Winbond Electronics Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying consolidated balance sheets of Winbond Electronics Corporation and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated 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 year ended December 31, 2011 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 as of December 31, 2011; investment loss amounted to NT$1,341 thousand for the year then ended.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

February 6, 2013

<u>*Notice to Readers*</u>

The accompanying consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

ASSETS	2012 Amount	2012 %	2011 Amount	2011 %
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 5,814,928	10	$ 6,002,597	10
Financial assets at fair value through profit or loss, current (Notes 2 and 5)	28,721	-	3,676	-
Available-for-sale financial assets, current (Notes 2 and 8)	704,091	1	902,713	1
Notes receivable, net (Notes 2 and 6)	327	-	534	-
Accounts receivable, net (Notes 2 and 6)	4,608,920	8	4,113,894	7
Accounts receivable from related parties, net (Notes 6 and 22)	46,073	-	50,639	-
Other financial assets, current	214,172	-	139,144	-
Inventories (Notes 2 and 7)	8,108,677	15	7,272,562	12
Deferred income tax assets, current (Notes 2 and 20)	222,356	1	281,638	-
Other current assets	532,212	1	420,635	1
Total current assets	20,280,477	36	19,188,032	31
FUND AND INVESTMENTS				
Available-for-sale financial assets, noncurrent (Notes 2 and 8)	64,530	-	353,997	1
Financial assets carried at cost, noncurrent (Notes 2 and 9)	604,185	1	1,245,403	2
Long-term equity investments at equity method (Notes 2 and 10)	1,727,128	3	65,092	-
Total fund and investments	2,395,843	4	1,664,492	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 11)				
Cost				
Land	870,460	2	873,493	1
Buildings	20,067,447	36	19,963,440	33
Machinery and equipment	78,216,631	139	76,529,259	126
Other equipment	2,888,473	5	2,822,391	5
Total cost	102,043,011	182	100,188,583	165
Accumulated depreciation	(73,119,244)	(130)	(65,165,653)	(107)
Construction in progress and prepayments on purchase of equipment	97,347	-	126,609	-
Property, plant and equipment, net	29,021,114	52	35,149,539	58
INTANGIBLE ASSETS (Notes 2 and 12)	183,310	-	639,191	1
OTHER ASSETS				
Refundable deposits	148,981	-	160,149	-
Deferred income tax assets, noncurrent (Notes 2 and 20)	3,996,998	7	3,992,639	7
Others	192,414	1	130,607	-
Total other assets	4,338,393	8	4,283,395	7
TOTAL	$ 56,219,137	100	$ 60,924,649	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2012 Amount	2012 %	2011 Amount	2011 %
CURRENT LIABILITIES				
Short-term loans (Note 13)	$ 2,716,474	5	$ 1,681,092	3
Short-term bills payable (Note 14)	499,376	1	199,763	-
Notes payable	812,253	1	849,713	1
Accounts payable	3,421,866	6	3,211,805	5
Payable on equipment	173,632	-	650,233	1
Accrued expenses and other payables	2,187,998	4	2,151,012	4
Current portion of long-term liabilities (Note 15)	4,483,330	8	7,158,327	12
Other current liabilities	78,085	-	68,865	-
Total current liabilities	14,373,014	25	15,970,810	26
LONG-TERM LIABILITIES				
Long-term debt (Note 15)	6,550,000	12	7,966,663	13
OTHER LIABILITIES				
Accrued pension liabilities (Notes 2 and 16)	417,477	1	368,676	1
Reserve for product guarantee (Note 2)	119,902	-	94,271	-
Other liabilities - others	100,778	-	99,146	-
Total other liabilities	638,157	1	562,093	1
Total liabilities	21,561,171	38	24,499,566	40
EQUITY ATTRIBUTABLE TO STOCKHOLDERS OF THE PARENT				
Common stock (Note 17)	36,856,012	66	36,802,302	60
Capital surplus				
Treasury stock transaction	1,971,862	4	1,971,862	3
Adjustment on long-term equity investments under equity method	27,868	-	23,913	-
Stock option (Notes 2 and 18)	9,285	-	13,960	-
Others	190,111	-	222,784	1
Accumulated deficit	(4,335,976)	(8)	(2,483,440)	(4)
Other equity				
Cumulative translation adjustments (Note 2)	268,081	-	359,900	-
Unrealized loss on financial instruments (Note 2)	(1,408,417)	(2)	(1,449,394)	(2)
Treasury stock (Notes 2 and 17)	(106,387)	-	(106,387)	-
Equity attributable to stockholders of the parent	33,472,439	60	35,355,500	58
MINORITY INTEREST	1,185,527	2	1,069,583	2
Total stockholders' equity	34,657,966	62	36,425,083	60
TOTAL	$ 56,219,137	100	$ 60,924,649	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
NET SALES	$ 32,965,283	100	$ 34,696,850	100
COST OF SALES (Note 7)	27,804,925	84	28,640,415	83
(UNREALIZED) REALIZED INTERCOMPANY PROFIT	(74)	-	266	-
GROSS PROFIT	5,160,284	16	6,056,701	17
OPERATING EXPENSES				
Selling expenses	1,001,627	3	968,768	3
General and administrative expenses	1,126,746	4	954,961	3
Research and development expenses	4,299,021	13	4,306,307	12
Total operating expenses	6,427,394	20	6,230,036	18
LOSS FROM OPERATIONS	(1,267,110)	(4)	(173,335)	(1)
NON-OPERATING INCOME AND GAINS				
Interest income	43,825	-	39,942	-
Investment income recognized under equity method (Note 10)	14,458	-	11,963	-
Investment income	47,133	-	84,119	-
Gain on disposal of property, plant and equipment (Note 2)	21,184	-	7,690	-
Gain on disposal of investments	-	-	69,880	-
Foreign exchange gain (Note 2)	-	-	45,765	-
Reversal of allowance for doubtful accounts	67,586	-	8,872	-
Gain on valuation of financial instruments (Note 5)	103,647	1	-	-
Others	36,793	-	88,583	1
Total non-operating income and gains	334,626	1	356,814	1
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	364,983	1	430,307	1
Other investment loss (Note 9)	25,030	-	86,902	-
Loss on disposal of property, plant and equipment (Note 2)	3,629	-	2,960	-
Loss on disposal of investment	30,733	-	-	-
Foreign exchange loss (Note 2)	55,538	-	-	-
Loss on valuation of financial instruments (Note 5)	-	-	154,790	1
Others	27,674	-	35,125	-
Total non-operating expenses and losses	507,587	1	710,084	2

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2012		2011	
	Amount	%	Amount	%
LOSS BEFORE INCOME TAX	$ (1,440,071)	(4)	$ (526,605)	(2)
INCOME TAX EXPENSE (Notes 2 and 20)	(175,037)	(1)	(152,363)	-
NET LOSS	$ (1,615,108)	(5)	$ (678,968)	(2)
ATTRIBUTED TO				
Stockholders of the parent	$ (1,852,536)	(6)	$ (843,291)	(2)
Minority interest	237,428	1	164,323	-
	$ (1,615,108)	(5)	$ (678,968)	(2)

	2012		2011	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
LOSS PER SHARE (Notes 2 and 21)				
Basic loss per share	$ (0.39)	$ (0.50)	$ (0.14)	$ (0.23)

Proforma amount, assuming common shares held by subsidiaries were not treated as treasury stock:

	2012		2011	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
NET LOSS	$ (1,440,071)	$ (1,852,536)	$ (526,605)	$ (843,291)
BASIC LOSS PER SHARE	$ (0.39)	$ (0.50)	$ (0.14)	$ (0.23)

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

		Capital Surplus					Other Equity				
	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	Minority Interests	Total
BALANCE, JANUARY 1, 2011	$ 36,693,502	$ 1,971,862	$ 23,912	$ 20,104	$ 288,066	$ (1,640,149)	$ 242,163	$ (51,936)	$ (106,387)	$ 1,125,537	$ 38,566,674
Net loss for 2011	-	-	-	-	-	(843,291)	-	-	-	164,323	(678,968)
Changes in translation adjustments	-	-	-	-	-	-	117,737	-	-	-	117,737
Changes in unrealized loss on financial instruments	-	-	-	-	-	-	-	(1,397,458)	-	-	(1,397,458)
Capital surplus from investee under equity method	-	-	1	-	-	-	-	-	-	-	1
Issuance of stock from exercising employee stock options (Note 17)	108,800	-	-	(10,616)	(65,282)	-	-	-	-	-	32,902
Compensation cost of employee stock options (Note 18)	-	-	-	4,472	-	-	-	-	-	-	4,472
Changes in minority interests	-	-	-	-	-	-	-	-	-	(220,277)	(220,277)
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)	1,069,583	36,425,083
Net loss for 2012	-	-	-	-	-	(1,852,536)	-	-	-	237,428	(1,615,108)
Changes in translation adjustments	-	-	-	-	-	-	(92,184)	-	-	-	(92,184)
Changes in unrealized gain on financial instruments	-	-	-	-	-	-	-	110,462	-	-	110,462
Capital surplus from investee under equity method	-	-	76	-	-	-	-	-	-	-	76
Write-off stockholders' equity due to subsidiary merged (Note 10)	-	-	3,879	-	-	-	365	(69,485)	-	-	(65,241)
Issuance of stock from exercising employee stock options (Note 17)	53,710	-	-	(4,816)	(32,673)	-	-	-	-	-	16,221
Compensation cost of employee stock options (Note 18)	-	-	-	141	-	-	-	-	-	-	141
Changes in minority interests	-	-	-	-	-	-	-	-	-	(121,484)	(121,484)
BALANCE, DECEMBER 31, 2012	$ 36,856,012	$ 1,971,862	$ 27,868	$ 9,285	$ 190,111	$ (4,335,976)	$ 268,081	$ (1,408,417)	$ (106,387)	$ 1,185,527	$ 34,657,966

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,615,108)	$ (678,968)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	8,651,002	9,863,064
Amortization	573,864	571,933
Reversal of allowance for doubtful accounts	(67,586)	(8,872)
Loss on decline in market value and obsolescence and abandonment of inventories	158	496,359
Loss (gain) on disposal of investments	30,733	(69,880)
Investment income recognized under equity method	(14,458)	(11,963)
Cash dividends from equity method investees	6,566	-
Impairment losses on financial assets carried at cost	25,030	86,902
Net gain on disposal of property, plant and equipment	(17,555)	(4,730)
Compensation cost of employee stock options	198	4,808
Net changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	(25,044)	60,450
Notes receivable	207	1,700
Accounts receivable	(513,941)	299,968
Accounts receivable from related parties	4,566	(11,594)
Other financial assets, current	(75,111)	(31,605)
Inventories	(836,273)	(1,394,921)
Other current assets	(111,577)	203,880
Deferred income tax assets	54,923	42,962
Other assets	7,224	(13,769)
Notes payable	(37,460)	(287,726)
Accounts payable	210,061	707,387
Accrued expenses and other payables	28,423	(268,280)
Other current liabilities	9,220	(51,856)
Other liabilities	66,300	74,634
Net cash provided by operating activities	6,354,362	9,579,883
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(3,126,853)	(6,102,573)
Acquisition of investments under equity method	(403,856)	-
Acquisition of available-for-sale financial assets	(86,915)	(748,232)
Acquisition of financial assets carried at cost	(1,158)	-
Proceeds from disposal of investments accounted for by equity method	-	47,527
Proceeds from disposal of available-for-sale financial assets	315,037	135,810
Proceeds from disposal of financial assets carried at cost	16,552	2,078
Proceeds from capital return of financial assets carried at cost	8,617	48,653
Proceeds from disposal of property, plant and equipment	48,145	12,687
Acquisition of intangible assets	(89,382)	(81,809)
Net cash used in investing activities	(3,319,813)	(6,685,859)

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	$ 1,035,383	$ 65,277
Increase in short-term bills payable	299,613	199,763
Proceeds from long-term debt	3,200,000	5,000,000
Repayment of long-term debt	(7,291,660)	(8,491,670)
Decrease in minority interest	(166,417)	(174,035)
Proceeds from exercise of employee stock options	16,220	32,902
Net cash used in financing activities	(2,906,861)	(3,367,763)
EFFECT OF EXCHANGE RATE CHANGES	(57,269)	72,245
EFFECT OF DISPOSAL SUBSIDIARIES	(258,088)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(187,669)	(401,494)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,002,597	6,404,091
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,814,928	$ 6,002,597
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 422,819	$ 553,428
Income tax paid	$ 102,782	$ 104,058
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 4,483,330	$ 7,158,327
Change in cumulative translation adjustments	$ (92,184)	$ 117,737
Unrealized gain (loss) on financial instruments	$ 110,462	$ (1,397,458)
Write-off stockholders' equity due to subsidiary merged	$ (65,241)	$ -
Capital surplus from investee under equity method	$ 76	$ 1
Acquisition of available-for-sale financial assets offset by accounts receivable	$ 86,501	$ -
CASH PAYMENT FOR ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT		
Net increase in acquisition of property, plant and equipment	$ 2,650,252	$ 5,658,231
Add payable for property, plant and equipment, beginning of year	650,233	1,094,575
Less payable for property, plant and equipment, end of year	(173,632)	(650,233)
Cash payment for acquisitions of property, plant and equipment	$ 3,126,853	$ 6,102,573

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

As of December 31, 2012, fair values of assets and liabilities of Win Investment Corporation (WIN), a subsidiary was merged by Chin Xin Investment are summarized as follows:

Cash and cash equivalents	$ 258,088
Available-for-sale financial assets	433,932
Financial assets carried at cost	620,154
Other current assets and other assets	51,409
Other current liabilities	(33)
Net assets of WIN on merger date	$ 1,363,550
Net cash used in disposal subsidiaries WIN	$ 258,088

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

1. ORGANIZATION AND OPERATIONS

Winbond Electronics Corporation ("Winbond") was incorporated in the Republic of China (the "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. An initial public offering of Winbond's common stocks was made on October 18, 1995, and the stocks are traded on the Taiwan Stock Exchange.

There are 3,625 and 3,621 employees in Winbond and its subsidiaries (the "Company") as of December 31, 2012 and 2011, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC. For the convenience of readers, 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 financial statements shall prevail. However, the accompanying consolidated 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. Significant accounting policies are summarized as follows:

Principles of Consolidation

Winbond's investees in which ownership interest is over 50% or with control ability are included in the consolidated financial statements. All significant intercompany balances and transactions have been eliminated upon consolidation. The consolidated entities (collectively, the "Company") are summarized as follows:

Name	Capital (In Thousands)		Basis for Consolidation
Winbond Int'l Corporation ("WIC")	US$	104,240	Winbond holds 100% ownership interest
Winbond Electronics Corp. America ("WECA")	US$	58,917	WIC holds 100% ownership interest
Landmark Group Holdings Ltd. ("Landmark")	US$	10,313	Winbond holds 100% ownership interest
Winbond Electronics Corp. Japan ("WECJ")	JPY	148,500	Landmark holds 100% ownership interest
Peaceful River Corp. ("PRC")	US$	10,720	Landmark holds 100% ownership interest (Note 1)
Winbond Electronics (HK) Limited ("WEHK")	HK$	500	Winbond holds 100% ownership interest
Pine Capital Investment Limited ("PCI")	HK$	10,920	Winbond holds 100% ownership interest

(Continued)

Name	Capital (In Thousands)		Basis for Consolidation
Winbond Electronics (Suzhou) Limited (“WECN)	RMB	8,639	PCI holds 100% ownership interest
Mobile Magic Design Corporation (“MMDC”)	NT$	50,000	Winbond holds 100% ownership interest
Nuvoton Technology Corporation (“NTC”)	NT$	2,075,544	Winbond holds 61% ownership interest
Marketplace Management Ltd. (“MML”)	US$	8,328	NTC holds 100% ownership interest
Goldbond LLC (“GLLC”)	US$	44,338	MML holds 100% ownership interest
Nuvoton Electronics Technology (Shanghai) Limited (“NTSH”)	RMB	16,555	GLLC holds 100% ownership interest
Winbond Electronics (Nanjing) Ltd. (“WENJ”)	RMB	4,046	GLLC holds 100% ownership interest
Pigeon Creek Holding Co., Ltd. (“PCH”)	US$	13,868	NTC holds 100% ownership interest
Nuvoton Technology Corp. America (“NTCA”)	US$	6,050	PCH holds 100% ownership interest
Nuvoton Investment Holding Ltd. (“NIH”)	US$	21,000	NTC holds 100% ownership interest
Nuvoton Technology Israel Ltd. (“NTIL”)	ILS	1	NIH holds 100% ownership interest
Nuvoton Electronics Technology (H.K.) Limited (“NTHK”)	HK$	107,400	NTC holds 100% ownership interest
Nuvoton Electronics Technology (“Shenzhen”) Limited (“NTSZ”)	RMB	46,434	NTHK holds 100% ownership interest
Win Investment Corporation (“WIN”)	NT$	-	(Note 2)
Newfound Asian Corp. (“NAC”)	US$	6,555	Winbond holds 100% ownership interest
Baystar Holdings Ltd. (“BHL”)	US$	22,590	NAC holds 100% ownership interest

(Concluded)

Note 1: In September 2012, Landmark acquired 100% ownership interest of PRC from WIN.

Note 2: WIN was merged by Chin Xin Investment on December 31, 2012.

Foreign Currencies

Non-derivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in current income or loss.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities (e.g., equity instruments) which are measured at fair value shall be revalued using prevailing exchange rates. The exchange differences treated as recognized in stockholders’ equity if the changes in fair value are recognized in stockholders’ equity; recognized in profit and loss if the changes in fair value is recognized in profit or loss. Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade 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 consolidated 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 loss on inventories, 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 commercial paper with maturities of less than three months from the date of purchase are classified as cash equivalents. The carrying amount approximates fair value.

Financial Instruments 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 regular way purchases or sales of financial assets, derivative financial instrument are recognized on a settlement date basis, and others are recognized on a 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

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 regular way purchases or sales of available-for-sale financial assets are recorded on a 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 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. Open-end mutual funds are stated at net asset values at the balance sheet date.

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 significant 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.

A merge or acquisition transaction is accounted for by purchase method. When equity investments is made with an asset other than cash, the measurement of fair value is determined by the asset given up or the shares acquired, of which is more objective and reliable.

If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. For long-term equity investments for which the Company has significant influence but with no control, the carrying amount of each investment is compared with its own recoverable amount for the purpose of impairment testing.

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:

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, accumulated depreciation and accumulated amortized 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.

Loss Per Share

Basic loss per share is calculated by dividing net loss applicable to common stock by the weighted average number of shares outstanding.

Share-based Compensation

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 - stock 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.

Winbond'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.

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2012.

3. EFFECTS OF 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 consolidated 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, please refer to Note 27 to the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2012	2011
Cash on hand	$ 713	$ 640
Cash in bank	1,319,076	1,451,014
Time deposit	2,750,739	3,799,930
Short-term bills	1,744,400	751,013
	$ 5,814,928	$ 6,002,597

Time deposits in the amounts of $132,160 thousand and $139,964 thousand as of December 31, 2012 and 2011, respectively, were pledged to secure land lease agreement, purchase orders of materials, customs tariff obligations and sales deposits and are reclassified as refundable deposits.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2012	2011
Financial assets at fair value through profit or loss, current		
Listed stocks	$ 3,533	$ 3,461
Forward exchange contracts	25,188	215
	$ 28,721	$ 3,676

For the years ended December 31, 2012 and 2011, the Company's entered into derivative contracts to manage exposures due to exchange rate and interest rate fluctuation. The financial risk management objective of the Company is to minimize risks due to changes in fair value or cash flows.

Outstanding forward exchange contracts as of December 31, 2012 and 2011 were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2012			
Sell forward exchange contracts	USD to NTD	2013.01.03-2013.03.14	USD137,000/NTD3,989,235
Sell forward exchange contracts	NTD to USD	2013.02.07	NTD289,220/USD10,000
December 31, 2011			
Sell forward exchange contracts	USD to NTD	2012.01.03-2012.03.02	USD62,000/NTD1,875,747
Sell forward exchange contracts	USD to JPY	2012.01.05	USD925/JPY72,000

The transactions of financial instruments at fair value through profit or loss resulted in net gains of $103,647 thousand and net losses of $154,790 thousand for the years ended December 31, 2012 and 2011, respectively.

6. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2012	2011
Notes receivable	$ 327	$ 534
Accounts receivable	$ 4,721,523	$ 4,426,386
Less allowance for doubtful accounts	(112,603)	(312,492)
	$ 4,608,920	$ 4,113,894
Accounts receivable from related parties (Note 22)	$ 46,073	$ 50,639

7. INVENTORIES

	December 31	
	2012	2011
Finished goods	$ 1,643,222	$ 1,720,658
Work-in-process	6,091,663	5,123,038
Raw materials and supplies	357,001	398,506
Inventories in transit	16,791	30,360
	$ 8,108,677	$ 7,272,562

As of December 31, 2012 and 2011, the allowance for inventory devaluation was $1,245,240 thousand and $1,331,172 thousand, respectively.

Loss on write-down of inventories of $158 thousand and $496,359 thousand were recognized as the cost of sales for the years ended December 31, 2012 and 2011, respectively. Gain on recovery of decline in market value amounted to $85,930 thousand in the year ended December 31, 2012, due to net realizable value improvement.

Unallocated fixed manufacturing costs were recognized as cost of sales in the years ended December 31, 2012 and 2011 amounted to $513,589 thousand and $548,177 thousand, respectively.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2012		2011	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Listed stocks				
Walton Advanced Engineering Inc.	$ 420,526	10	$ 480,601	10
Hannstar Display Corporation	192,061	2	168,612	2
Walsin Technology Corporation	91,504	2	103,859	2
Walsin Lihwa Corporation	-	-	143,880	-
Emerging Memory & Logic Solutions Inc.	-	-	140,738	7
Japan Material Co., Ltd.	-	-	14,097	1
Capella Microsystems, Inc.	-	-	69,563	2
Chaintech Corp.	-	-	5,760	-
Private-placement shares of listed company				
Hannstar Display Corporation	64,530	1	129,600	2
	768,621		1,256,710	
Less current portion	(704,091)		(902,713)	
	$ 64,530		$ 353,997	

In January 2011, the Company acquired 108,000 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 approved by the controlling authorities. In September 2012, Hannstar Display Corporation carried out a capital reduction to offset a deficit, at a 50% capital reduction. The Company deduced 54,000 thousand private-placement shares of Hannstar Display Corporation. There were 27,000 thousand of Hannstar Display Corporation’s private-placement shares held by the Company are decreased due to WIN (dissolved company) was merged by Chin Xin Investment on December 31, 2012. As of December 31, 2012, the Company had 27,000 thousand of Hannstar Display Corporation’s private-placement shares.

9. FINANCIAL ASSETS CARRIED AT COST

	December 31			
	2012		2011	
	Amount	Ownership Percentage	Amount	Ownership Percentage
LTIP Trust Fund	$ 394,944	-	$ 411,740	-
United Industrial Gases Co., Ltd.	81,081	4	154,867	8
Harbinger III Venture Capital Corp.	39,808	5	39,678	5
Strategic Value Fund II	1,967	24	15,752	24
Ta Cherng Investing Co.	-	-	199,870	10

(Continued)

	December 31			
	2012		2011	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Walsin Color Corporation	$ -	-	$ 121,197	9
YH Bio Explore & Application Co., Ltd.	-	-	83,011	8
Others	86,385	-	219,288	-
	$ 604,185		$ 1,245,403	

(Concluded)

a. 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.

b. The Company assessed the recoverable amount of the above financial assets; as a result the Company recognized an impairment loss of $25,030 thousand and $86,902 thousand, recorded as "other investment loss" for the years ended December 31, 2012 and 2011, respectively.

10. LONG-TERM EQUITY INVESTMENTS AT EQUITY METHOD

	December 31				
	2012			2011	
	Original Investment Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Chin Xin Investment	$ 1,723,588	$ 1,654,103	35	$ -	-
Nyquest Technology Co., Ltd. ("Nyquest")	28,808	73,025	29	65,092	30
	$ 1,752,396	$ 1,727,128		$ 65,092	

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

	Years Ended December 31	
	2012	2011
Nyquest	$ 14,458	$ 13,304
CFP Technology Corp. ("CFP")	-	(1,341)
	$ 14,458	$ 11,963

The financial statements for the year ended December 31, 2011 of CFP were audited by other auditors. In August 2011, the Company sold partial investments of CFP. As the Company'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".

Nyquest was incorporated in 2006 and mainly engaged in the manufacture and sale of computer related products. In July 2011, the Company sold 900 thousand shares of Nyquest at $35 per share to non-related parties and recognized a disposal income of $18,885 thousand that was included in gain on disposal of investments in 2011. As of December 31, 2012, the Company had 4,815 thousand shares, with a 29% ownership interest in Nyquest.

In November 2012, the Company bought 40,000 thousand shares of Chin Xin Investment from related-party Walsin Lihwa Corporation. On December 31, 2012, Win Investment, a subsidiary of the Company was merged with Chin Xin Investment, and accordingly Win Investment was dissolved. The Company acquired 130,713 thousand shares of Chin Xin Investment after such merger. As of December 31, 2012, the Company had 170,713 thousand shares of Chin Xin Investment with a 35% ownership interest.

The Company has written off $65,241 thousand of stockholders' equity due to the above-mentioned merger transaction.

The unrealized valuation loss on financial assets recognized as stockholders' equity amounted to $277,475 thousand as of December 31, 2012.

11. PROPERTY, PLANT AND EQUIPMENT

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

	December 31	
	2012	**2011**
Buildings	$ 10,507,177	$ 9,259,781
Machinery and equipment	60,110,008	53,606,482
Other equipment	2,502,059	2,299,390
	$ 73,119,244	$ 65,165,653

Capitalized interest for the years ended December 31, 2012 and 2011 amounted to $49,146 thousand and $122,224 thousand, respectively. The interest rates of interest capitalized were 2.62%-2.70% and 2.59%-2.70%, respectively.

As of December 31, 2012 and 2011, the carrying value of $20,557,599 thousand and $20,906,790 thousand of land and 12-inch Fab manufacturing facilities were pledged to secure long-term debt, respectively. Please refer to Note 15 to the consolidated financial statements.

12. INTANGIBLE ASSET

	December 31	
	2012	**2011**
Deferred technical assets, net	$ 179,372	$ 638,357
Others	3,938	834
	$ 183,310	$ 639,191

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			
	2012		2011	
	Interest Rate	Amount	Interest Rate	Amount
Bank lines of credit	1.33%-1.87%	$ 2,562,100	1.89%-2.58%	$ 141,500
Materials procurement loans	1.11%-1.70%	154,374	1.09%-2.73%	1,539,592
		$ 2,716,474		$ 1,681,092

14. SHORT-TERM BILLS PAYABLE

	December 31			
	2012			2011
	Bills Financial Corporation	Interest Rate	Amount	Amount
Commercial paper payable	China bills	0.85%	$ 200,000	$ 200,000
	MEGA bills	1.15%	300,000	-
Less unamortized discount on commercial paper payable			(624)	(237)
			$ 499,376	$ 199,763

15. LONG-TERM DEBT

	December 31			
	2012			2011
	Period	Interest Rate	Amount	Amount
Chinatrust Commercial Bank syndication agreement (II)	2008.06.27-2013.06.27	2.68%-2.70%	$ 1,283,330	$ 3,849,990
Bank of Taiwan syndication agreement (I)	2009.07.27-2012.07.27	-	-	2,775,000
Bank of Taiwan syndication agreement (II)	2010.06.18-2015.06.18	2.97%-3.11%	4,850,000	6,000,000
Bank of Taiwan syndication agreement (III)	2011.12.23-2016.12.23	2.49%-2.63%	2,900,000	2,500,000
Chinatrust Commercial Bank syndication agreement (III)	2012.12.27-2015.12.27	2.65%	2,000,000	-
			11,033,330	15,124,990
Less current portion of long-term debt			(4,483,330)	(7,158,327)
			$ 6,550,000	$ 7,966,663

Chinatrust Commercial Bank Syndication Agreement (II)

a. On June 4, 2008, Winbond 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, Winbond 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 to the consolidated financial statements for collateral on bank borrowing and Note 22 to the consolidated financial statements for the joint guarantor.

d. The agreement was fully redeemed on July 27, 2012.

Bank of Taiwan Syndication Agreement (II)

a. On May 31, 2010, Winbond 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 part a and b, which amounted to $3.3 billion and $3.5 billion, respectively, the total line of credit $6.8 billion.

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 to the consolidated financial statements collateral on bank borrowing and Note 22 to the consolidated financial statements for the joint guarantor.

Bank of Taiwan Syndication Agreement (III)

a. On September 19, 2011, Winbond 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 to the consolidated financial statements for collateral on bank borrowing.

Chinatrust Commercial Bank Syndication Agreement (III)

a. On November 19, 2012, Winbond entered into a syndication agreement, amounting to $5 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 six months from December 27, 2014 until maturity.

c. Please refer to Note 11 to the consolidated financial statements for collateral on bank borrowing.

Winbond 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 (II), (III) and Chinatrust Commercial Bank Syndication Agreement (III) 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 $140,268 thousand and $129,544 thousand for the years ended December 31, 2012 and 2011, respectively.

The Company has 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	
	2012	**2011**
Service cost	$ 27,621	$ 27,848
Interest cost	33,879	35,352
Expected return on plan assets	(18,907)	(20,125)
Amortization, net	14,509	11,362
Net pension cost	$ 57,102	$ 54,437

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

	December 31	
	2012	**2011**
Discount rate	1.75%-2.25%	2.00%-2.25%
Expected long-term rate of return on plan assets	2.00%	2.00%
Rate of increase in compensation	1.00%-3.00%	1.00%-3.00%

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

	December 31	
	2012	**2011**
Benefit obligation		
Vested benefit obligation	$ 644,650	$ 373,292
Accumulated benefit obligation	1,369,212	1,213,549
Projected benefit obligation	1,790,366	1,606,975
Funded status		
Projected benefit obligation	(1,790,366)	(1,606,975)
Fair value of plan assets	957,810	951,013
Funded status	(832,556)	(655,962)
Unrecognized net transition obligation	90,308	97,217
Unrecognized net gain	341,678	190,069
Deferred pension cost	(16,907)	-
Accrued pension liabilities	$ (417,477)	$ (368,676)

17. STOCKHOLDERS' EQUITY

Winbond's Common Stock

	December 31	
	2012	2011
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)	3,685,601	3,680,230
Par value (in dollars)	$ 10	$ 10
Capital	$ 36,856,012	$ 36,802,302

As of December 31, 2011, the balance of Winbond's capital account amounted to $36,802,302 thousand, divided into 3,680,230 thousand shares at par $10.00 per share.

Employees executed the stock option at $3.02 per share totaling 5,371 thousand shares during the year of 2012. As of December 31, 2012, the balance of Winbond's capital account amounted to $36,856,012 thousand, divided into 3,685,601 thousand shares at par $10.00 dollars per share. Walsin Lihwa is a major stockholder of Winbond and held approximately 23% ownership interest in Winbond as of December 31, 2012.

According to the Company Law of the ROC and Winbond's Articles of Incorporation, if Winbond has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, Winbond 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 Winbond. 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 Winbond at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, Winbond 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 Winbond 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".

The Company was loss of the year ended 2011, so the stockholders' meeting in not assigned. The relevant information is available on MOPS. And the Company were operating loss of the year 2012, it is not estimated bonus to employees, directors and supervisors.

Treasury Stock

Treasury stock transactions for the year ended December 31, 2012 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2012	Increased During the Year	Decreased During the Year	Treasury Stock Held as of December 31, 2012
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

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	Increased During the Year	Decreased During the Year	Treasury Stock Held as of December 31, 2011
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

As of December 31, 2012 and 2011, Winbond's subsidiary - Baystar Holdings Ltd. (BHL) held 7,518,364 shares of Winbond's common stock which amounted to $106,387 thousand. The purpose of holding the shares was to maintain stockholder's equity. The shares held by BHL were treated as treasury stocks.

Winbond'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 Winbond's share issuance for cash and vote in stockholders' meeting.

18. EMPLOYEE STOCK OPTION

In 2008 and 2009, Winbond 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 Winbond's new issued one common share. The warrants were granted to qualified employees of Winbond 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 Winbond's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in Winbond's paid-in capital, the exercise price and the number of options are adjusted accordingly.

Employee stock warrants were summarized as follows:

Employee Stock Warrants	Years Ended December 31			
	2012		2011	
	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	15,516	$ 3.20	27,459	$ 3.12
Warrants granted	-	-	-	-
Warrants exercised	(5,371)	3.02	(10,880)	3.02
Warrants cancelled	-	-	-	-
Warrants expired	(371)	3.49	(1,063)	3.05
Outstanding balance, end of year	9,774	3.28	15,516	3.20
Warrants exercisable, end of year	9,751	3.28	14,596	3.11

Information about outstanding warrants was as follows:

December 31			
2012		2011	
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	0.90	$3.02-$6.46	1.87

Winbond 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 duration (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

Compensation costs recognized under the fair value method were $198 thousand and $4,808 thousand for the years ended December 31, 2012 and 2011, respectively.

19. PERSONNEL EXPENSE, DEPRECIATION, AND AMORTIZATION

	Year Ended December 31, 2012			
	Classified as Cost of Sales	Classified as Operation Expenses	Classified as Non-operation Expenses and Losses	Total
Personnel expense				
Salary	$ 1,877,264	$ 2,546,280	$ -	$ 4,423,544
Insurance	142,821	152,646	-	295,467
Pension	110,186	161,263	-	271,449
Others	10,165	44,910	-	55,075
	$ 2,140,436	$ 2,905,099	$ -	$ 5,045,535
Depreciation	$ 8,483,615	$ 164,784	$ 2,603	$ 8,651,002
Amortization	$ -	$ 555,148	$ 18,716	$ 573,864

	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	$ 1,783,498	$ 2,393,995	$ -	$ 4,177,493
Insurance	133,954	140,209	-	274,163
Pension	113,247	162,565	-	275,812
Others	9,764	42,926	-	52,690
	$ 2,040,463	$ 2,739,695	$ -	$ 4,780,158
Depreciation	$ 9,703,620	$ 156,858	$ 2,586	$ 9,863,064
Amortization	$ -	$ 558,823	$ 13,110	$ 571,933

20. INCOME TAX

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

	Years Ended December 31	
	2012	2011
Current income tax credit	$ (209,252)	$ (55,797)
Deferred income tax assets and valuation allowance adjustment	361,796	171,234
Others	22,493	36,926
Income tax expense	$ 175,037	$ 152,363

Components of deferred income tax assets were as follows:

	December 31	
	2012	2011
Deferred tax assets		
Net operating loss carryforwards	$ 4,857,328	$ 4,504,203
Investment tax credits	1,175,366	2,783,976
Allowance for inventory devaluation losses	211,000	167,000
Other temporary differences	265,125	338,990
Deferred income tax assets	6,508,819	7,794,169
Less valuation allowance	(2,281,465)	(3,519,892)
	4,227,354	4,274,277
Deferred income tax liabilities		
Unrealized gain on financial instruments	(4,000)	-
Unrealized exchange gains	(4,000)	-
Deferred income tax assets, net	4,219,354	4,274,277
Deferred income tax assets, current	(222,356)	(281,638)
Deferred income tax assets, noncurrent	$ 3,996,998	$ 3,992,639

A reconciliation of income tax credit base on loss before income tax at statutory rate and current income tax credit was as follows:

	Years Ended December 31	
	2012	2011
Income tax credit at statutory rate	$ (147,929)	$ (30,444)
Increase (decrease) in tax resulting from		
Tax-exempt income on disposal of domestic investments	(71,000)	(8,090)
Other permanent difference	9,677	(17,263)
Current income tax credit	$ (209,252)	$ (55,797)

Winbond and NTC's investment tax credits and operating loss carryforwards as of December 31, 2012 were as follows:

Expiry Year	**Investment Tax Credit**	**Operating Loss Carryforwards**
2013	$ 615,000	$ 286,000
2014-2022	240,000	4,101,000
	$ 855,000	$ 4,387,000

As of December 31, 2012, WECA has operating loss carryforwards of US$15,990 thousand, which will expire in 2025.

The information of the imputation credit of Winbond was as follows:

	December 31	
	2012	2011
Balance of Imputation Credit Account	$ 252,935	$ 217,239
Undistributed earnings for the years of 1997 and before	$ -	$ -
Accumulated deficit for the years of 1998 and thereafter	$ (4,335,976)	$ (2,483,440)

Winbond's income tax returns through 2010, except 2009, have been assessed by the tax authority.

As of December 31, 2012, Winbond has tax refund receivable under other assets - others amounted to $7,136 thousand which occurred in 2012 and years prior to 2012.

21. LOSS PER SHARE

	Year Ended December 31, 2012				
	Amounts (Numerator)			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (Denominator) (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (1,440,071)	$ (1,852,536)	3,676,698	$ (0.39)	$ (0.50)

	Year Ended December 31, 2011				
	Amounts (Numerator)			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (Denominator) (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (526,605)	$ (843,291)	3,666,391	$ (0.14)	$ (0.23)

Proforma amount, assuming common shares of parent held by subsidiaries were not treated as treasury stock:

	Year Ended December 31, 2012				
	Amounts (Numerator)			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (Denominator) (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (1,440,071)	$ (1,852,536)	3,684,216	$ (0.39)	$ (0.50)

	Year Ended December 31, 2011				
	Amounts (Numerator)			Loss Per Share (NT$)	
	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent	Shares (Denominator) (In Thousands)	Before Income Tax and Minority Interest	After Income Tax and Attributed to Stockholders of the Parent
Basic loss per share					
Net loss attributed to common shareholders	$ (526,605)	$ (843,291)	3,673,910	$ (0.14)	$ (0.23)

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 Winbond's chairman and Walsin holds a 23% ownership of Winbond as of December 31, 2012
Nyquest Technology Co., Ltd ("Nyquest")	An equity-method investee
Global Brands Manufacture Ltd. ("GBM")	GBM's chairman is one of the immediate family members of Winbond's chairman
Walton Advanced Engineering Inc. ("Walton ")	Walton's chairman is one of the immediate family members of Winbond's chairman. Winbond is one of the Walton's directors
Global Brands Manufacture (Dongguan) Ltd. ("GBM (Dongguan)")	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	
	2012	2011
Nyquest	$ 212,401	$ 217,818
GBM (Dongguan)	153,402	38,030
GBM	-	88,117
Others	651	14,249
	$ 366,454	$ 358,214

Purchase

	Years Ended December 31	
	2012	2011
Nyquest	$ 4,179	$ 4,403

Manufacturing Expenses

	Years Ended December 31	
	2012	2011
Walton	$ 1,559,452	$ 1,395,376
Walton (Suzhou)	582,901	571,541
	$ 2,142,353	$ 1,966,917

General and Administrative Expenses

	Years Ended December 31	
	2012	2011
Walsin	$ 7,891	$ 8,062

Research and Development Expense

	Years Ended December 31	
	2012	2011
Nyquest	$ 174	$ -

Notes and Accounts Receivable

	December 31	
	2012	2011
Nyquest	$ 31,109	$ 36,506
GBM (Dongguan)	14,915	14,068
Others	49	65
	$ 46,073	$ 50,639

Other Financial Assets, Current and Other Current Assets

	December 31	
	2012	2011
Walsin	$ 20	$ 1,438

Refundable Deposits

	December 31	
	2012	2011
Walsin	$ 203	$ 203

Notes and Accounts Payable

	December 31	
	2012	2011
Walton	$ 394,197	$ 547,613
Walton (Suzhou)	137,081	165,665
Others	3,061	2,639
	$ 534,339	$ 715,917

Other Payables

	December 31	
	2012	2011
Walton	$ 6,199	$ 9,326
Others	1,567	2,529
	$ 7,766	$ 11,855

The related-party transaction was conducted under normal terms.

Security Transactions

The Company's purchase of investment from related parties in 2012 was summarized as follows:

Related-party	Securities Name	Shares (Thousand)	Purchase Cost
Walsin	Chin Xin Investment	40,000	$403,856

Guarantee

a. Please refer to Note 24 to the consolidated financial statements.

b. As of December 31, 2012, the chairman of Winbond is a joint guarantor of the long-term debt - Bank of Taiwan syndication agreement (II). Please refer to Note 15 to the consolidated financial statements.

Compensation Information of Directors, Supervisors, and Management Personnel

	Years Ended December 31	
	2012	2011
Salary	$ 136,718	$ 158,219
Bonus and special compensation	45,423	45,474
	$ 182,141	$ 203,693

Total compensation expense for the years ended December 31, 2012 and 2011 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

The Company's amounts available under unused letters of credit as of December 31, 2012 were approximately US$2,035 thousand and JPY3,900 thousand.

25. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

	December 31			
	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Nonderivative financial instruments				
Assets				
Financial assets at fair value through profit or loss, current	$ 3,533	$ 3,533	$ 3,461	$ 3,461
Available-for-sale financial assets (current and noncurrent)	768,621	768,621	1,256,710	1,256,710
Liabilities				
Long-term debt (including current portion)	11,033,330	11,033,330	15,124,990	15,124,990
Derivative financial instruments				
Financial assets at fair value through profit or loss, current				
Forward exchange contracts	25,188	25,188	215	215

Methods and assumptions used in determining fair values 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 values of financial instruments at fair value through profit or loss and available-for-sale financial assets are 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.

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, 2012 and 2011, the discount rate used in determining the fair values is 2.86% and 3.24%, 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, 2012		
	Quoted Market Price in Active Market	Other Method of Valuation	Total
Assets			
Financial assets at fair value through profit or loss, current	$ 3,533	$ 25,188	$ 28,721
Available-for-sale financial assets, current and noncurrent	704,091	64,530	768,621

	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	$ 3,461	$ 215	$ 3,676
Available-for-sale financial assets, current and noncurrent	1,127,110	129,600	1,256,710

Valuation gains (losses) arising from changes in fair value of financial instruments determined using valuation techniques were $24,973 thousand and $(60,010) thousand for the years ended December 31, 2012 and 2011, respectively.

As of December 31, 2012, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $15,920 thousand and $11,200,934 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $4,611,379 thousand and $3,048,246 thousand, respectively, as of December 31, 2012.

As of December 31, 2011, financial assets and liabilities exposure to cash flow risk that resulted from interest rate changes amounted to $280,648 thousand and $15,463,475 thousand, respectively. Financial assets and liabilities exposure to fair value risk that resulted from interest rate changes amounted to $4,410,259 thousand and $1,542,370 thousand, respectively, as of December 31, 2011.

Adjustment of stockholders' equity due to the fair value changes of available-for-sale financial assets amounted to $1,130,942 thousand and $1,449,394 thousand as of December 31, 2012 and 2011, 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 $112,009 thousand per year.

26. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	December 31					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Financial assets						
Monetary items						
USD	$ 238,052	29.04	$ 6,913,019	$ 198,558	30.275	$ 6,011,352
EUR	951	38.49	36,586	2,075	39.18	81,307
JPY	646,039	0.3364	217,328	2,617,609	0.3906	1,022,438
RMB	99,603	4.6202	460,188	38,935	4.8049	187,081
ILS	35,355	7.7845	275,217	28,287	7.925	224,175
AUD	-	-	-	2,706	30.735	83,169
Non-monetary item						
USD	15,281	29.04	443,766	16,140	30.275	488,647
KRW	-	-	-	5,351,246	0.0263	140,738
Financial liabilities						
Monetary items						
USD	80,871	29.04	2,348,480	114,872	30.275	3,477,755
EUR	1,270	38.49	48,866	2,197	39.18	86,063
JPY	795,581	0.3364	267,633	2,398,822	0.3906	936,980
ILS	5,136	7.7845	39,978	3,082	7.925	24,425

27. OPERATING SEGMENT FINANCIAL INFORMATION

a. Basic information of operating segment

The Company's reportable segments under SFAS No. 41 are as follows:

1) 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.

2) Segment of Flash IC product

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

3) 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.

Principles of measuring reportable segments, profit, assets and liabilities:

1) The significant accounting principles of each operating segment are the same as those stated in Note 2 to the consolidated financial statements. The Company'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.

2) 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

	Segment Revenue		Segment Profit and Loss	
	Years Ended December 31		Years Ended December 31	
	2012	2011	2012	2011
DRAM IC product	$ 14,804,286	$ 17,953,304	$ (1,280,224)	$ (745,663)
Flash IC product	10,811,168	9,440,302	901,824	1,729,434
Logic IC product	7,348,191	7,299,233	712,687	546,545
Total segment revenue	32,963,645	34,692,839	334,287	1,530,316
Others	1,638	4,011	1,638	4,011
Total net sales	$ 32,965,283	$ 34,696,850		
Unallocated expenses				
Administrative and supporting expenses			(791,072)	(629,601)
Sales and other common expenses			(811,963)	(1,078,061)
Total operating (loss) income			(1,267,110)	(173,335)

(Continued)

	Segment Revenue		Segment Profit and Loss	
	Years Ended December 31		Years Ended December 31	
	2012	2011	2012	2011
Non-operating gains and losses				
Interest income (expense), net			$ (321,158)	$ (390,365)
Investment income recognized under equity method			14,458	11,963
Investment income (loss)			22,103	(2,783)
Gain on disposal of property, plant and equipment			17,555	4,730
(Loss) gain on disposal of investments			(30,733)	69,880
Foreign exchange (loss) gain			(55,538)	45,765
Reversal of allowance for doubtful accounts			67,586	8,872
Valuation gain (loss) on financial instruments			103,647	(154,790)
Other income (losses)			9,119	53,458
Loss before tax			$ (1,440,071)	$ (526,605)

(Concluded)

c. Geographical information

The Company's net sales and the non-current assets by geographical location are detailed below.

	Years Ended December 31			
	2012		2011	
	Non-current Assets	Net Sales	Non-current Assets	Net Sales
Asia	$ 29,145,955	$ 30,672,773	$ 35,639,946	$ 32,407,678
United States	233,976	1,501,960	279,391	1,383,826
Europe	-	660,024	-	762,320
Others	-	130,526	-	143,026
	$ 29,379,931	$ 32,965,283	$ 35,919,337	$ 34,696,850

Non-current assets excluded those classified as held for sale, financial instruments, deferred tax assets, and pension liabilities.

d. Major customers information

No revenue from any individual customer exceeded 10% of the Company's net sales for the years ended December 31, 2012 and 2011.

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

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Company pre-discloses the following information on the adoption of International Financial Reporting Standards (IFRSs) as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, the Company has set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is the vice-president of Winbond. The main contents of the plan, time schedule and status of execution as of December 31, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
Assessing phase (2010.01.01-2011.12.31)		
• Setting up a project team and making a plan to adopt the IFRSs	Accounting division	Completed
• Processing the first phase internal training for employees	Accounting division	Completed
• Comparing and analyzing the difference between the existing accounting policies and IFRSs	Accounting division	Completed
• Assessing the adjustments for the existing accounting policies	Accounting division	Completed
• Assessing the adoption of IFRS 1 "First-time Adoption of International Financial Reporting Standards"	Accounting division	Completed
• Assessing the adjustments for the information systems	Information division	Completed
• Assessing the adjustments for the internal controls	Related departments	Completed
Preparing phase (2011.01.01-2012.12.31)		
• Deciding how to adjust existing accounting policies according to IFRSs	Accounting division	Completed
• Deciding how to adopt IFRS1 "First-time Adoption of International Financial Reporting Standards"	Accounting division	Completed
• Adjusting related information systems	Information division	Completed
• Adjusting internal controls	Related departments	Completed
• Processing the second phase internal training for employees	Accounting division	Completed

(Continued)

Contents of Plan	Responsible Department	Status of Execution
Implementing phase (2012.01.01-2013.12.31)		
• Testing the operation of related information system	Information division	Completed
• Collecting materials and preparing to draw up the opening balance for balance sheet and comparative financial statements	Accounting division	2012 comparative financial statement has been completed
• Drawing up financial statements according to IFRSs	Accounting division	Positively executing

(Concluded)

b. The Company assessed, the significant differences between the Company's current accounting policies under R.O.C. GAAP and the one's under IFRSs as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Different	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 6,002,597	$ -	$ (106,916)	$ 5,895,681	Cash and cash equivalents	Note 1
Financial assets at fair value through profit or loss, current	3,676	-	-	3,676	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	902,713	-	-	902,713	Available-for-sale financial assets, current	
Notes receivable, net	534	-	-	534	Notes receivable, net	
Accounts receivable, net	4,113,894	-	-	4,113,894	Accounts receivable, net	
Accounts receivables from related parties, net	50,639	-	-	50,639	Account receivables from related parties, net	
Other financial assets, current	139,144	-	106,916	246,060	Other financial assets, current	Note 1
Inventories	7,272,562	-	-	7,272,562	Inventories	
Deferred income tax assets, current	281,638	-	(281,638)	-	-	Note 2
Other current assets	420,635	-	-	420,635	Other current assets	
Total current assets	19,188,032	-	(281,638)	18,906,394	Total current assets	
Fund and investments					Noncurrent assets	
Available-for-sale financial assets, noncurrent	353,997	-	-	353,997	Available-for-sale financial assets, noncurrent	
Financial assets carried at cost, noncurrent	1,245,403	56,264	-	1,301,667	Financial assets carried at cost, noncurrent	Note 3
Long-term equity investments at equity method	65,092	-	-	65,092	Long-term equity investments at equity method	
Total fund and investments	1,664,492	56,264	-	1,720,756		
Property, plant and equipment	35,149,539	-	-	35,149,539	Property, plant and equipment	
Intangible assets	639,191	-	-	639,191	Intangible assets	
Other assets						
Refundable deposits	160,149	-	-	160,149	Refundable deposits	
Deferred income tax assets, noncurrent	3,992,639	-	281,638	4,274,277	Deferred income tax assets, noncurrent	Note 2
Others	130,607	-	-	130,607	Others	
Total other assets	4,283,395	-	281,638	4,565,033		
Total	$ 60,924,649	$ 56,264	$ -	$ 60,980,913	Total	

(Continued)

R.O.C. GAAP Item	Amount	Effect of Transition to IFRSs: Recognition and Measurement Different	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Liabilities and stockholder's equity						
Current liabilities					Current liabilities	
Short-term loans	$ 1,681,092	$ -	$ -	$ 1,681,092	Short-term loans	
Short-term bills payable	199,763	-	-	199,763	Short-term bills payable	
Notes payable	849,713	-	-	849,713	Notes payable	
Accounts payable	3,211,805	-	-	3,211,805	Accounts payable	
Payable on equipment	650,233	-	-	650,233	Payable on equipment	
Accrued expenses and other payables	2,151,012	60,601	-	2,211,613	Accrued expenses and other payables	Note 4
Current portion of long-term liabilities	7,158,327	-	-	7,158,327	Current portion of long-term liabilities	
Other current liabilities	68,865	-	-	68,865	Other current liabilities	
Total current liabilities	15,970,810	60,601	-	16,031,411	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term debt	7,966,663	-	-	7,966,663	Long-term debt	
Other liabilities						
Accrued pension liabilities	368,676	362,076	-	730,752	Accrued pension liabilities	Note 5
Reserve for product guarantee	94,271	-	-	94,271	Reserve for product guarantee	
Others	99,146	-	-	99,146	Others	
Total other liabilities	562,093	362,076	-	924,169		
Total liabilities	24,499,566	422,677	-	24,922,243	Total liabilities	
Equity attributable to stockholders of the parent					Stockholders' equity	
Common stock	36,802,302	-	-	36,802,302	Common stock	
Capital surplus	2,232,519	(21,460)	-	2,211,059	Capital surplus	Note 6
Accumulated deficit	(2,483,440)	65,182	-	(2,418,258)	Accumulated profit and loss	
Others					Others	
Cumulative translation adjustments	359,900	(359,900)	-	-	Cumulative translation adjustments	Note 7
Unrealized loss on financial instruments	(1,449,394)	(12,576)	-	(1,461,970)	Unrealized loss on financial instruments	Note 8
Treasury stock	(106,387)	-	-	(106,387)	Treasury stock	
Equity attributable to stockholders of the parent	35,355,500	(328,754)	-	35,026,746	Equity attributable to stockholders of the parent	
Minority interest	1,069,583	(37,659)	-	1,031,924	Non-controlling interest	Note 9
Total stockholders' equity	36,425,083	(366,413)	-	36,058,670	Total stockholders' equity	
Total	$ 60,924,649	$ 56,264	$ -	$ 60,980,913	Total	

(Concluded)

Note 1: The Company's long-term time deposits, in accordance with the IFRSs are classified as other financial assets, current. Please see Note 5) d).

Note 2: Deferred income tax assets - current, in accordance with IFRSs is classified as non-current items. Please see Note 5) a).

Note 3: The translation of functional currency of subsidiaries retroact and adjust financial asset carried at cost. Please see Note 5) g).

Note 4: Under IAS No. 19, the Company recognized as an expense when employees provide service to increase their paid vocation. Please see Note 5) b).

Note 5: Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted. Please see Note 5) c).

Note 6: The changes of investment percentage arise from the investment company not subscribing for new shares issued by the investee; the increase or decrease in the investment company's equity is adjusted in the capital surplus. In accordance with the IFRSs of the above-mentioned capital surplus should be retrospective adjustment to accumulated losses. Please see Note 5) e).

Note 7: In accordance with IFRS 1, the Company elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS. Please see Note 4).

Note 8: The translation of functional currency of subsidiaries retroact and adjust unrealized loss on financial instruments. Please see Note 5) g).

Note 9: The equity of subsidiaries was decreased, so non-controlling interest was adjusted retroactively.

2) Reconciliation of consolidated balance sheet as of December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs		IFRSs		
Item	Amount	Recognition and Measurement Different	Presentation Difference	Amount	Item	Note
Assets						
Current assets					Current assets	
Cash and cash equivalents	$ 5,814,928	$ -	$ (104,015)	$ 5,710,913	Cash and cash equivalents	Note 1
Financial assets at fair value through profit or loss, current	28,721	-	-	28,721	Financial assets at fair value through profit or loss, current	
Available-for-sale financial assets, current	704,091	-	-	704,091	Available-for-sale financial assets, current	
Notes receivable, net	327	-	-	327	Notes receivable, net	
Accounts receivable, net	4,608,920	-	-	4,608,920	Accounts receivable, net	
Accounts receivable from related parties, net	46,073	-	-	46,073	Accounts receivable from related parties, net	
Other financial assets, current	214,172	-	104,015	318,187	Other financial assets, current	Note 1
Inventories	8,108,677	-	-	8,108,677	Inventories	
Deferred income tax assets, current	222,356	-	(222,356)	-	-	Note 2
Other current assets	532,212	-	-	532,212	Other current assets	
Total current assets	20,280,477	-	(222,356)	20,058,121	Total current assets	
Fund and investments					Noncurrent assets	
Available-for-sale financial assets, noncurrent	64,530	-	-	64,530	Available-for-sale financial assets, noncurrent	
Financial assets carried at cost, noncurrent	604,185	74,403	-	678,588	Financial assets carried at cost, noncurrent	Note 3
Long-term equity investments at equity method	1,727,128	(595)	-	1,726,533	Long-term equity investments at equity method	Notes 4 and 5
Total fund and investments	2,395,843	73,808	-	2,469,651		
Property, plant and equipment	29,021,114	-	-	29,021,114	Property, plant and equipment	
	-	-	80,747	80,747	Investment property	Note 6
Intangible assets	183,310	-	-	183,310	Intangible assets	
Other assets						
Refundable deposits	148,981	-	-	148,981	Refundable deposits	
Deferred income tax assets, noncurrent	3,996,998	-	222,356	4,219,354	Deferred income tax assets, noncurrent	Note 2
Others	192,414	(16,907)	(80,747)	94,760	Others	Note 6
Total other assets	4,338,393	(16,907)	141,609	4,463,095		
Total	$ 56,219,137	$ 56,901	$ -	$ 56,276,038	Total	

(Continued)

R.O.C. GAAP Item	R.O.C. GAAP Amount	Effect of Transition to IFRSs: Recognition and Measurement Different	Effect of Transition to IFRSs: Presentation Difference	IFRSs Amount	IFRSs Item	Note
Liabilities and stockholders' equity						
Current liabilities					Current liabilities	
Short-term loans	$ 2,716,474	$ -	$ -	$ 2,716,474	Short-term loans	
Short-term bills payable	499,376	-	-	499,376	Short-term bills payable	
Notes payable	812,253	-	-	812,253	Notes payable	
Accounts payable	3,421,866	-	-	3,421,866	Accounts payable	
Payable on equipment	173,632	-	-	173,632	Payable on equipment	
Accrued expenses and other payables	2,187,998	70,361	-	2,258,359	Accrued expenses and other payables	Note 7
Current portion of long-term liabilities	4,483,330	-	-	4,483,330	Current portion of long-term liabilities	
Other current liabilities	78,085	(256)	-	77,829	Other current liabilities	Note 5
Total current liabilities	14,373,014	70,105	-	14,443,119	Total current liabilities	
Long-term liabilities					Noncurrent liabilities	
Long-term debt	6,550,000	-	-	6,550,000	Long-term debt	
Other liabilities						
Accrued pension liabilities	417,477	525,280	-	942,757	Accrued pension liabilities	Note 8
Reserve for product guarantee	119,902	-	-	119,902	Reserve for product guarantee	
Others	100,778	3,947	-	104,725	Others	
Total other liabilities	638,157	529,227	-	1,167,384		
Total liabilities	21,561,171	599,332	-	22,160,503	Total liabilities	
Equity attributable to stockholders of the parent					Stockholders' equity	
Common stock	36,856,012	-	-	36,856,012	Common stock	
Capital surplus	2,199,126	(21,784)	-	2,177,342	Capital surplus	Note 4
Accumulated deficit	(4,335,976)	(94,774)	-	(4,430,750)	Accumulated deficit	
Others					Others	
Cumulative translation adjustments	268,081	(349,829)	-	(81,748)	Cumulative translation adjustments	Note 9
Unrealized loss on financial instruments	(1,408,417)	-	-	(1,408,417)	Unrealized loss on financial instruments	
Treasury stock	(106,387)	-	-	(106,387)	Treasury stock	
Equity attributable to stockholders of the parent	33,472,439	(466,387)	-	33,006,052	Equity attributable to stockholders of the parent	
Minority interest	1,185,527	(76,044)	-	1,109,483	Non-controlling interest	Note 10
Total stockholders' equity	34,657,966	(542,431)	-	34,115,535	Total stockholders' equity	
Total	$ 56,219,137	$ 56,901	$ -	$ 56,276,038	Total	

(Concluded)

Note 1: The Company's long-term time deposits, in accordance with the IFRSs are classified as other financial assets, current. Please see Note 5) d).

Note 2: Deferred income tax assets - current in accordance with IFRSs is classified as non-current items. Please see Note 5) a).

Note 3: The translation of functional currency of subsidiaries retroact and adjust financial asset carried at cost. Please see Note 5) g).

Note 4: The changes of investment percentage arise from the investment company not subscribing for new shares issued by the investee; the increase or decrease in the investment company's equity is adjusted in the capital surplus. In accordance with the IFRSs of the above-mentioned capital surplus should be retrospective adjustment to accumulated losses. Convert into IFRSs, the company decreased $339 thousands in long-term equity investment at equity method, and $21,784 thousands in capital surplus. Please see Note 5) e).

Note 5: Unrealized profit from downstream transactions with an equity-method investee is $256 thousand. It would convert from other current liabilities to long-term equity investment. Please see Note 5) f).

Note 6: A property held under an operating lease was reclassified from other assets to investment property. Please see Note 5) g).

Note 7: Under IAS No. 19, the Company recognized as an expense when employees provide service to increase their paid vocation. Please see Note 5) b).

Note 8: Under IAS No. 19, "Employee Benefits," the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted. According IAS No. 19, the Company reclassified unrecognized actuarial loss into accumulated loss, which increase $362,072 thousands in accrued pension liabilities. Furthermore, under IAS No. 9, the Company reclassified net pension cost and difference in actuarial loss into other comprehensive income, which increase $163,208 thousands in accrued pension liabilities. Above all the accrual pension liabilities increased $525,280 thousands. Please see Note 5) c).

Note 9: In accordance with IFRS 1, the Company elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS. The cumulative translation adjustment decrease $359,900 thousands. Otherwise, the tranlative in function currency which increase $10,071 thousands in cumulative translation adjustments. Please see Note 5) e).

Note 10: The equity of subsidiaries was decreased, so non-controlling interest was adjusted retroactively.

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

R.O.C. GAAP		Effect of Transition to IFRSs	IFRSs		
Item	**Amount**	**Amount**	**Amount**	**Item**	**Note**
Net sale	$ 32,965,283	$ -	$ 32,965,283	Net sale	
Cost of sales	27,804,925	(2,628)	27,802,297	Cost of sales	Notes 1 and 2
Less: Unrealized gain on inter-affiliate	(74)	74	-	-	Note 2
Gross profit	5,160,284	2,702	5,162,986	Gross profit	
Operating expense	6,427,394	4,588	6,431,982	Total operating expense	Note 1
Loss from operations	(1,267,110)	(1,886)	(1,268,996)	Loss from operations	
Non-operation income and expense	(172,961)	(2,629)	(175,590)	Non-operation income and expense	Notes 3 and 4
Loss before income tax	(1,440,071)	(4,515)	(1,444,586)	Loss before income tax	
Income tax expense	(175,037)	-	(175,037)	Income tax expense	
Net loss	$ (1,615,108)	$ (4,515)	(1,619,623)	Net loss	
			(93,274)	Exchange differences on translating foreign operations	
			53,553	Net valuation gain on available-for-sale financial assets	
			(187,984)	Defined benefit obligation's actuarial gain and losses	
			(227,705)	Other comprehensive income for the period, net of tax effect	
			$ (1,847,328)	Total comprehensive income for the period	

Note 1: For the year ended December 31, 2012, the Company increased "salary expenses" by $9,760 thousand. Pension cost and other comprehensive income for the year ended December 31, 2012 were also adjusted for a decrease of $7,874 thousand and $187,984 thousand, respectively. Please see Note 5) b and c).

Note 2: In accordance with IFRSs, the Company reclassified unrealized gain on inter-affiliate to cost of sales as a reduction in comprehensive income.

Note 3: Long-term equity investments accounted for under the equity method caused equity changes. This situation will be recognized as capital surplus under R.O.C. GAAP, but under IFRSs shall recognized as investment gain, so we shall adjust investment gain $190 thousand. Please see Note 5) e).

Note 4: Change of functional currency of subsidiaries shall retroact and adjust, as a result, it increase available-for-sale financial assets. The Company disposed of financial assets, so it will increase investment loss $12,576 thousand. Otherwise, the Company recognized gain on exchange $8,841 thousand, which is from subsidiary's capital reduction.

4) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the Company's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Company is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date); except for optional exemptions to such retrospective application provided under IFRS 1. The main optional exemptions the Company adopted are summarized as follows:

a) Share-based payment. The Company elected to take the optional exemption from applying IFRS 2, "Share-based Payment," retrospectively for the shared-based payment transactions granted and vested before January 1, 2012.

b) Employee benefits. The Company elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

c) Cumulative translation difference. The Company elected to set to zero its cumulative translation adjustment in stockholders' equity by reclassifying the amount to retained earnings at the date of transition to IFRS.

d) Compound financial instrument. Compound financial instrument issued in the past, part of its liabilities does not exit at the time of conversion to IFRSs day, so the Company chose not to be traced back to financial instrument into two equity component.

e) Borrowing costs. The Company selected meet the elements of the assets of the borrowing costs. Its capitalization start date occurs after the conversion to IFRSs day began to apply the IAS No. 23. "borrowing cost".

The above exemption option on the Company's financial statement have been incorporated into following.

5) Notes to the reconciliation of the significant differences:

The Company-specific areas of possible material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

a) Deferred income tax asset/liability

Under R.O.C. GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. In accordance with IAS No. 12, "Income Taxes," deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

In addition, under R.O.C. GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent asset or liability.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from deferred income tax assets to noncurrent assets were $222,356 thousand and $281,638 thousand, respectively.

b) Short-term employee benefits

Short-term employee benefits under R.O.C. GAAP are not expressly stipulated and usually recorded when paid. After the date of transition to IFRS, it is recognized as an expense when employees provided services to increase their paid vacation.

As of December 31, 2012 and January 1, 2012, the Company increased accounts payable by $70,361 thousand and $60,601 thousand for short-term employee benefits. In addition, for the year ended December 31, 2012, the Company increased “salary expenses” by $9,760 thousand.

c) Employee benefits - gain or loss on actuarial valuation on defined benefit plan

According to SFAS No. 18, the unrecognized transition obligation due to first adoption of SFAS No. 18, “Accounting for Pension,” should be amortized over the expected remaining working lives of employees. On the date of transition to IFRSs, the retained earnings should be adjusted for unrecognized transition obligation.

Under R.O.C. GAAP, when using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees. Under IAS No. 19, “Employee Benefits,” the Company elects to recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The subsequent reclassification to earnings is not permitted.

As of December 31, 2012 and January 1, 2012, the Company performed the actuarial valuation under IAS No. 19, “Employee Benefits,” and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1; accrued pension liabilities was adjusted for an increase of $525,280 thousand and $362,076 thousand, respectively. Pension cost and other comprehensive income for the year ended December 31, 2012 were also adjusted for a decrease of $7,874 thousand and $187,984 thousand, respectively.

d) Reclassification of long-term time deposit

Under R.O.C. GAAP, time deposit is classified as cash which must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Under IFRSs, time deposits are held for the purpose of meeting short-term cash commitments is classified as cash and cash equivalents and others is classified as other financial assets.

As of December 31, 2012 and January 1, 2012 the amounts reclassified from cash and cash equivalents to other financial assets were $104,015 thousand and $106,916 thousand, respectively.

e) Investments and capital surplus - long-term equity investments when associates/subsidiaries issue new shares and the shareholder is not subscribing in accordance with its percentage of shares of the investee/parent company.

According to R.O.C. GAAP, the changes of investment percentage arise from the investment company not subscribing for new shares issued by the investee in accordance with its percentage of ownership before the new subscription; the increase or decrease in the investment company's equity is adjusted in the "capital surplus and "long-term equity investment."

Under IFRSs, such transaction is deemed a disposal and aforementioned difference is recognized in the same accounts accordingly. In addition, according to "Q&A for adopting IFRSs" issued by the TSE, accounts that do not conform to IFRSs or not covered under the Company Law as well as capital surplus items required by the Ministry of Economics Affairs should be adjusted at the date of transition to IFRSs.

As of January 1, 2012, the Company recorded different amount as above mentioned, capital surplus was adjusted for a decrease of $21,460 thousand.

As of December 31, 2012, the Company recorded different amount as above mentioned, long-term equity investment at equity method was adjusted for a decrease of $339 thousand and capital surplus was adjusted for a decrease of $21,784 thousand in addition, other gains and losses was adjusted for an increase of $190 thousand.

f) Downstream transactions with an equity-method investee

Under R.O.C. GAAP, profit from downstream transactions with an investee without equity-method are eliminated in proportion to the Company's percentage of ownership in the investee. Under IFRSs, unrealized profit reclassify to sales, cost of sales and investment income recognized under equity-method.

As of December 31, 2012, the Company recorded different amount as above mentioned, long-term equity investment at equity and other current liabilities were adjusted for a decrease both of $256 thousand.

g) Translation of functional currency of foreign operations

Under R.O.C. GAAP, various indicators are comprehensively adopted to identify functional currency. Under IFRSs, IAS No. 21 "The Effects of Changes in Foreign Exchange Rates" rules that the primary indicators should be considered first and then the secondary indicators in the determination of functional currency. According to the rules, the overseas associates and subsidiaries change their functional currency from U.S. dollars to N.T. dollars and adjust retroactively the balances of assets and liabilities in N.T. dollars at the date of transition to IFRSs. As of December 31, 2012 and January 1, 2012, the financial assets carried at cost of the Company increased by $74,403 thousand and $56,264 thousand, respectively; loss on valuation of financial instruments of the Company increased by zero and $12,576 thousand, respectively.

h) Investment property

Under R.O.C. GAAP, a property held under an operating lease may be classified as other assets, under IFRSs, property held to earn rentals or capital appreciation or both should be reclassified to investment property.

As of December 31, 2012 and January 1, 2012, the Company's properties held under operating leases reclassified to investment property were $80,747 thousand and zero, respectively.

c. Special reserve recognized at the date of transition

According to Rule No. 1010012865 issued by the Financial Supervisory Commission (FSC) on April 6, 2012, in the first-time adoption of IFRSs, the Company is required to record special reserve equal to the total amount of unrealized revaluation increments and cumulative translation differences under stockholders` equity reclassified to retained earnings in accordance with IFRS 1; however, if the amount of the credit adjustments to retained earnings at the date of transition to IFRSs is smaller than the total amount of unrealized revaluation increments and cumulative translation differences, only the amount of the credit adjustments to retained earnings is reclassified to special reserve. Reserve is reversed proportionately when using, disposing and reclassifying the related assets. As of January 1, 2012, the amount of accumulated deficit was recognized losses, so the Company did not recognize special reserve.

d. The Company's aforementioned assessment is based on the 2010 version of IFRSs translated by the ARDF and on the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, the assessment result may be impacted as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with IFRSs. Actual results may differ from these assessments.