,341) thousand and NT$1,577 thousand for the years then ended, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated balance sheets of Winbond Electronics Corporation and its subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended (not presented herewith), and have expressed in our report thereon an unqualified opinion with explanatory paragraphs dated February 8, 2012.

February 8, 2012

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 accepted and applied in the Republic of China.

For the convenience of readers, the 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 auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

WINBOND ELECTRONICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

ASSETS	2011 Amount	%	2010 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 3,812,987	7	$ 4,231,453	7
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	1,703	-	56,106	-
Available-for-sale financial assets, current (Notes 2 and 8)	707,542	1	1,318,675	2
Notes receivable, net (Notes 2 and 6)	382	-	1,352	-
Accounts receivable, net (Notes 2 and 6)	2,447,898	4	3,048,128	5
Accounts receivable from related parties, net (Notes 6 and 22)	701,771	1	421,556	1
Other financial assets, current	85,609	-	75,444	-
Inventories (Notes 2 and 7)	6,330,789	11	5,365,848	8
Deferred income tax assets, current (Notes 2 and 20)	210,000	-	124,000	-
Other current assets	328,827	1	450,422	1
Total current assets	14,627,508	25	15,092,984	24
FUND AND INVESTMENTS				
Available-for-sale financial assets, noncurrent (Notes 2 and 8)	64,800	-	-	-
Financial assets carried at cost, noncurrent (Notes 2 and 9)	61,855	-	71,887	-
Long-term equity investments at equity method (Notes 2 and 10)	4,825,200	9	5,116,679	8
Total fund and investments	4,951,855	9	5,188,566	8
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)				
Cost				
Land	799,147	1	799,147	1
Buildings	16,148,157	28	15,893,685	25
Machinery and equipment	64,599,851	111	59,490,856	93
Other equipment	2,600,997	4	2,763,623	5
Total cost	84,148,152	144	78,947,311	124
Accumulated depreciation	(49,782,156)	(85)	(40,368,920)	(64)
Construction in progress and prepayments on purchase of equipment	125,671	-	54,930	-
Property, plant and equipment, net	34,491,667	59	38,633,321	60
INTANGIBLE ASSETS (Notes 2 and 12)	548,754	1	1,059,078	2
OTHER ASSETS				
Refundable deposits	80,455	-	76,004	-
Deferred income tax assets, noncurrent (Notes 2 and 20)	3,532,000	6	3,618,000	6
Others	139,133	-	121,605	-
Total other assets	3,751,588	6	3,815,609	6
TOTAL	$ 58,371,372	100	$ 63,789,558	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2011 Amount	%	2010 Amount	%
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 1,539,592	3	$ 1,551,815	2
Short-term bills payable (Note 14)	199,763	-	-	-
Notes payable	849,714	1	1,137,439	2
Accounts payable	2,640,929	5	1,990,706	3
Payable on equipment	632,910	1	1,080,094	2
Accrued expenses and other payables	1,623,695	3	1,551,832	3
Current portion of long-term liabilities (Note 15)	7,158,327	12	8,491,670	13
Other current liabilities	23,503	-	82,147	-
Total current liabilities	14,668,433	25	15,885,703	25
LONG-TERM LIABILITIES				
Long-term debt (Note 15)	7,966,663	13	10,124,990	16
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 16)	154,308	1	139,041	-
Reserve for product guarantee (Note 2)	94,271	-	59,943	-
Other liabilities - others	132,197	-	138,744	-
Total other liabilities	380,776	1	337,728	-
Total liabilities	23,015,872	39	26,348,421	41
STOCKHOLDERS' EQUITY				
Common stock (Note 17)	36,802,302	63	36,693,502	58
Capital surplus				
Treasury stock transaction	1,971,862	3	1,971,862	3
Adjustment on long-term equity investments under equity method	23,913	-	23,912	-
Stock option (Notes 2 and 18)	13,960	-	20,104	-
Others	222,784	1	288,066	1
Retained earnings				
Accumulated deficit	(2,483,440)	(4)	(1,640,149)	(3)
Other equity				
Cumulative translation adjustments (Note 2)	359,900	1	242,163	-
Unrealized loss on financial instruments (Note 2)	(1,449,394)	(3)	(51,936)	-
Treasury stock (Notes 2 and 17)	(106,387)	-	(106,387)	-
Total stockholders' equity	35,355,500	61	37,441,137	59
TOTAL	$ 58,371,372	100	$ 63,789,558	100

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

(With Deloitte & Touche audit report dated February 8, 2012)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
NET SALES	$ 27,214,454	100	$ 31,855,462	100
COST OF SALES (Note 7)	24,145,738	89	25,593,074	80
UNREALIZED INTERCOMPANY PROFIT	-	-	(188)	-
GROSS PROFIT	3,068,716	11	6,262,200	20
OPERATING EXPENSES				
Selling expenses	606,800	2	438,996	1
General and administrative expenses	534,781	2	545,405	2
Research and development expenses	2,548,520	9	2,119,075	7
Total operating expenses	3,690,101	13	3,103,476	10
(LOSS) INCOME FROM OPERATIONS	(621,385)	(2)	3,158,724	10
NON-OPERATING INCOME AND GAINS				
Interest income	24,163	-	13,902	-
Investment income recognized under equity method (Note 10)	131,829	1	412,573	1
Investment income	24,668	-	5,754	-
Gain on disposal of property, plant and equipment (Note 2)	926	-	37,997	-
Gain on disposal of investments (Note 10)	7,027	-	678,307	2
Foreign exchange gain (Note 2)	58,373	-	-	-
Reversal of allowance for doubtful accounts	13,000	-	-	-
Gain on valuation of financial instruments (Note 5)	-	-	111,512	1
Others	70,209	-	24,289	-
Total non-operating income and gains	330,195	1	1,284,334	4
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	425,495	2	602,251	2
Other investment loss	9,680	-	-	-
Loss on disposal of property, plant and equipment (Note 2)	1,006	-	18,020	-
Foreign exchange loss (Note 2)	-	-	231,372	1
Loss on valuation of financial instruments (Note 5)	88,854	-	-	-
Others	27,066	-	40,419	-
Total non-operating expenses and losses	552,101	2	892,062	3

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WINBOND ELECTRONICS CORPORATION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except (Loss) Earnings Per Share)

	2011		2010	
	Amount	**%**	**Amount**	**%**
(LOSS) INCOME BEFORE INCOME TAX	$ (843,291)	(3)	$ 3,550,996	11
INCOME TAX EXPENSE (Notes 2 and 20)	-	-	-	-
NET (LOSS) INCOME	$ (843,291)	(3)	$ 3,550,996	11

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
(LOSS) EARNINGS PER SHARE (Notes 2 and 21)				
Basic (loss) earnings per share	$ (0.23)	$ (0.23)	$ 0.97	$ 0.97
Diluted (loss) earnings per share	$ (0.23)	$ (0.23)	$ 0.97	$ 0.97

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

(With Deloitte & Touche audit report dated February 8, 2012) (Concluded)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

		Capital Surplus					Retained Earnings	Other Equity			
	Common Stock	**Paid-in Capital in Excess of Par - Common Stock**	**Treasury Stock Transaction**	**Adjustments on Long-term Equity Investments under Equity Method**	**Stock Option**	**Others**	**Accumulated Deficit**	**Cumulative Translation Adjustments**	**Unrealized Loss on Financial Instruments**	**Treasury Stock**	**Total**
BALANCE, JANUARY 1, 2010	$ 36,564,972	$ 10,786,697	$ 1,971,862	$ 37,424	$ 16,196	$ 368,825	$(15,977,842)	$ 446,667	$ (254,377)	$ (106,387)	$ 33,854,037
Offsetting accumulated deficit (Note 17)	-	(10,786,697)	-	-	-	-	10,786,697	-	-	-	-
Net income for 2010	-	-	-	-	-	-	3,550,996	-	-	-	3,550,996
Changes in translation adjustments	-	-	-	-	-	-	-	(204,504)	-	-	(204,504)
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	-	202,441	-	202,441
Capital surplus from investee under equity method	-	-	-	2,688	-	-	-	-	-	-	2,688
Adjustment to capital surplus due to disposal of investments	-	-	-	(16,200)	-	-	-	-	-	-	(16,200)
Issuance of stock from exercising employee stock options (Note 17)	128,530	-	-	-	(8,955)	(80,759)	-	-	-	-	38,816
Compensation cost of employee stock options (Note 18)	-	-	-	-	12,863	-	-	-	-	-	12,863
BALANCE, DECEMBER 31, 2010	36,693,502	-	1,971,862	23,912	20,104	288,066	(1,640,149)	242,163	(51,936)	(106,387)	37,441,137
Net loss for 2011	-	-	-	-	-	-	(843,291)	-	-	-	(843,291)
Changes in translation adjustments	-	-	-	-	-	-	-	117,737	-	-	117,737
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	-	(1,397,458)	-	(1,397,458)
Issuance of stock from exercising employee stock options (Note 17)	108,800	-	-	-	(10,616)	(65,282)	-	-	-	-	32,902
Capital surplus from investee under equity method	-	-	-	1	-	-	-	-	-	-	1
Compensation cost of employee stock options (Note 18)	-	-	-	-	4,472	-	-	-	-	-	4,472
BALANCE, DECEMBER 31, 2011	$ 36,802,302	$ -	$ 1,971,862	$ 23,913	$ 13,960	$ 222,784	$ (2,483,440)	$ 359,900	$ (1,449,394)	$ (106,387)	$ 35,355,500

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

(With Deloitte & Touche audit report dated February 8, 2012)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (843,291)	$ 3,550,996
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation	9,680,099	10,325,474
Amortization	523,434	493,533
(Reversal of) provision for allowance for doubtful accounts	(13,000)	12,000
Loss on decline in market value and obsolescence and abandonment of inventories	482,919	55,225
Gain on disposal of investments, net	(7,027)	(678,307)
Investment income recognized under equity method, net	(131,829)	(412,573)
Impairment losses on financial assets carried at cost	9,680	-
Cash dividends from equity method investees	379,860	249,367
Net losses (gains) on disposal of property, plant and equipment	80	(19,977)
Net loss on obsolescence of spare parts	3,761	153
Compensation cost of employee stock options	4,472	12,863
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss, current	54,403	(38,854)
Notes receivable	970	3,834
Accounts receivable	613,230	(883,014)
Accounts receivable from related parties	(275,204)	19,730
Other financial assets, current	(10,165)	14,941
Inventories	(1,447,859)	(905,479)
Other current assets	121,595	134,562
Other assets	(35,090)	(3,696)
Notes payable	(287,725)	(123,605)
Accounts payable	650,223	(703,436)
Accrued expenses and other payables	71,863	140,101
Other current liabilities	(58,644)	63,971
Other liabilities	48,638	22,320
Net cash provided by operating activities	9,535,393	11,330,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment	(5,993,918)	(7,376,431)
Acquisition of long-term investments under equity method	(376,670)	(393,247)
Acquisition of available-for-sale financial assets	(316,826)	-
Proceeds from disposal of long-term investments under equity method	-	1,229,740
Proceeds from disposal of available-for-sale financial assets	-	394,339
Proceeds from disposal of financial assets carried at cost	335	-
Proceeds from disposal of property, plant and equipment	4,448	38,821
Net cash used in investing activities	(6,682,631)	(6,106,778)

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WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	$ (12,223)	$ 226,646
Increase in short-term bills payable	199,763	-
Increase in long-term debt	5,000,000	3,500,000
Repayment of long-term debt	(8,491,670)	(7,616,673)
Proceeds from exercise of employee stock options	32,902	38,816
Net cash used in financing activities	(3,271,228)	(3,851,211)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(418,466)	1,372,140
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,231,453	2,859,313
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,812,987	$ 4,231,453
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest during the year	$ 549,022	$ 653,198
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 7,158,327	$ 8,491,670
Cumulative translation adjustments	$ 117,737	$ (204,504)
Unrealized (loss) gain on financial instruments	$ (1,397,458)	$ 202,441
Adjustment to capital surplus due to disposal of investments	$ -	$ (16,200)
Capital surplus from investee under equity method	$ 1	$ 2,688
CASH PAYMENT FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Net increase in acquisition of property, plant and equipment	$ 5,546,734	$ 6,928,793
Add payable for property, plant and equipment, beginning of year	1,080,094	1,527,732
Less payable for property, plant and equipment, end of year	(632,910)	(1,080,094)
Cash payment for acquisitions of property, plant and equipment	$ 5,993,918	$ 7,376,431

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

(With Deloitte & Touche audit report dated February 8, 2012) (Concluded)

1. ORGANIZATION AND OPERATIONS

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. In addition to its own products, the Company offers a foundry service for other Taiwanese and foreign IC producers and designers. An initial public offering of the Company’s common stocks was made on October 18, 1995, and the stocks are traded on the Taiwan Stock Exchange.

There are 2,012 and 1,839 employees in the Company as of December 31, 2011 and 2010, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements were prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Business Accounting Law, Guidelines Governing Business Accounting, and accounting principles generally accepted in the ROC. Significant accounting principles are summarized as follows:

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

Transaction in Foreign Currencies and Translation of Foreign Currency Financial Statements

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange gains or losses derived from foreign currency transactions or monetary assets and liabilities denominated in foreign currencies are recognized in current income. At the balance sheet date, assets and liabilities denominated in foreign currencies are revalued at the prevailing exchange rates with the resulting gains or losses recognized in current income or loss.

Foreign non-currency assets and liabilities (e.g., equity instrument) which are measured at fair value shall be revalued at the balance sheet date exchange rates. The related translation adjustment on available-for-sale financial assets is included in stockholders’ equity; and the translation adjustment on financial instrument at fair value through profit or loss is recorded in current year’s profit or loss. Financial assets carried at cost are measured at historical rate on the transaction dates.

Long-term equity investments denominated in foreign currencies are restated at the balance sheet date exchange rates. The related translation adjustments are reported as an adjustment of stockholders’ equity.

The aforesaid balance sheet date exchange rates are based on the middle prices of the major transaction banks.

Accounting Estimates

In preparing financial statements in conformity with these guidelines and principles, the Company is required to make some estimates and assumptions that could affect the amounts of allowance for doubtful accounts, allowance for inventory devaluation, property depreciation and impairment, tax, pension liabilities and product guarantee, etc. Actual results may differ from these estimates.

Current/Noncurrent 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 one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes unrestricted cash on hand and cash in bank. Government bonds under repurchase agreements and notes acquired with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instrument at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss include financial assets and financial liabilities held for trading purpose. Upon initial recognition, they are recognized at the fair values plus transaction costs. After initial recognition, they are measured at fair values and the changes in the fair values are recognized as profits or losses. Cash dividends received are recorded as dividends revenue, including the dividends received in the year of acquisition. When the financial instruments are disposed of, the difference between carrying amount and the price received or paid is recognized as the profit or loss. All purchases and sales of financial assets are recorded on the trade date basis.

Derivatives that are not subject to measurement under hedge accounting are classified as financial assets or financial liabilities at fair value through profit or loss. The positive fair values of derivatives are recognized as financial assets; negative fair values are recognized as financial liabilities.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date.

Impairment of Accounts Receivable

Allowance for doubtful accounts is determined by the Company's management based on the evaluation of the probability of collection of notes and accounts receivable. The Company determines the amount of allowance for doubtful accounts by examining the aging analysis of outstanding accounts receivable and current trends in the credit quality of its customers as well as its internal credit policies.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be subject to the provisions of SFAS No. 34. The Company evaluates for indication of impairment of accounts receivable at the end of each reporting period. When objective evidence indicates that the estimated future cash flow of accounts receivable decreases as a result of one or more events that occurred after initial recognition of the accounts receivable, such accounts receivable are deemed to be impaired.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on item-by-item basis. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling cost.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. After initial recognition, they are measured at fair value and the changes in fair value of available-for-sale financial assets are recorded as an adjustment of stockholders' equity. When the financial assets are disposed of, the related accumulated fair value changes are taken out of stockholders' equity and recognized in the profit and loss. All purchases and sales of available-for-sale financial assets are recorded on the trade date basis.

Stock dividends are recorded as an increase in the number of shares and do not affect investment income or the carrying amount of the investment.

The fair value of open-end mutual fund is the published fair value per unit at the balance sheet date. Marketable securities are stated at the closing price at the balance sheet date. Private-placement common shares of listed company are stated at the closing price at the balance sheet date but adjusted for the effects of transferred restriction.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. If, in a subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to stockholders' equity; for debt securities, the amount of the decrease is recognized in earnings, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

Financial Assets Carried at Cost

Equity investment for which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, such as non-publicly traded stocks, are carried at their original cost. Accounting policies for dividends received are similar to those for available-for-sale financial assets.

An impairment loss is recognized if there is objective evidence of impairment; subsequent reversal of such impairment loss is not allowed.

Long-term Equity Investments Accounted for Using Equity Method

Investments in corporations in which the Company's ownership interest is over 20% or the Company exercises influence on the operating and financial policy decision are accounted for by the equity method.

When equity investments are made, the excess of the purchase cost over the fair value of net assets representing goodwill will not be amortized, but will be tested for impairment periodically, or more frequently, if events or changes in circumstances indicate that such carrying value may not be recoverable.

When the Company subscribes for additional investee shares at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment in the investee will differ from the amount of the Company's share of the investee's net equity. The Company records such difference as an adjustment to long-term investments with the corresponding amount charged or credited to capital surplus. If the balance of the capital surplus account relating to a long-term equity investment is not sufficient to absorb such an adjustment, any excess is charged against retained earnings.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. For those investees over which the Company exercises significant influence on their operating and financial decision, the assessment of impairment is based on carrying value. For those investees over which the Company has control ability, the assessment of impairment is based on cash-generating units of the consolidated company as a whole.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Expenditures that would increase the value or extend the useful lives of property, plant and equipment are capitalized.

Interest is capitalized during the construction period of property, plant and equipment until a qualifying asset is substantially completed and ready for its intended use.

Depreciation is provided on the straight-line method over the following estimated useful lives of the related assets, plus one additional year for salvage:

Buildings	5 to 20 years
Machinery and equipment	5 years
Other equipment	3 to 5 years

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

When an indication of significant impairment is determined, any excess of the carrying amount of an asset over its recoverable amount is recognized as a loss. If the recoverable amount increases in the future period, the subsequent reversal of the impairment loss would be recognized as a gain. However, the increased carrying amount of an asset due to reversal of an impairment loss should not exceed the carrying amount that would have been determined (net of depreciation), had no impairment loss been recognized for the assets in prior years.

Upon sale or disposal of property, plant and equipment, the related cost and accumulated depreciation are removed from the accounts and any related gain or loss is included in non-operating income or non-operating expenses.

Intangible Assets

Intangible assets are stated at acquisition cost less accumulated amortization and included in assets. Such assets are amortized over three to five years from the commencement of production using the straight-line method. If the assets' future benefits are impaired, the excess of carrying amount will be recognized in current loss to present the fair value of the assets.

Reserve for Product Guarantee

For potential product risk, the Company accrues reserve for product guarantee based on the commitment to specific customers.

Benefit Pension Plan

For employees under defined contribution plans, pension costs are recorded based on the actual contributions made to employee's personal pension accounts. For employees under defined benefit pension plans, pension costs are recorded based on actuarial calculations.

Income Tax

The Company uses an inter-period tax allocation method for income tax. Deferred income tax assets and liabilities are recognized for the tax effect of temporary differences, operating loss carryforwards and investment tax credits. Valuation allowances are provided when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense or benefit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Income tax credits, such as for purchase of machinery, research and development expenses and training expenses, are recognized as deduction of current income tax expense.

Income tax on unappropriated earnings at a rate of 10% is expensed in the year of stockholder approval which is the year subsequent to the year the earnings are generated.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) applicable to common stock by the weighted average number of shares outstanding. For a diluted basis, net earnings and shares outstanding are adjusted for diluted potential common stock.

Share-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Treasury Stock

The cost of shares purchased or fair value of shares donated by outside parties is charged to the treasury stock account.

Upon reissuance, the discrepancy between the cost of the treasury shares and the price received is reflected in stockholders' equity accounts.

The Company's stock held by subsidiaries is also treated as treasury stock.

Revenue Recognition

Sales are recognized when titles of products and risks of ownership are transferred to customers.

3. CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Company are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This adoption did not result in material effect on the financial statements for the year ended December 31, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The statement requires that segment information be disclosed based on the information about the components of the Company that management uses to make operating decisions. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Company's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." For this accounting change, the Company restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures in the consolidated financial statements as of and for the year ended December 31, 2011.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2011	**2010**
Cash on hand	$ 230	$ 230
Checking account	1,036	1,651
Demand deposit	102,956	182,525
Time deposit	3,071,752	3,084,675
Short-term bills	637,013	962,372
	$ 3,812,987	$ 4,231,453

Time deposits in the amounts of $77,836 thousand and $74,799 thousand as of December 31, 2011 and 2010, respectively, were pledged to secure purchase orders of materials and customs tariff obligations and are included in refundable deposits.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2011	**2010**
Forward exchange contracts	$ 1,703	$ 56,106

For the years ended December 31, 2011 and 2010, the Company's strategy for forward exchange contracts is to hedge its exposures to fluctuations of foreign exchange rate. The Company's financial risk management objective is to hedge most of the market price risk and cash flows risk.

Outstanding forward exchange contracts as of December 31, 2011 and 2010 were summarized as follows:

	Currencies	**Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2011			
Sell forward exchange contracts	USD to JPY	2012.01.05	USD925/JPY72,000
Sell forward exchange contracts	USD to NTD	2012.01.05-2012.02.02	USD41,000/NTD1,241,738
December 31, 2010			
Sell forward exchange contracts	USD to NTD	2011.01.06-2011.02.10	USD58,000/NTD1,738,941
Sell forward exchange contracts	NTD to USD	2011.02.10	NTD148,375/USD5,000

The transactions of financial instruments at fair value through profit or loss resulted in net losses of $88,854 thousand and net gains of $111,512 thousand for the years ended December 31, 2011 and 2010, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2011	**2010**
Notes receivable	$ 382	$ 1,352
Accounts receivable	$ 2,726,898	$ 3,340,128
Less allowance for doubtful accounts	(279,000)	(292,000)
	$ 2,447,898	$ 3,048,128
Accounts receivable from related parties (Note 22)	$ 701,771	$ 421,556

7. INVENTORIES

	December 31	
	2011	**2010**
Finished goods	$ 1,606,347	$ 1,565,163
Work-in-process	4,517,692	3,655,389
Raw materials and supplies	192,978	145,296
Inventories in transit	13,772	-
	$ 6,330,789	$ 5,365,848

As of December 31, 2011 and 2010, the allowance for inventory devaluation was $980,297 thousand and $519,382 thousand, respectively.

Write-down losses of inventories of $482,919 thousand and $55,225 thousand were included in the cost of sales for the years ended December 31, 2011 and 2010, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2011		**2010**	
	Amount	**Ownership Percentage**	**Amount**	**Ownership Percentage**
Listed stocks				
Walton Advanced Engineering Inc.	$ 480,601	10	$ 750,940	10
Hannstar Display Corporation	123,082	1	345,971	1
Walsin Technology Corporation	103,859	2	221,764	2
Private-placement shares of listed company				
Hannstar Display Corporation	64,800	1	-	-
	772,342		1,318,675	
Less Current portion	(707,542)		(1,318,675)	
	$ 64,800		$ -	

In January 2011, the Company acquired 54,000 thousand private-placement shares of Hannstar Display Corporation. According to Securities and Exchange Act, the private-placement shares of Hannstar Display Corporation could be resold freely in an active market only after three years from the delivery date and permitted by the controlling authorities.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31			
	2011		2010	
	Amount	Ownership Percentage	Amount	Ownership Percentage
YH Bio Explore & Application Co., Ltd. ("Previously Vita Genomic Inc.")	$ 35,520	3	$ 45,200	3
Vita Genomic, Inc.	13,082	3	13,434	3
Others	13,253	-	13,253	-
	$ 61,855		$ 71,887	

The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured. Impairment loss is evaluated periodically.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

	December 31				
	2011			2010	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Nuvoton Technology Corporation ("NTC")	$ 727,548	$ 1,705,201	61	$ 1,807,858	61
Winbond Int'l Corporation ("WIC")	3,269,237	1,596,774	100	1,427,681	100
Win Investment Corporation ("Win")	790,118	1,057,149	100	1,583,389	100
Landmark Group Holdings Ltd. ("Landmark")	514,602	372,360	100	251,520	100
Mobile Magic Design Corporation ("MMDC")	50,000	50,909	100	46,229	100
Pine Capital Investment Limited ("PCI")	41,398	42,805	100	-	-
Newfound Asian Corp. ("NAC")	208,960	1	100	1	100
Winbond Electronics (H.K.) Limited ("WEHK")	1,948	1	100	1	100
	$ 5,603,811	$ 4,825,200		$ 5,116,679	

Equity in (losses) gains of equity method investees was summarized as follows:

	Years Ended December 31	
	2011	2010
NTC	$ 259,730	$ 606,539
WIC	(108,116)	(321,268)
Win	8,863	185,368
Landmark	(37,508)	(64,082)

(Continued)

	Years Ended December 31	
	2011	2010
MMDC	$ 4,364	$ 5,807
PCI	(1,005)	-
NAC	(263)	(345)
WEHK	5,764	554
	$ 131,829	$ 412,573

(Concluded)

The investment income (loss) for the years ended December 31, 2011 and 2010 were recognized based on the investees' audited financial statements. The financial statements for the years ended December 31, 2011 and 2010 of CFP Technology Corp. ("CFP") were audited by other auditors. The investments in such investee amounted to zero and $21,598 thousand as of December 31, 2011 and 2010, respectively; investment (loss) income amounted to $(1,341) thousand and $1,577 thousand for the years then ended, respectively.

In August 2011, Win sold partial investments in CFP. As Win's ownership interest in CFP was less than 20% and could not have significant influence over CFP, Win reclassified its investment in CFP as financial assets carried at cost.

Pine Capital Investment Limited ("PCI") was incorporated in January 2011. PCI's principal activity is to invest in various businesses. As of December 31, 2011, the balance of PCI's capital account amounted to HK$10,920 thousand and the Company held a 100% ownership interest directly.

The realized portion of unrealized valuation gain or loss on financial assets in the stockholders' equity amounted to a loss of $409,088 thousand and a gain of $125,212 thousand as of December 31, 2011 and 2010.

In January 2010, the Company sold 2,980 thousand shares of NTC at $28 per share. In September 2010, the Company sold 23,000 thousand shares at $50 per share for public offering of NTC's IPO. The gain on aforesaid disposal was $867,747 thousand, recorded as "gain on disposal of investments" for the year ended December 31, 2010.

As of December 31, 2011, fair value of publicly traded stocks of NTC accounted for under equity method was $2,665,353 thousand.

11. PROPERTY, PLANT AND EQUIPMENT

Accumulated depreciation of property, plant and equipment consisted of the following:

	December 31	
	2011	2010
Buildings	$ 5,745,036	$ 4,518,471
Machinery and equipment	42,006,660	34,187,446
Others	2,030,460	1,663,003
	$ 49,782,156	$ 40,368,920

Capitalized interest for the years ended December 31, 2011 and 2010 amounted to $122,224 thousand and $52,119 thousand, respectively. The interest rates of interest capitalized were 2.59%-2.70% and 1.57%-1.70%, respectively.

As of December 31, 2011 and 2010, the carrying value of $20,906,790 thousand and $27,883,229 thousand of 12-inch Fab manufacturing facilities was pledged to secure long-term debt. Please refer to Note 15.

12. INTANGIBLE ASSET

	December 31	
	2011	2010
Deferred technical assets, net	$ 548,754	$ 1,059,078

In connection with certain technical transfer agreements, the Company made technical transfer fee payments. Such deferred assets are amortized over three to five years from the commencement of production using the straight-line method and tested for impairment periodically.

13. SHORT-TERM LOANS

	December 31			
	2011		2010	
	Interest Rate	Amount	Interest Rate	Amount
Materials procurement loans	1.09%-2.73%	$ 1,539,592	1.00%-2.45%	$ 1,316,815
Bank lines of credit	-	-	1.67%	235,000
		$ 1,539,592		$ 1,551,815

14. SHORT-TERM BILLS PAYABLE

	December 31			
	2011		2010	
	Interest Rate	Amount	Interest Rate	Amount
Commercial paper payable	0.92%	$ 200,000	-	$ -
Less unamortized discount on commercial paper payable		(237)		-
		$ 199,763		$ -

15. LONG-TERM DEBT

	December 31			
	2011			2010
	Period	Interest Rate	Amount	Amount
Chinatrust Commercial Bank syndication agreement (I)	2007.12.28-2011.12.28	-	$ -	$ 5,000,000
Chinatrust Commercial Bank syndication agreement (II)	2008.06.27-2013.06.27	2.59%-2.70%	3,849,990	6,416,660
Bank of Taiwan syndication agreement (I)	2009.07.27-2012.07.27	3.16%-3.33%	2,775,000	3,700,000

(Continued)

	December 31			
	2011			2010
	Period	Interest Rate	Amount	Amount
Bank of Taiwan syndication agreement (II)	2010.06.18-2015.06.18	2.75%-2.97%	$ 6,000,000	$ 3,500,000
Bank of Taiwan syndication agreement (III)	2011.12.23-2016.12.23	2.49%	2,500,000	-
			15,124,990	18,616,660
Less current portion of long-term debt			(7,158,327)	(8,491,670)
			$ 7,966,663	$ 10,124,990

(Concluded)

Chinatrust Commercial Bank Syndication Agreement (I)

a. In September 2007, the Company entered into a syndication agreement, amounting to $5 billion, with a group of financial institutions to finance the working capital.

b. The principal will be repaid every six months from June 28, 2011 until maturity.

c. The principal was fully paid on December 28, 2011.

Chinatrust Commercial Bank Syndication Agreement (II)

a. On June 4, 2008, the Company entered into a syndication agreement, amounting to $7.7 billion, with a group of financial institutions to procure equipment for 12-inch Fab.

b. The principal will be repaid every six months from December 27, 2010 until maturity.

c. Please refer to Note 11 for collateral on bank borrowing.

Bank of Taiwan Syndication Agreement (I)

a. On July 15, 2009, the Company entered into a syndication agreement, amounting to $3.7 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.

b. The principal will be repaid every three months from October 27, 2011 until maturity.

c. Please refer to Note 11 for collateral on bank borrowing and Note 22 for the joint guarantor.

Bank of Taiwan Syndication Agreement (II)

a. On May 31, 2010, the Company entered into a syndication agreement, with a group of financial institutions to procure equipment for 12-inch Fab and fund the long-term loan payments, credit line was divided into two parts, which amounted to $3.5 billion, respectively.

b. Part A will be repaid every six months from December 18, 2012 until maturity; part B will be repaid from June 18, 2012 at 20%, 20% and 60% of the principal, respectively.

c. Please refer to Note 11 for collateral on bank borrowing and Note 22 for the joint guarantor.

Bank of Taiwan Syndication Agreement (III)

a. On September 19, 2011, the Company entered into a syndication agreement, amounting to $7 billion, with a group of financial institutions to procure equipment for 12-inch Fab.

b. The principal will be repaid every six months from June 23, 2014 until maturity.

c. Please refer to Note 11 for collateral on bank borrowing.

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 December 31 during the tenors of the loans except for the interest coverage ratio of Bank of Taiwan syndication agreement which should be maintained on June 30 and December 31. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

16. PENSION PLAN

The Company has defined contribution plan based on the "Labor Pension Act." According to the Act, the Company has made monthly contributions equal to 6% of each employee's monthly salaries to employee's individual pension accounts. Such pension costs were $81,040 thousand and $67,195 thousand for the years ended December 31, 2011 and 2010, respectively.

The Company has a defined benefit pension plan covering all eligible employees. Based on the Labor Standards Law of the Republic of China, the Company's policy is to fund the plan at 2% of employees' salaries and wages. The fund is administered by a Pension Fund Administration Committee and is deposited in the Bank of Taiwan in the committee's name.

Pension information on the defined benefit plan was summarized as follows:

a. The components of net pension cost:

	Years Ended December 31	
	2011	**2010**
Service cost	$ 14,485	$ 17,186
Interest cost	17,929	16,254
Expected return on plan assets	(9,949)	(7,391)
Amortization, net	5,720	2,693
Net pension cost	$ 28,185	$ 28,742

b. The assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	December 31	
	2011	**2010**
Discount rate	2.25%	2.25%
Expected long-term rate of return on plan assets	2.00%	2.00%
Rate of increase in compensation	3.00%	3.00%

c. Reconciliation of funded status of the plan and accrued pension liabilities was summarized as follows:

	December 31	
	2011	**2010**
Benefit obligation		
Vested benefit obligation	$ 181,956	$ 133,967
Accumulated benefit obligation	622,254	570,799
Projected benefit obligation	855,929	800,023
Funded status		
Projected benefit obligation	(855,929)	(800,023)
Fair value of plan assets	492,265	494,238
Funded status	(363,664)	(305,785)
Unrecognized net transition obligation	9,767	11,034
Unrecognized net gain	199,589	155,710
Accrued pension liabilities	$ (154,308)	$ (139,041)

17. STOCKHOLDERS' EQUITY

Common Stock

	December 31	
	2011	**2010**
Authorized capital		
Shares (in thousand shares)	6,700,000	6,700,000
Par value (in dollars)	$ 10	$ 10
Capital	$ 67,000,000	$ 67,000,000
Outstanding capital		
Shares (in thousand shares)	3,680,230	3,669,350
Par value (in dollars)	$ 10	$ 10
Capital	$ 36,802,302	$ 36,693,502

As of December 31, 2010, the balance of the Company's capital account amounted to $36,693,502 thousand, divided into 3,669,350 thousand shares at par $10.00 dollars per share.

Employees executed the stock options at $3.02-$5.57 per share totaling 10,880 thousand shares during the year of 2011. As of December 31, 2011, the balance of the Company's capital account amounted to $36,802,302 thousand, divided into 3,680,230 thousand shares at par $10.00 dollars per share. Walsin Lihwa is a major stockholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2011.

According to the Company Law of the ROC and the Company's Articles of Incorporation, 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 set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the differences between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

a. 1% to 2% as remuneration to directors and supervisors;

b. 10% to 15% as bonus to employees;

c. The remaining amount as bonus to shareholders. Not less than 10% of the total shareholders bonus shall be distributed in form of cash.

"Employees" referred to in Item b of the proceeding paragraph, when distributing the stock bonus, include the employees of subsidiaries of the Company meeting certain criteria. It is authorized to the Board of Directors to determine the above "certain criteria" or the Board of Directors may authorize the Chairman to ratify the above "certain criteria".

On June 18, 2010, the Company's regular stockholders' meeting approved to offset deficits by capital surplus amounted to $10,786,697 thousand.

Treasury Stock

Treasury stock transactions for the year ended December 31, 2011 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2011	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2011
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

Treasury stock transactions for the year ended December 31, 2010 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2010	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2010
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

As of December 31, 2011, Winbond's subsidiary - Baystar Holdings Ltd. (BHL) held 7,518,364 shares of the Company's common stock which amounted to $106,387 thousand. The shares held by BHL were treated as treasury stocks.

The Company's stock held by subsidiaries is treated as treasury stock, 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.

18. EMPLOYEE STOCK OPTION

In 2008 and 2009, the Company granted employee stock warrants in the quantity of 45,764 thousand and 1,585 thousand units, respectively. Each individual employee stock warrant is granted the right to purchase the Company's new issued one common share. The warrants were granted to qualified employees of the Company and its subsidiaries. The warrants granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The warrants were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in the Company's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Employee stock warrants were summarized as follows:

	Years Ended December 31			
	2011		2010	
Employee Stock Warrants	**Number of Options (In Thousands)**	**Weighted Average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted Average Exercise Price (NT$)**
Outstanding balance, beginning of year	27,459	$ 3.12	43,387	$ 3.10
Warrants granted	-	-	-	-
Warrants exercised	(10,880)	3.02	(12,853)	3.02
Warrants cancelled	-	-	-	-
Warrants expired	(1,063)	3.05	(3,075)	3.21
Outstanding balance, end of year	15,516	3.20	27,459	3.12
Warrants exercisable, end of year	14,596	3.11	6,726	3.02

Information about outstanding warrants was as follows:

December 31			
2011		2010	
Range of Exercise Price (NT$)	**Weighted Average Remaining Contractual Life (Years)**	**Range of Exercise Price (NT$)**	**Weighted Average Remaining Contractual Life (Years)**
$3.02-$6.46	1.87	$3.02-$6.46	2.86

The Company used the fair value method to evaluate the option using Black-Scholes model, the assumptions and proforma result were as follows:

Grant-date share price (NT$)	$3.02-$6.46
Exercise price (NT$)	$3.02-$6.46
Expected volatility	52.03%-74.48%
Expected life (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

Compensation costs recognized under the fair value method were $4,472 thousand and $12,863 thousand for the years ended December 31, 2011 and 2010, respectively.

19. PERSONNEL EXPENSE, DEPRECIATION, AND AMORTIZATION

	Year Ended December 31, 2011			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,174,666	$ 713,232	$ -	$ 1,887,898
Insurance	88,412	45,174	-	133,586
Pension	80,185	39,226	-	119,411
Others	6,595	3,333	-	9,928
	$ 1,349,858	$ 800,965	$ -	$ 2,150,823
Depreciation	$ 9,579,362	$ 100,737	$ -	$ 9,680,099
Amortization	$ -	$ 510,324	$ 13,110	$ 523,434

	Year Ended December 31, 2010			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,123,272	$ 717,573	$ -	$ 1,840,845
Insurance	72,452	38,176	-	110,628
Pension	60,539	35,398	-	95,937
Others	5,936	3,028	-	8,964
	$ 1,262,199	$ 794,175	$ -	$ 2,056,374
Depreciation	$ 10,232,739	$ 92,735	$ -	$ 10,325,474
Amortization	$ -	$ 471,895	$ 21,638	$ 493,533

20. INCOME TAX

Components of income tax expense (credit) were summarized as follows:

	Years Ended December 31	
	2011	2010
Current income (credit) tax expense	$ (165,000)	$ 424,000
Deferred income tax assets and valuation allowance adjustment	165,000	(424,000)
Income tax expense	$ -	$ -

Components of deferred income tax assets were as follows:

	December 31	
	2011	**2010**
Deferred income tax assets		
Net operating loss carryforwards	$ 3,994,000	$ 3,998,000
Investment tax credits	2,119,000	2,973,000
Allowance for inventory devaluation losses	167,000	87,000
Allowance for doubtful accounts	42,000	43,000
Unrealized reserve for product guarantee	17,000	11,000
Unrealized exchange loss	1,000	4,000
Unrealized investment loss	6,000	4,000
Deferred income tax assets	6,346,000	7,120,000
Less valuation allowance	(2,604,000)	(3,368,000)
	3,742,000	3,752,000
Deferred income tax liabilities		
Unrealized gain on financial instruments	-	(10,000)
Deferred income tax assets, net	3,742,000	3,742,000
Deferred income tax assets, current (under other current assets)	(210,000)	(124,000)
Deferred income tax assets, noncurrent (under other assets)	$ 3,532,000	$ 3,618,000

a. In May 2010, Article 5 of the Income Tax Law of the Republic of China was amended to reduce the income tax rate of profit-seeking enterprises from 20% to 17%. The amendment was effective on January 1, 2010.

b. Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019.

A reconciliation of income tax expense (credit) based on (loss) income before income tax at statutory rate of 17% and income tax payable (operating loss carryforwards) was as follows:

	Years Ended December 31	
	2011	**2010**
Income tax (credit) expense at statutory rate	$ (143,000)	$ 604,000
Decrease in tax resulting from		
Unrealized investment income	(23,000)	(71,000)
Tax-exempt income on disposal of domestic investments	(1,000)	(116,000)
Others	2,000	7,000
Current income tax (credit) expense	(165,000)	424,000
Provision for deferred tax assets	90,000	(22,000)
	$ (75,000)	402,000
Operating loss carryforwards		(402,000)
Income tax payable		$ -

The Company's investment tax credits and operating loss carryforwards as of December 31, 2011 were as follows:

Expiry Year	Investment Tax Credits	Operating Loss Carryforwards
2012	$ 1,425,000	$ -
2013	455,000	288,000
2014-2021	239,000	3,706,000
	$ 2,119,000	$ 3,994,000

The information of the integrated income tax was as follows:

	December 31	
	2011	2010
Balance of imputation credit account	$ 217,239	$ 174,853
Undistributed earnings for the years of 1997 and before	$ -	$ -
Undistributed deficit for the years of 1998 and thereafter	$ (2,483,440)	$ (1,640,149)

The Company's income tax returns through 2007 have been examined and approved by the tax authority.

As of December 31, 2011, the Company has tax refund receivable under other assets - others amounted to $25,986 thousand which occurred in 2011 and years prior to 2011.

21. (LOSS) EARNINGS PER SHARE

Calculation of earnings (loss) per share was summarized as follows:

	Year Ended December 31, 2011				
	Amounts (Numerator)		Shares	Loss Per Share (NT$)	
	Before Tax	After Tax	(Denominator) (In Thousands)	Before Tax	After Tax
Basic loss per share					
Net loss attributed to common shareholders	$ (843,291)	$ (843,291)	3,666,391	$ (0.23)	$ (0.23)

	Year Ended December 31, 2010				
	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	$ 3,550,996	$ 3,550,996	3,651,328	$ 0.97	$ 0.97
Effect of dilutive potential common stock					
Employee stock option	-	-	17,130		
Dilutive earnings per share					
Net income plus dilutive effect	$ 3,550,996	$ 3,550,996	3,668,458	$ 0.97	$ 0.97

22. RELATED PARTY TRANSACTIONS

The names and relationships of related parties are as follows:

Related Party	Relationship with the Company
Walsin Lihwa Corporation ("Walsin")	Walsin's chairman is one of the immediate family members of the Company's chairman and Walsin holds a 23% ownership in the Company as of December 31, 2011
Winbond Electronics (H.K.) Limited ("WEHK")	The Company holds a 100% ownership interest directly
Mobile Magic Design Corporation ("MMDC")	The Company holds a 100% ownership interest directly
Winbond Electronics Corporation America ("WECA")	The Company holds a 100% ownership interest indirectly
Winbond Electronics Corporation Japan ("WECJ")	The Company holds a 100% ownership interest indirectly
Nuvoton Technology Corporation ("NTC")	The Company holds a 61% ownership interest directly and 1% ownership interest indirectly
Walton Advanced Engineering Inc. ("Walton")	Walton's chairman is one of the immediate family members of the Company's chairman. The Company is a director of Walton.
Global Brands Manufacture Ltd. ("GBM")	GBM's chairman is one of the immediate family members of the Company's chairman
Global Brands Manufacture (Dongguan) Ltd. ("GBM (Dongguan)")	Related party in substance
Walton Chaintech Corp. ("Walton Chaintech")	Related party in substance
Walton Advanced Engineering (Suzhou) Inc. ("Walton (Suzhou)")	Related party in substance

Major transactions with related parties were summarized below:

Sales

	Years Ended December 31	
	2011	2010
WEHK	$ 5,008,443	$ 3,569,758
WECJ	2,058,803	2,151,418
WECA	146,446	187,131
GBM	88,117	-
NTC	38,309	35,532
GBM (Dongguan)	38,030	-
Walton Chaintech	-	539,449
Others	12	229
	$ 7,378,160	$ 6,483,517

Purchase

	Years Ended December 31	
	2011	2010
NTC	$ -	$ 1,130

Manufacturing Expenses

	Years Ended December 31	
	2011	2010
Walton	$ 1,395,376	$ 1,478,790
Walton (Suzhou)	571,541	393,560
MMDC	20,081	10,043
	$ 1,986,998	$ 1,882,393

Selling Expenses

	Years Ended December 31	
	2011	2010
WECA	$ 68,224	$ -
WECJ	9,823	436
	$ 78,047	$ 436

General and Administrative Expenses

	Years Ended December 31	
	2011	2010
Walsin	$ 8,062	$ 8,677

Research and Development Expenses

	Years Ended December 31	
	2011	2010
WECA	$ 176,860	$ -
MMDC	108,968	140,102
WECJ	55,163	-
NTC	500	517
	$ 341,491	$ 140,619

Service Revenue (Recorded as "Non-operating Income and Gains - Others")

	Years Ended December 31	
	2011	2010
MMDC	$ 396	$ 396

Notes Receivable

	December 31	
	2011	2010
NTC	$ -	$ 1,033

Accounts Receivable

	December 31	
	2011	2010
WEHK	$ 558,870	$ 315,478
WECJ	121,316	103,326
Others	21,585	2,752
	$ 701,771	$ 421,556

Other Financial Assets, Current and Other Current Assets

	December 31	
	2011	2010
NTC	$ 2,202	$ 2,669
Walsin	1,438	1,429
MMDC	99	99
	$ 3,739	$ 4,197

Refundable Deposits

	December 31	
	2011	2010
NTC	$ 440	$ -
Walsin	203	203
	$ 643	$ 203

Notes and Accounts Payable

	December 31	
	2011	2010
Walton	$ 547,613	$ 460,029
Walton (Suzhou)	165,665	62,348
Walsin	2,113	4,207
	$ 715,391	$ 526,584

Other Payables

	December 31	
	2011	2010
WECA	$ 165,469	$ 26,796
MMDC	58,040	65,426
WECJ	12,662	-
Walton	9,326	3,700
Walsin	2,496	2,638
NTC	2,202	129
Others	33	111
	$ 250,228	$ 98,800

Deposits Received

	December 31	
	2011	2010
NTC	$ -	$ 957

The related party transactions were conducted under normal terms.

Financing

a. The board of directors of WECA consented to lend up to US$14,000 thousand to the Company. As of December 31, 2011, no amount was drawn.

b. Financing from related-party was summarized as follows:

	Year Ended December 31, 2010			
	Maximum Balance	Ending Balance	Interest Rate %	Interest Expense
WECA	$ 407,820	$ -	2.83-3.08	$ 9,349

Property Transactions

The Company's sale of property to related parties was summarized as follows:

	Year Ended December 31, 2011			
Related Party	Sales Items	Selling Price	Carrying Value	Disposal Income
NTC	Machinery and equipment	$ 235	$ 46	$ 189

	Year Ended December 31, 2010			
Related Party	Sales Items	Selling Price	Carrying Value	Disposal Income
NTC	Other equipment	$ 300	$ -	$ 300

Guarantee

a. Please refer to Note 24.

b. As of December 31, 2011, the chairman of the Company is a joint guarantor of the long-term debt - Bank of Taiwan syndication agreement (I) and (II). Please refer to Note 15.

Compensation Information of Directors, Supervisors, and Management Personnel

	Years Ended December 31	
	2011	2010
Salary	$ 50,579	$ 40,435
Bonus and special compensation	18,004	25,288
	$ 68,583	$ 65,723

Total compensation expense for the years ended December 31, 2011 and 2010 included salaries, duty allowance, retirement pension and income from exercise of employee stock options.

23. PLEDGED AND COLLATERALIZED ASSET

Please refer to Note 4, Note 11 and Note 15.

24. COMMITMENTS AND CONTINGENCIES

Letters of Credit

Amounts available under unused letters of credit as of December 31, 2011 were approximately US$5,005 thousand, JPY323,464 thousand and EUR115 thousand.

Guarantee

As of December 31, 2011, the Company guaranteed $500,000 thousand for its subsidiary, Win Investment Corporation.

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Carrying value and fair value of financial instruments were summarized as follows:

	December 31			
	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Assets				
Available-for-sale financial assets (current and noncurrent)	$ 772,342	$ 772,342	$ 1,318,675	$ 1,318,675
Liabilities				
Long-term debt (including current portion)	15,124,990	15,124,990	18,616,660	18,616,660
Derivative financial instruments				
Financial assets at fair value through profit or loss, current				
Forward exchange contracts	1,703	1,703	56,106	56,106

Methods and assumptions used in determining fair value of financial instruments were summarized as follows:

a. The fair value of cash and cash equivalents, notes and accounts receivable, other financial assets, refundable deposits, short-term loans, notes and accounts payable, and other payables, approximates their carrying value due to the short-term maturities of these financial instruments.

b. The fair value of financial instruments at fair value through profit or loss and available-for-sale financial assets is quoted by market price. The fair value of forward exchange contracts is measured, according to its specific contract's settlement rate, by the middle exchange rate and the discount rate quoted by Reuters. The fair value of foreign exchange option contracts is measured, according to its specific contract's settlement rate, by the discount rate and volatility quoted by underwriting bank.

c. Available-for-sale financial assets which are private - placement shares are based on their quoted prices in an active market but adjusted for effects of any transferred restriction.

d. The Company's financial assets carried at cost do not have a quoted market price in an active market, and the fair value cannot be reliably measured.

e. The fair values of long-term debt are estimated by discounted cash flow analysis, based on the Company's current rates for long- term borrowings with similar types. As of December 31, 2011 and 2010, the discount rates used in determining the fair values were 3.24% and 3.13%, respectively.

The fair value of financial instruments that used the quoted market price in active market or other method of valuation is summarized as follows:

	December 31, 2011		
	Quoted Market Price in Active Market	**Other Method of Valuation**	**Total**
Assets			
Financial assets at fair value through profit or loss, current	$ -	$ 1,703	$ 1,703
Available-for-sale financial assets, current and noncurrent	707,542	64,800	772,342

	December 31, 2010		
	Quoted Market Price in Active Market	**Other Method of Valuation**	**Total**
Assets			
Financial assets at fair value through profit or loss, current	$ -	$ 56,106	$ 56,106
Available-for-sale financial assets, current and noncurrent	1,318,675	-	1,318,675

Valuation (losses) gains arising from changes in fair value of financial instruments determined using valuation techniques were $(54,403) thousand and $38,854 thousand for the years ended December 31, 2011 and 2010, respectively.

As of December 31, 2011, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $272,836 thousand and $15,463,475 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $3,513,764 thousand and $1,400,870 thousand, respectively, as of December 31, 2011.

As of December 31, 2010, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $263,841 thousand and $13,716,785 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $3,858,005 thousand and $6,451,690 thousand, respectively, as of December 31, 2010.

Adjustment of stockholders' equity due to the fair value changes of available-for-sale financial assets amounted to $1,040,306 thousand and $177,148 thousand as of December 31, 2011 and 2010, respectively.

Financial Risk Information

a. Market risk

All the derivative financial instruments the Company entered into are forward exchange contracts in order to hedge changes in fair value of foreign-currency assets and liabilities. The fair value of forward exchange contracts will fluctuate because of changes in foreign exchange rates.

b. Credit risk

The Company is exposed to the credit risk that counter-parties or third-parties may breach the contracts. The risk results from the concentrations of credit risk, elements, contract price, and accounts receivable. The Company requested its major transaction parties to provide collaterals or other rights to reduce such risk.

c. Liquidity risk

The Company has sufficient operating capital to meet the cash demand for the contracts. Thus, the fund-raising and cash flow risks are not material.

d. Cash flow risk on change of interest rate

The Company's long-term debt is with floating interest rate. Effective rate and future cash flow of the Company will fluctuate as a result of changes in market interest rate. If the market interest rate increases by 1%, the cash outflow will increase by $154,635 thousand per year.

26. OTHERS

Information of financial assets and liabilities, which were denominated in foreign currencies, with significant influence on the Company was as follows:

	December 31					
	2011			**2010**		
	Foreign Currencies (Thousands)	**Exchange Rate**	**New Taiwan Dollars (Thousands)**	**Foreign Currencies (Thousands)**	**Exchange Rate**	**New Taiwan Dollars (Thousands)**
Financial assets						
Monetary items						
USD	$ 139,235	30.275	$ 4,215,347	$ 140,857	29.13	$ 4,103,162
EUR	2,049	39.18	80,298	2,246	38.92	87,429
JPY	2,264,748	0.3906	884,611	1,859,681	0.3582	666,138
Investment accounted for by the equity method						
USD	65,042	30.275	1,969,134	57,645	29.13	1,679,202
Financial liabilities						
Monetary items						
USD	107,175	30.275	3,244,717	93,809	29.13	2,732,646
EUR	2,197	39.18	86,063	1,981	38.92	77,093
JPY	2,336,787	0.3906	912,749	2,076,677	0.3582	743,866

27. OPERATING SEGMENT FINANCIAL INFORMATION

The Company has provided the operating segments disclosure in the consolidated financial statements.

28. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has disclosure information for the adoption of International Financial Reporting Standards (IFRSs) in the consolidated financial statements.