

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

**WIN Semiconductors Corp.
and Its Subsidiaries**

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of WIN Semiconductors Corp.:

We have reviewed the accompanying consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the periods from July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016, as well as the changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

Except as discussed in the third paragraph, we conducted our reviews in accordance with Statement on Auditing Standard 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of the Company's personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Company and its subsidiaries' investments accounted for using the equity method of NT\$213,181 thousand and NT\$317,484 thousand as of September 30, 2017 and 2016, and the share of loss of associates and joint ventures accounted for using the equity method of NT\$29,337 thousand, NT\$10,288 thousand, NT\$67,177 thousand and NT\$22,705 thousand for the periods from July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016, respectively, were accounted for in accordance with the equity method based on the unreviewed financial statements of the related investees.

Based on our reviews, except for the effects of possible adjustments, if any, that might have been determined to be necessary had the investee companies' financial statements been reviewed as discussed in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

In accordance with the generally accepted auditing standards and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” in the Republic of China, we have previously audited the consolidated financial statements of the Company and its subsidiaries, which comprise the consolidated financial statements as of and for the year ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 23, 2017, we expressed an unmodified audit opinion on those consolidated financial statements. Based on the opinion dated March 23, 2017, the information set forth in the accompanying consolidated statement of financial position as of December 31, 2016 is fairly stated, in all material respects, in conformity with the consolidated financial statements from which it has been derived.

KPMG

Taipei, Taiwan (The Republic of China)
November 13, 2017

Notes to Readers

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

The auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Balance Sheets

September 30, 2017, December 31, and September 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

	September 30, 2017		December 31, 2016		September 30, 2016	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(g))	\$ 2,840,843	10	2,388,143	9	1,813,495	7
1110 Current financial assets at fair value through profit or loss (note 6(b))	165,764	1	218,250	1	192,793	1
1125 Current available-for-sale financial assets (note 6(b))	1,597,088	5	974,767	4	921,580	4
1170 Accounts receivable, net (note 6(c))	1,444,036	5	1,068,714	4	960,325	4
1310 Inventories (note 6(d))	3,402,767	11	2,727,432	10	2,568,804	10
1400 Current biological assets (note 6(e))	105,813	-	133,029	1	154,379	1
1470 Other current assets (notes 6(m) and 7)	550,687	2	309,074	1	307,096	1
Total current assets	10,106,998	34	7,819,409	30	6,918,472	28
Non-current assets:						
1523 Non-current available-for-sale financial assets (note 6(b))	1,839,590	6	1,625,267	6	1,578,468	6
1543 Non-current financial assets at cost (note 6(b))	23,300	-	24,832	-	24,147	-
1546 Non-current investments in debt instrument without active market (note 6(b))	92,600	-	92,600	-	145,800	1
1550 Investments accounted for using equity method (note 6(f))	408,341	2	291,036	1	317,484	1
1600 Property, plant and equipment (notes 6(j) and 8)	13,989,611	48	13,348,978	51	13,191,693	52
1760 Investment property (notes 6(k) and 8)	1,446,995	5	1,468,113	6	1,473,267	6
1780 Intangible assets (notes 6(g) and 6(l))	216,569	1	229,539	1	230,959	1
1830 Non-current biological assets (note 6(e))	34,229	-	48,290	-	23,071	-
1840 Deferred tax assets	69,079	-	75,354	-	54,484	-
1915 Prepayments for business facilities	1,156,794	4	1,263,897	5	1,224,092	5
1990 Other non-current assets (notes 6(m) and 8)	116,530	-	123,324	-	124,449	-
Total non-current assets	19,393,638	66	18,591,230	70	18,387,914	72
Total assets	\$ 29,500,636	100	\$ 26,410,639	100	\$ 25,306,386	100
Liabilities and Equity						
Current liabilities:						
2100 Short-term borrowings (note 6(n))	\$ -	-	-	-	232,812	1
2170 Notes and accounts payable	1,456,512	5	975,478	4	904,914	4
2200 Other payables	2,041,448	7	2,056,522	7	1,787,358	7
2320 Long-term liabilities, current portion (notes 6(o) and 8)	689,272	2	940,194	4	940,194	4
2399 Other current liabilities	174,463	1	222,226	1	183,098	1
Total current liabilities	4,361,695	15	4,194,420	16	4,048,376	17
Non-Current liabilities:						
2540 Long-term borrowings (notes 6(o) and 8)	5,396,968	18	3,673,749	14	2,858,169	11
2570 Deferred tax liabilities	33,578	-	33,728	-	35,042	-
2600 Other non-current liabilities	218,228	1	190,858	1	177,046	1
Total non-current liabilities	5,648,774	19	3,898,335	15	3,070,257	12
Total liabilities	10,010,469	34	8,092,755	31	7,118,633	29
Equity (notes 6(g), 6(r), 6(s) and 6(t)):						
Ordinary share	4,026,664	14	4,076,664	15	4,076,664	16
Capital surplus	3,712,896	12	3,758,737	14	3,758,737	15
Retained earnings	9,624,393	33	9,376,801	36	8,826,036	35
Other equity interest	1,456,601	5	761,897	2	801,376	2
Treasury shares	-	-	(347,660)	(1)	-	-
Total equity attributable to owners of parent	18,820,554	64	17,626,439	66	17,462,813	68
Non-controlling interests (note 6(g) and 6(i))	669,613	2	691,445	3	724,940	3
Total equity	19,490,167	66	18,317,884	69	18,187,753	71
Total liabilities and equity	\$ 29,500,636	100	\$ 26,410,639	100	\$ 25,306,386	100

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WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the periods July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	For the three months ended September 30				For the nine months ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 4,403,726	100	3,553,008	100	11,505,784	100	10,416,936	100
5000 Operating costs (notes 6(d), 6(e), 6(f), 6(j), 6(l), 6(q), 6(v), 7 and 12)	<u>(2,739,495)</u>	<u>(62)</u>	<u>(2,299,102)</u>	<u>(65)</u>	<u>(7,315,100)</u>	<u>(64)</u>	<u>(6,389,659)</u>	<u>(61)</u>
Gross profit from operating	<u>1,664,231</u>	<u>38</u>	<u>1,253,906</u>	<u>35</u>	<u>4,190,684</u>	<u>36</u>	<u>4,027,277</u>	<u>39</u>
Operating expenses (notes 6(c), 6(j), 6(k), 6(l), 6(q)), 6(v), 7 and 12):								
6100 Selling expenses	(51,094)	(1)	(40,977)	(1)	(142,950)	(1)	(124,411)	(1)
6200 Administrative expenses	(210,253)	(5)	(204,531)	(6)	(613,295)	(5)	(545,178)	(5)
6300 Research and development expenses	<u>(174,837)</u>	<u>(4)</u>	<u>(144,043)</u>	<u>(4)</u>	<u>(479,706)</u>	<u>(4)</u>	<u>(447,121)</u>	<u>(4)</u>
Total operating expenses	<u>(436,184)</u>	<u>(10)</u>	<u>(389,551)</u>	<u>(11)</u>	<u>(1,235,951)</u>	<u>(10)</u>	<u>(1,116,710)</u>	<u>(10)</u>
Net operating income	<u>1,228,047</u>	<u>28</u>	<u>864,355</u>	<u>24</u>	<u>2,954,733</u>	<u>26</u>	<u>2,910,567</u>	<u>29</u>
Non-operating income and expenses (notes 6(c), 6(f), 6(g), 6(h), 6(j), 6(w) and 7) :								
7010 Other income	102,261	2	73,013	2	165,051	1	108,502	1
7020 Other gains and losses	95,165	2	226,453	6	(46,785)	-	251,354	2
7050 Finance costs	(14,624)	-	(8,183)	-	(40,743)	-	(10,398)	-
7770 Share of loss of associates and joint ventures accounted for using equity method	<u>(45,856)</u>	<u>(1)</u>	<u>(7,772)</u>	<u>-</u>	<u>(80,241)</u>	<u>(1)</u>	<u>(17,323)</u>	<u>-</u>
Total non-operating income and expenses	<u>136,946</u>	<u>3</u>	<u>283,511</u>	<u>8</u>	<u>(2,718)</u>	<u>-</u>	<u>332,135</u>	<u>3</u>
7900 Profit before tax	1,364,993	31	1,147,866	32	2,952,015	26	3,242,702	32
7950 Total tax expense (note 6(r))	<u>(200,968)</u>	<u>(4)</u>	<u>(146,479)</u>	<u>(4)</u>	<u>(564,198)</u>	<u>(5)</u>	<u>(696,252)</u>	<u>(7)</u>
Profit	<u>1,164,025</u>	<u>27</u>	<u>1,001,387</u>	<u>28</u>	<u>2,387,817</u>	<u>21</u>	<u>2,546,450</u>	<u>25</u>
Other comprehensive income (loss):								
Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(f), 6(r) and 6(s))								
8361 Exchange differences on translation of foreign financial statements	7,865	-	(33,652)	(1)	(51,972)	(1)	(58,052)	(1)
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	354,018	8	99,422	3	772,554	7	470,303	5
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method	4,305	-	3,617	-	5,435	-	467	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
Total components of other comprehensive income that will be reclassified to profit or loss	<u>366,188</u>	<u>8</u>	<u>69,387</u>	<u>2</u>	<u>726,017</u>	<u>6</u>	<u>412,718</u>	<u>4</u>
Other comprehensive income	<u>366,188</u>	<u>8</u>	<u>69,387</u>	<u>2</u>	<u>726,017</u>	<u>6</u>	<u>412,718</u>	<u>4</u>
8500 Total comprehensive income	<u>\$ 1,530,213</u>	<u>35</u>	<u>1,070,774</u>	<u>30</u>	<u>3,113,834</u>	<u>27</u>	<u>2,959,168</u>	<u>29</u>
Profit (loss), attributable to:								
8610 Profit attributable to owners of parent	\$ 1,181,438	27	1,005,930	28	2,422,956	21	2,550,993	25
8620 Loss attributable to non-controlling interests	<u>(17,413)</u>	<u>-</u>	<u>(4,543)</u>	<u>-</u>	<u>(35,139)</u>	<u>-</u>	<u>(4,543)</u>	<u>-</u>
	<u>\$ 1,164,025</u>	<u>27</u>	<u>1,001,387</u>	<u>28</u>	<u>2,387,817</u>	<u>21</u>	<u>2,546,450</u>	<u>25</u>
Comprehensive income attributable to:								
8710 Comprehensive income, attributable to owners of parent	\$ 1,537,038	35	1,080,694	30	3,117,660	27	2,969,088	29
8720 Comprehensive income, attributable to non-controlling interests	<u>(6,825)</u>	<u>-</u>	<u>(9,920)</u>	<u>-</u>	<u>(3,826)</u>	<u>-</u>	<u>(9,920)</u>	<u>-</u>
	<u>\$ 1,530,213</u>	<u>35</u>	<u>1,070,774</u>	<u>30</u>	<u>3,113,834</u>	<u>27</u>	<u>2,959,168</u>	<u>29</u>
Earnings per common share (expressed in dollars)(note 6(u))								
9750 Basic earnings per share	<u>\$ 2.93</u>		<u>2.14</u>		<u>6.02</u>		<u>4.62</u>	
9850 Diluted earnings per share	<u>\$ 2.93</u>		<u>2.13</u>		<u>5.99</u>		<u>4.59</u>	

See accompanying notes to financial statements.

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WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Unappropriated retained earnings	Total retained earnings							
Balance at January 1, 2016	\$ 5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100	-	17,209,100
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	267,163	(267,163)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
Profit (losses) for the nine months ended September 30, 2016	-	-	267,163	(565,496)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	2,550,993	2,550,993	-	-	-	-	2,550,993	(4,543)	2,546,450
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	(52,208)	470,303	418,095	-	418,095	(5,377)	412,718
Capital reduction	(1,789,999)	-	-	2,550,993	2,550,993	(52,208)	470,303	418,095	-	2,969,088	(9,920)	2,959,168
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	-	(1,789,999)	-	(1,789,999)
Disposal of investments accounted for using equity method	-	-	-	-	-	-	-	-	-	5,549	-	5,549
Exercise of employee stock options	1,022	1,880	-	-	-	337	-	337	-	337	-	337
Purchase of treasury share	-	-	-	-	-	-	-	-	-	2,902	-	2,902
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	(635,831)	(635,831)	-	(635,831)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	635,831	-	-	635,831
Balance at September 30, 2016	\$ 4,076,664	3,758,737	1,068,117	7,757,919	8,826,036	(32,088)	833,464	801,376	-	17,462,813	734,860	18,197,673
Balance at January 1, 2017	\$ 4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	760,178	761,897	(347,660)	17,626,439	691,445	18,317,884
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	311,277	(311,277)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(1,811,999)	(1,811,999)	-	-	-	-	(1,811,999)	-	(1,811,999)
Profit (losses) for the nine months ended September 30, 2017	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	(1,811,999)	-	(1,811,999)
Other comprehensive income for the nine months ended September 30, 2017	-	-	-	2,422,956	2,422,956	-	-	-	-	2,422,956	(35,139)	2,387,817
Total comprehensive income for the nine months ended September 30, 2017	-	-	-	-	-	(77,850)	772,554	694,704	-	694,704	31,313	726,017
Purchase of treasury share	-	-	-	2,422,956	2,422,956	(77,850)	772,554	694,704	-	3,117,660	(3,826)	3,113,834
Retirement of treasury share	-	-	-	-	-	-	-	-	(96,317)	(96,317)	-	(96,317)
Changes in ownership interests in subsidiaries	(50,000)	(45,841)	-	(348,136)	(348,136)	-	-	-	443,977	-	-	-
Changes in non-controlling interests	-	-	-	(15,229)	(15,229)	-	-	-	-	(15,229)	-	(15,229)
Balance at September 30, 2017	\$ 4,026,664	3,712,896	1,379,394	8,244,999	9,624,393	(76,131)	1,532,732	1,456,601	-	18,820,554	669,613	19,490,167

See accompanying notes to financial statements.

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WIN Semiconductors Corp. and Its Subsidiaries
Consolidated Statements of Cash Flows
for the nine months ended September 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,952,015	3,242,702
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,800,308	1,701,627
Amortization expense	33,831	24,106
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	17,883	(37,215)
Interest expense	40,743	10,398
Interest income	(17,232)	(7,396)
Dividend income	(82,845)	(53,085)
Share of loss of associates and joint ventures accounted for using equity method	86,019	22,705
Loss on disposal of property, plant and equipment	245	2,773
Gain on disposal of investments	(119,021)	(227,663)
Impairment loss on financial assets	2,635	-
Changes in biological assets at fair value	10,803	(7,288)
Total adjustments to reconcile profit	1,773,369	1,428,962
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in current financial assets at fair value through profit or loss	(1,761)	(27,335)
Increase in notes and accounts receivable, net	(375,322)	(238,612)
Increase in inventories	(684,670)	(120,714)
Decrease (increase) in biological assets	(92,216)	24,966
Decrease (increase) in other current assets	(56,655)	36,898
Total changes in operating assets	(1,210,624)	(324,797)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	670,371	(457,267)
Increase in other payables	67,386	67,848
Decrease in other current liabilities	(47,645)	(437,351)
Increase in other non-current liabilities	1,125	1,104
Total changes in operating liabilities	691,237	(825,666)
Total changes in operating assets and liabilities	(519,387)	(1,150,463)
Cash inflow generated from operations	4,205,997	3,521,201
Dividends received	5,200	-
Income taxes paid	(761,573)	(887,354)
Net cash flows from operating activities	3,449,624	2,633,847
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(65,963)	(2,761,160)
Proceeds from disposal of current financial assets at fair value through profit or loss	109,289	3,666,937
Acquisition of current available-for-sale financial assets	-	(21,732)
Proceeds from disposal of current available-for-sale financial assets	61,467	-
Acquisition of non-current available-for-sale financial assets	(173,749)	(205,491)
Proceeds from disposal non-current available-for-sale financial assets	142,513	284,141
Acquisition of investments accounted for using equity method	(30,330)	(486,720)
Proceeds from capital reduction of investments accounted for using equity method	39,833	109,426
Proceeds from disposal of non-current investments in debt instrument without active market	-	13,800
Acquisition of property, plant and equipment	(1,617,519)	(1,360,368)
Proceeds from disposal of property, plant and equipment	1,703	892
Acquisition of investment properties	(1,258)	-
Decrease (increase) in other receivables due from related parties	(181,200)	4,931
Acquisition of intangible assets	(27,481)	(40,090)
Net cash inflows (outflows) from business combination	(36,959)	963,765
Increase in other non-current assets	(14,658)	(45,911)
Increase in prepayments for business facilities	(906,591)	(1,175,010)
Interest received	14,631	7,151
Dividends received	75,330	46,600
Net cash flows used in investing activities	(2,610,942)	(998,839)
Cash flows from (used in) financing activities:		
Increase in short-term loans	-	209,156
Proceeds from long-term debt	5,012,500	1,600,000
Repayments of long-term debt	(3,541,007)	(742,819)
Increase in other non-current liabilities	26,245	6,128
Cash dividends paid	(1,811,999)	(298,333)
Capital reduction payments to shareholders	-	(1,789,999)
Exercise of employee share options	-	2,902
Payments to acquire treasury shares	(114,515)	(635,831)
Interest paid	(38,988)	(9,059)
Change in non-controlling interests	107,181	-
Net cash flows used in financing activities	(360,583)	(1,657,855)
Effect of exchange rate changes on cash and cash equivalents	(25,399)	(33,315)
Net increase (decrease) in cash and cash equivalents	452,700	(56,162)
Cash and cash equivalents at beginning of period	2,388,143	1,869,657
Cash and cash equivalents at end of period	\$ 2,840,843	1,813,495

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2017 and 2016

WIN Semiconductors Corp. and Its Subsidiaries
Notes to the Consolidated Interim Financial Statements
September 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history:

WIN Semiconductors Corp. (the “Company”) was incorporated on October 16, 1999 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan.

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

- (a) Researching, developing, manufacturing, and selling of GaAs wafers.
- (b) Developing hog farming technology and trading.

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

These consolidated interim financial statements for the nine months ended September 30, 2017 and 2016 were reported to the Board of Directors and issued on November 13, 2017.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements-Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 36 “ Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “ Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value, less costs of disposal:

- 1) the level of fair value hierarchy within which the fair value measurement is categorized; and
- 2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Group will include the required disclosures.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendment to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows-Disclosure Initiative”	January 1, 2017

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 12 “Income Taxes-Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at September 30, 2017 and hedging relationships designated under during the nine months of 2017 under IAS 39.

1) Classification-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at September 30, 2017, would have had a material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis. At September 30, 2017, the Group had equity investments classified as available-for-sale financial assets with a fair value of \$3,436,678 thousand and financial assets measured at cost of \$23,300 thousand that are held for its strategic purposes. If these investments continue to be held for the same purpose at initial application of IFRS 9, the Group elected then to classify them as FVOCI. Therefore, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group’s preliminary assessment indicated that application of IFRS 9’s impairment requirements at September 30, 2017 would not have had a material impact.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group plans to adopt IFRS 15 in its consolidated financial statements using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not restated.

Based on the initial assessment of the potential impact of the adoption of IFRS 15, the Group's does not expect any significant impact.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The Group is currently performed an assessment on the impact and expects to change the measurement of its deferred tax assets.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
October 12, 2017	Amendments to IFRS 9 “Prepayment features with negative compensation”	<p>The IASB has changed IFRS 9’s requirements in two areas of financial instruments accounting:</p> <ul style="list-style-type: none"> • Financial assets containing prepayment features with negative compensation can now be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. • The Board clarified that IFRS 9 requires companies that have modified or exchanged the fixed rate financial liabilities to recalculate the amortized cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate, as well as to recognize any adjustment in profit or loss.
October 12, 2017	Amendments to IAS 28 “Long-term interests in associates and joint ventures”	<ul style="list-style-type: none"> • The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(4) Summary of significant accounting policies:

Except note 3(a) and the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2016. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2016.

(a) Statement of compliance

The consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language consolidated financial statements, the Chinese version shall prevail.

These consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

(b) Basis of consolidation

(i) Except the following principles of preparation mentioned below, the Principles of preparation of the consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2016.

(ii) Losing control of subsidiaries

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

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

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			September 30, 2017	December 31, 2016	September 30, 2016
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %	100.00 %
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00 %	100.00 %	100.00 %
The Company	WIN Venture Capital Corp.	Investment activities	100.00 %	100.00 %	100.00 %
Win Cayman	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	Investment activities	48.27 % (Note 1&2)	43.75 % (Note 1)	43.75 %
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note 3)	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %
Chainwin Cayman	Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	49.00 % (Note 4)	60.00 %	60.00 %
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00 %	60.00 %	60.00 %
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00 %	60.00 %	60.00 %
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	- %
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	100.00 %	100.00 %	100.00 %
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	50.44 %	50.44 %	50.44 %
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	49.56 %	49.56 %	49.56 %

Note 1: Win Cayman does not hold more than half of the equity shares of Chainwin Cayman, directly or indirectly. However, Win Cayman has acquired the right to manage the operating policies of Chainwin Cayman and has control over its Board of Directors since August 19, 2016. Therefore, Chainwin Cayman is deemed to be a subsidiary of Win Cayman. Please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2016 for further information.

Note 2: On July 1, 2017, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD 5,067 thousand (NTD 154,149 thousand) in cash. Please refer to note 6(g) of the consolidated financial statements for other related information.

Note 3: Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

Note 4: Since June 2017, Jiangsu CM/Merit Agriculture Development Co., Ltd is no longer included in the consolidated financial statements. Please refer to note 6(h) of the consolidated financial statements for other related information.

Note 5: The aforementioned subsidiaries were recognized based on the reviewed financial statements by the certified accountant.

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

(c) Income taxes

Income tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

Income tax expenses for the period are best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

Temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and their respective tax bases which were recognized directly in equity or in other comprehensive income as tax expense shall be measured based on the tax rates that have been enacted or substantively enacted at the time when the asset or liability is realized or settled.

(d) Defined benefit plans

The pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

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

The preparation of the consolidated interim financial statements in conformity with IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2016.

(6) Explanation of significant accounts:

Except for the following disclosure, the significant account disclosure in the consolidated interim financial statements for the nine months ended September 30, 2017, which compare with the consolidated financial statements for the year ended December 31, 2016, was not changed significantly. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2016.

(a) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand	\$ 283	227	184
Cash in bank	2,220,809	2,212,048	1,740,914
Time deposits	619,751	175,868	72,397
	<u>\$ 2,840,843</u>	<u>2,388,143</u>	<u>1,813,495</u>

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

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(b) Financial instruments

(i) Current financial assets at fair value through profit or loss:

	September 30, 2017	December 31, 2016	September 30, 2016
Stocks listed on domestic markets	\$ 135,119	153,794	162,778
Money market funds, equity funds and bond funds	30,645	64,456	30,015
	<u>\$ 165,764</u>	<u>218,250</u>	<u>192,793</u>

Refer to note 6(w) for the gains or losses on disposals of investment and the amount of remeasurement at fair value through profit or loss.

(ii) Current available-for-sale financial assets:

	September 30, 2017	December 31, 2016	September 30, 2016
Stocks listed on domestic markets	<u>\$ 1,597,088</u>	<u>974,767</u>	<u>921,580</u>

(iii) Non-current available-for-sale financial assets:

	September 30, 2017	December 31, 2016	September 30, 2016
Stocks listed on domestic markets	\$ 7,866	13,628	14,336
Stocks listed on foreign markets	550,445	427,563	405,767
Non-public stocks	675,796	656,245	720,444
Private fund (Note)	605,483	527,831	437,921
	<u>\$ 1,839,590</u>	<u>1,625,267</u>	<u>1,578,468</u>

Note: As of September 30, 2017, some of the private fund is during the lock-up period.

Refer to note 6(w) for the gain or losses on disposals of investments.

(iv) Non-current financial assets at cost:

	September 30, 2017	December 31, 2016	September 30, 2016
Foreign unlisted stocks	\$ 23,300	24,832	24,147
Less: accumulated impairment	-	-	-
Total	<u>\$ 23,300</u>	<u>24,832</u>	<u>24,147</u>

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

According to the Group's intention, its investment in foreign unlisted stocks should be classified as available-for-sale financial assets. However, as foreign unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to such foreign unlisted stocks' or its financial information cannot be obtained, the fair value of the investment in foreign unlisted stocks cannot be measured reliably. The Group classified those stocks as "Non-current financial assets at cost".

- (v) Non-current investments in debt instrument without active market:

	<u>Issue period</u>	<u>Nominal rate (%)</u>	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Preferred stock B	2012.11.23~2019.11.22	- %	\$ <u>92,600</u>	<u>92,600</u>	<u>145,800</u>

- (vi) As of September 30, 2017, December 31 and September 30, 2016, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(x).

- (c) Accounts receivable, net

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Accounts receivable	\$ 1,446,157	1,071,937	967,448
Less : allowance for doubtful accounts	<u>(2,121)</u>	<u>(3,223)</u>	<u>(7,123)</u>
	<u>\$ 1,444,036</u>	<u>1,068,714</u>	<u>960,325</u>

At the reporting date, the Group's aging analysis of accounts receivable that were past due and not impaired, were as follows:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Past due 1~60 days	\$ 60,587	96,438	133,090
Past due 61~180 days	2,198	2,023	-
Past due more than 181 days	-	-	-
	<u>\$ 62,785</u>	<u>98,461</u>	<u>133,090</u>

The movement of allowance for doubtful accounts were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2017	\$ 3,223	-	3,223
Impairment loss reversed	(962)	-	(962)
Effect of changes in foreign exchange rates	(140)	-	(140)
Balance at September 30, 2017	<u>\$ 2,121</u>	<u>-</u>	<u>2,121</u>

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 5,673	-	5,673
Provision of impairment loss	1,553	-	1,553
Effect of changes in foreign exchange rates	(103)	-	(103)
Balance at September 30, 2016	<u>\$ 7,123</u>	<u>-</u>	<u>7,123</u>

The Group's policy of allowance for receivables is as follows:

Assessment method:

- (i) At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.
- (ii) The Group may recognize 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Group also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

The Group establishes a policy of allowance for doubtful accounts based on historical trends of the probability of default and the timing of recoveries and the amount of loss incurred. The policy is mainly based on the characteristic of industry and the conservative of business cove.

The Group believed that no impairment allowance was necessary with respect to the past due receivables that were collectable.

As of September 30, 2017, December 31 and September 30, 2016, the accounts receivable, net was not pledged.

(d) Inventories

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Raw materials, supplies and spare parts	\$ 2,085,713	1,868,533	1,714,453
Work in process	1,126,943	559,185	480,380
Finished goods	190,111	299,714	373,971
	<u>\$ 3,402,767</u>	<u>2,727,432</u>	<u>2,568,804</u>

(Continued)

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Except cost of goods sold and inventories recognized as expenses, the remaining gains or losses which were recognized as operating cost or deduction of operating cost were as follows:

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Losses on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>(1,765)</u>	<u>7,725</u>	<u>(5,450)</u>	<u>(38,459)</u>
Unallocated overheads	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>4,091</u>
Revenues from sale of scraps	\$ <u>3,467</u>	<u>2,097</u>	<u>9,071</u>	<u>5,010</u>

As of September 30, 2017, December 31 and September 30, 2016, the inventories were not pledged.

(e) Biological assets

(i) List of biological assets:

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>September 30,</u> <u>2016</u>
Consumable biological assets	\$ <u>105,813</u>	<u>133,029</u>	<u>154,379</u>
Bearer biological assets	\$ <u>34,229</u>	<u>48,290</u>	<u>23,071</u>

(ii) Change in biological assets:

	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Beginning balance	\$ 181,319	-
Acquisitions through business combinations (note 6(g))	-	197,900
Increase due to purchase	43,147	424
Input costs	303,579	57,983
Depreciation expenses	(7,519)	(1,168)
Decrease due to sales	(254,510)	(83,373)
Changes in fair value less costs to sell due to price changes	(10,803)	7,288
Effect of changes in consolidated entities	(104,745)	-
Effect of changes in foreign exchange rates	(10,426)	(1,604)
Ending balance	\$ <u>140,042</u>	<u>177,450</u>
Current	\$ 105,813	154,379
Non-current	<u>34,229</u>	<u>23,071</u>
	\$ <u>140,042</u>	<u>177,450</u>

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
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For the nine months ended September 30, 2017 and 2016, the losses (gains) of \$10,803 thousand and \$(7,288) thousand was recognized as operating costs of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the higher (lower) of its carrying amount or fair value less costs to sell.

- (iii) As of September 30, 2017, December 31 and September 30, 2016, number of the biological assets as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Farrow, hogs and breeders	30,657	34,100	30,330

For the nine months ended September 30, 2017, and from acquisition date to September 30, 2016, the Group sold 37,961 hogs and 7,331 hogs, respectively.

- (iv) Fair value

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

Costs of the biological assets include all of the costs within the growth cycle, such as the cost of new-born farrows, the feed and the raising farm. The cost of the productive biological assets shall be depreciated on a systematic basis over the producible term. The amortized term are within 24 to 36 months. For the nine months ended September 30, 2017 and 2016, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were \$7,519 thousand and \$1,168 thousand, respectively.

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

- 1) Regulations and environmental risks

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

- 2) Supply and demand risks

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

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3) Climate and other risks

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

- (vi) As of September 30, 2017, December 31 and September 30, 2016, the biological assets were not pledged.
- (vii) Fair value valuation technique of biological assets used inputs that were categorized in level 3. Please refer to the table below regarding the movement of biological assets for a reconciliation beginning from the opening balance to the closing balance for level 3 fair value. In this period the fair value hierarchy of the biological assets were not transferred into or out of level 3. The valuation technique and significant unobservable inputs were as follows:

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

(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Associates	<u>\$ 408,341</u>	<u>291,036</u>	<u>317,484</u>

(i) Associates

On December 14, 2015, the Group acquired 40% of the shares of Rainbow Star Group Limited for \$32,590 thousand in cash, and has significant influence on it. On March 31, 2017, the Group subscribed the new shares contributed by Rainbow Star Group Limited for \$30,330 thousand and the percentage of the Group's ownership increased to 49.3%. However, the Group do not have the current ability to direct the relevant activities of Rainbow Star Group Limited. The Group did not control it.

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Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>	
Total equity of the individually insignificant investments in associates	\$ <u>408,341</u>	<u>291,036</u>	<u>317,484</u>	
	<u>Three months ended September 30, 2017</u>	<u>Three months ended September 30, 2016</u>	<u>Nine months ended September 30, 2017</u>	<u>Nine months ended September 30, 2016</u>
Attributable to the Group:				
Net loss	\$ (47,507)	(10,288)	(86,019)	(22,705)
Other comprehensive income (loss)	4,305	3,617	5,435	467
Total comprehensive income (loss)	\$ <u>(43,202)</u>	<u>(6,671)</u>	<u>(80,584)</u>	<u>(22,238)</u>

(ii) As of September 30, 2017, December 31 and September 30, 2016, the investments accounted for using equity method were not pledged.

(g) Acquisition of subsidiary and non-controlling interests

(i) Acquisition of subsidiary

On November 18, 2015, the Group acquired 28.63% shares of Merit Biotech (Cayman Islands) Co., Ltd. for \$195,540 thousand in cash, and has a significant influence on it. For the six months ended June 30, 2016, the Group subscribed the new shares contributed by Merit Biotech (Cayman Islands) Co., Ltd. for \$486,720 thousand.

On August 19, 2016, Merit Biotech (Cayman Islands) Co., Ltd. was renamed Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman). The principal activities of Chainwin Cayman and its subsidiaries are developing hog farming technology and trading.

The Group has controlled over Chainwin Cayman through its re-elected Board of Directors on August 19, 2016. The Group held 43.75% of equity shares.

From the acquisition date to September 30, 2016, Chainwin Cayman contributed revenue and net income of \$75,667 thousand and \$25,128 thousand, respectively. If the acquisition had occurred on January 1, 2016, the management estimates that consolidated revenue would have been \$272,837 thousand and the consolidated net income would have been \$77,220 thousand. The abovementioned influences do not include adjustments on fair value.

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

1) Consideration transferred

The Group has acquired the right to manage operating policies of Chainwin Cayman and has controlled over its Board of Directors. The Group expects Chainwin Cayman's future generated cash flow in accordance with the income approach that reflects the time value of investment and the risk of the discounted cash flow, and evaluates the implied consideration transferred of controlling over Chainwin Cayman.

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

- a) The discount rate is based on the weighted-average cost of capital that computed by Chainwin Cayman and its comparable capital structures and corresponded by the market value.
- b) Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the long-term compound annual earnings before interest, taxes, depreciation and amortization (EBITDA) growth rate estimated by management. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past and the estimated sales volume and price growth for the next five years. It was assumed that sales price would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

The shares of Chainwin Cayman held by the Group were measured and the fair value per share was USD\$ 2.1 at the acquisition date.

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- 2) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$	963,765
Accounts receivable		21,685
Inventories		13,073
Current biological assets (note 6(e))		172,664
Other current assets		43,549
Financial assets at cost		24,578
Non-current biological assets (note 6(e))		25,236
Property, plant and equipment (note 6(j))		100,278
Intangible assets (note 6(l))		21,964
Other non-current assets		29,797
Notes payable and accounts payable		(52,345)
Other current liabilities		(57,826)
Total identifiable net assets acquired	\$	<u><u>1,306,418</u></u>

The gross contractual amounts of accounts receivable totaled \$21,685 thousand. On the acquisition date, accounts receivable was expected to be collected.

- 3) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Fair value of pre-existing interest in Chainwin Cayman	\$	703,836
Non-controlling interest in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)		734,860
Less: Fair value of identifiable net assets		<u>(1,306,418)</u>
Goodwill (note 6(l))	\$	<u><u>132,278</u></u>

The Group re-measured the fair value of its existing equity interest in Chainwin Cayman before the business combination, and the resulting gain of \$17,088 thousand is recognized as "gains on disposal of investment".

Goodwill mainly attributed to the profitability of the hog farming. Due to the fact that the enterprise regional income tax rate of the investee is 0%, the Group did not expect goodwill arisen from the consolidations to be deductible for tax purposes.

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Notes to Consolidated Financial Statements

(ii) Acquisition of non-controlling interests

On July 1, 2017, the Group acquired the shares of Chainwin Cayman for \$154,149 thousand in cash, increasing its ownership from 43.75% to 48.27%. From January 1 to September 30, 2016, there was no such transaction.

The effects of the changes in shareholdings were as follows:

Carrying amount of non-controlling interest on acquisition	\$ 138,920
Consideration paid to non-controlling interests	<u>(154,149)</u>
Retained earnings changes in ownership interests in subsidiaries	<u><u>\$ (15,229)</u></u>

(h) Losing control of subsidiary

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

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

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

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

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Notes to Consolidated Financial Statements

(i) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Main operation place	Percentage of non-controlling interests		
		September 30, 2017	December 31, 2016	September 30, 2016
Chainwin Cayman	Cayman Islands	51.73 %	56.25 %	56.25 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

	September 30, 2017	December 31, 2016	September 30, 2016
Current assets	\$ 773,879	1,000,869	1,121,768
Non-current assets	602,576	334,984	248,298
Current liabilities	(67,693)	(85,042)	(100,554)
Non-current liabilities	(26,056)	-	-
Net assets	<u>\$ 1,282,706</u>	<u>1,250,811</u>	<u>1,269,512</u>
Non-controlling interests	<u>\$ 669,613</u>	<u>691,445</u>	<u>724,940</u>

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating revenue	\$ 83,517	272,837	302,195	272,837
Profit (loss)	\$ (32,666)	44,523	(60,891)	44,523
Other comprehensive income (loss)	18,700	(10,690)	49,691	(10,690)
Total comprehensive income (loss)	<u>\$ (13,966)</u>	<u>33,833</u>	<u>(11,200)</u>	<u>33,833</u>
Loss, attributable to non-controlling interests	<u>\$ (17,413)</u>	<u>(4,543)</u>	<u>(35,139)</u>	<u>(4,543)</u>
Comprehensive income (loss), attributable to non-controlling interests	<u>\$ (6,825)</u>	<u>(9,920)</u>	<u>(3,826)</u>	<u>(9,920)</u>

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net cash flows from operating activities	\$ 5,766	8,920
Net cash flows used in investing activities	(639,991)	(13,074)
Net cash flows from financing activities	286,292	803,375
Effect of changes in foreign exchange rate	23,539	(13,612)
Increase (Decrease) on cash and cash equivalents	<u>\$ (324,394)</u>	<u>785,609</u>

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(j) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2017 and 2016 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost :							
Balance as of January 1, 2017	\$ 2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Additions	-	10,898	967,524	87,874	77,586	636,783	1,780,665
Reclassification (Note 1)	-	(18,645)	1,013,574	112,066	295	(105,450)	1,001,840
Disposals	-	-	(278,189)	(5,757)	(23,928)	-	(307,874)
Effect of changes in consolidated entities	-	-	-	-	(4,028)	(354,533)	(358,561)
Effect of changes in foreign exchange rates	-	(167)	-	(467)	(456)	(2,946)	(4,036)
Balance as of September 30, 2017	<u>\$ 2,546,534</u>	<u>2,122,626</u>	<u>16,882,394</u>	<u>4,244,065</u>	<u>334,926</u>	<u>533,756</u>	<u>26,664,301</u>
Balance as of January 1, 2016	<u>\$ 2,546,534</u>	<u>1,000,117</u>	<u>12,551,818</u>	<u>2,820,770</u>	<u>228,809</u>	<u>2,257,410</u>	<u>21,405,458</u>
Acquisitions through business combinations	-	11,902	-	33,022	30,826	38,947	114,697
Additions	-	174,550	634,808	466,268	74,898	166,539	1,517,063
Reclassification (Note 2)	-	967,324	1,730,493	1,105,861	58,050	(2,216,452)	1,645,276
Disposals	-	(9,226)	(41,250)	-	(5,929)	-	(56,405)
Effect of changes in foreign exchange rates	-	(261)	-	(724)	(676)	(865)	(2,526)
Balance as of September 30, 2016	<u>\$ 2,546,534</u>	<u>2,144,406</u>	<u>14,875,869</u>	<u>4,425,197</u>	<u>385,978</u>	<u>245,579</u>	<u>24,623,563</u>
Accumulated depreciation :							
Balance as of January 1, 2017	\$ -	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Depreciation	-	74,326	1,329,630	300,659	73,112	-	1,777,727
Reclassification	-	-	3,076	(3,076)	-	-	-
Disposals	-	-	(278,190)	(5,425)	(22,311)	-	(305,926)
Effect of changes in consolidated entities	-	-	-	-	(208)	-	(208)
Effect of changes in foreign exchange rates	-	(32)	-	(91)	(69)	-	(192)
Balance as of September 30, 2017	<u>\$ -</u>	<u>559,582</u>	<u>10,113,373</u>	<u>1,852,997</u>	<u>148,738</u>	<u>-</u>	<u>12,674,690</u>
Balance as of January 1, 2016	<u>\$ -</u>	<u>429,291</u>	<u>7,514,001</u>	<u>1,681,770</u>	<u>157,206</u>	<u>-</u>	<u>9,782,268</u>
Acquisitions	-	2,427	-	7,110	4,882	-	14,419
Depreciation	-	56,278	1,380,564	209,189	44,066	-	1,690,097
Disposals	-	(7,688)	(40,980)	-	(5,924)	-	(54,592)
Effect of changes in foreign exchange rates	-	(54)	-	(159)	(109)	-	(322)
Balance as of September 30, 2016	<u>\$ -</u>	<u>480,254</u>	<u>8,853,585</u>	<u>1,897,910</u>	<u>200,121</u>	<u>-</u>	<u>11,431,870</u>
Carrying value :							
Balance as of January 1, 2017	<u>\$ 2,546,534</u>	<u>1,645,252</u>	<u>6,120,628</u>	<u>2,489,419</u>	<u>187,243</u>	<u>359,902</u>	<u>13,348,978</u>
Balance as of September 30, 2017	<u>\$ 2,546,534</u>	<u>1,563,044</u>	<u>6,769,021</u>	<u>2,391,068</u>	<u>186,188</u>	<u>533,756</u>	<u>13,989,611</u>
Balance as of January 1, 2016	<u>\$ 2,546,534</u>	<u>570,826</u>	<u>5,037,817</u>	<u>1,139,000</u>	<u>71,603</u>	<u>2,257,410</u>	<u>11,623,190</u>
Balance as of September 30, 2016	<u>\$ 2,546,534</u>	<u>1,664,152</u>	<u>6,022,284</u>	<u>2,527,287</u>	<u>185,857</u>	<u>245,579</u>	<u>13,191,693</u>

Note 1: Prepayments for business facilities and inventories were reclassified as property, plant and equipment. Also, property, plant and equipment were adjusted by using the constructional refund.

Note 2: Prepayments for business facilities and inventories were reclassified as property, plant and equipment. Besides, property, plant and equipment were reclassified as investment property.

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(i) Pledge to secure:

As of September 30, 2017, December 31 and September 30, 2016, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

- (ii) For the periods from July 1 to September 30, 2017 and 2016, for the nine months ended September 30, 2017 and 2016, capitalized interest expenses amounted to \$4,826 thousand, \$5,083 thousand, \$15,414 thousand and \$25,957 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.15%~1.56%, 1.40%~1.53%, 1.15%~1.56% and 1.40%~1.64%, respectively.

(k) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2017	\$ 963,127	536,008	1,499,135
Additions	-	1,258	1,258
Reclassification (Note 1)	-	(7,314)	(7,314)
Balance as of September 30, 2017	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Balance as of January 1, 2016	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Reclassification (Note 2)	-	397,783	397,783
Balance as of September 30, 2016	<u>\$ 963,127</u>	<u>536,008</u>	<u>1,499,135</u>
Accumulated depreciation:			
Balance as of January 1, 2017	\$ -	31,022	31,022
Depreciation	-	15,062	15,062
Balance as of September 30, 2017	<u>\$ -</u>	<u>46,084</u>	<u>46,084</u>
Balance as of January 1, 2016	\$ -	15,506	15,506
Depreciation	-	10,362	10,362
Balance as of September 30, 2016	<u>\$ -</u>	<u>25,868</u>	<u>25,868</u>
Carrying value:			
Balance as of January 1, 2017	<u>\$ 963,127</u>	<u>504,986</u>	<u>1,468,113</u>
Balance as of September 30, 2017	<u>\$ 963,127</u>	<u>483,868</u>	<u>1,446,995</u>
Balance as of January 1, 2016	<u>\$ 963,127</u>	<u>122,719</u>	<u>1,085,846</u>
Balance as of September 30, 2016	<u>\$ 963,127</u>	<u>510,140</u>	<u>1,473,267</u>
Fair value:			
Balance as of September 30, 2017			<u>\$ 1,598,853</u>
Balance as of September 30, 2016			<u>\$ 1,670,046</u>

Note 1: Investment property were adjusted by using the constructional refund.

Note 2: Prepayments for business and property, plant and equipment were reclassified as investment property.

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When measuring the fair value of its investment property, the Group considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect its specified inherit risk on the net cash flows. The inputs to the valuation technique used for measuring fair value were categorized as a Level 2 fair value.

The yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>For the nine months ended September 30, 2017</u>
Hsinchu	0.23%
Taoyuan	1.94%

As of September 30, 2017, December 31 and September 30, 2016, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(l) Intangible assets

(i) The movement in intangible assets for the nine months ended September 30, 2017 and 2016 were as follows:

	<u>Technical know-how</u>	<u>Computer software and information systems</u>	<u>Goodwill</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2017	\$ 46,051	84,736	133,645	27,768	292,200
Additions	-	26,157	-	4,106	30,263
Reclassification	-	70	-	-	70
Effect of changes in foreign exchange rates	(1)	-	(8,246)	(1,367)	(9,614)
Balance as of September 30, 2017	<u>\$ 46,050</u>	<u>110,963</u>	<u>125,399</u>	<u>30,507</u>	<u>312,919</u>
Balance as of January 1, 2016	\$ 46,005	57,702	-	1,843	105,550
Acquisition through business combinations	48	-	132,278	21,929	154,255
Additions	-	36,383	-	4,774	41,157
Effect of changes in foreign exchange rates	(1)	-	(2,321)	(385)	(2,707)
Balance as of September 30, 2016	<u>\$ 46,052</u>	<u>94,085</u>	<u>129,957</u>	<u>28,161</u>	<u>298,255</u>
Amortization:					
Balance as of January 1, 2017	\$ 23,656	34,930	-	4,075	62,661
Amortization	2,878	24,320	-	6,633	33,831
Effect of changes in foreign exchange rates	-	-	-	(142)	(142)
Balance as of September 30, 2017	<u>\$ 26,534</u>	<u>59,250</u>	<u>-</u>	<u>10,566</u>	<u>96,350</u>
Balance as of January 1, 2016	\$ 19,808	22,767	-	605	43,180
Acquisition through business combinations	13	-	-	-	13
Amortization	2,875	18,816	-	2,415	24,106
Effect of changes in foreign exchange rates	-	-	-	(3)	(3)
Balance as of September 30, 2016	<u>\$ 22,696</u>	<u>41,583</u>	<u>-</u>	<u>3,017</u>	<u>67,296</u>

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	Technical know-how	Computer software and information systems	Goodwill	Others	Total
Carrying value:					
Balance as of January 1, 2017	\$ 22,395	49,806	133,645	23,693	229,539
Balance as of September 30, 2017	\$ 19,516	51,713	125,399	19,941	216,569
Balance as of January 1, 2016	\$ 26,197	34,935	-	1,238	62,370
Balance as of September 30, 2016	\$ 23,356	52,502	129,957	25,144	230,959

(ii) Amortization expense recognized in profit or loss

For the periods from July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016, the amortization expenses of intangible assets were as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating costs	\$ 3,970	3,412	11,311	7,854
Operating expenses	7,991	6,482	22,520	16,252
	\$ 11,961	9,894	33,831	24,106

(iii) Impairment testing for goodwill

The goodwill of \$132,278 thousand was derived from the acquisition of and the control over Chainwin Cayman by the Group on August 19, 2016. The goodwill was mainly attributed to the profitability of the hog farming in Mainland China. In accordance with IAS 36, goodwill through business combinations shall be tested for impairment at least annually. To test for impairment, goodwill must be allocated to the cash-generating units (the "CGU") that are expected to benefit from the synergies of the combination. Chainwin Cayman is regarded as a CGU to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

Also, the Group estimated its operating revenue for certain periods based on the purchase price allocation valuation report issued by the specialist, who was entrusted by the Group. The preceding estimation was analyzed based on the financial forecasts from 2016 to 2021. There were no significant differences between the actual results and the forecasts from the acquisition date to September 30, 2017.

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

(Continued)

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

- 1) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years, and the estimated sales volume and price growth for the next five years. The assumptions were in line with the information obtained from external local market who publish a statistical analysis on market trends.
 - 2) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2016, the applied before-tax discount rate of the recoverable amount of the units was 16.5%.
- (iv) As of September 30, 2017, December 31 and September 30, 2016, the intangible assets were not pledged.
- (m) Other current assets and other non-current assets

	September 30, 2017	December 31, 2016	September 30, 2016
Other receivables from metal recycling	\$ 172,717	156,090	149,788
Tax refund receivable	87,079	68,579	58,964
Long-term prepaid rent	32,177	62,822	66,384
Other receivables-related parties	183,337	-	26,843
Prepayment for purchases and prepaid expenses	72,603	65,706	48,057
Refundable deposits	50,632	34,930	32,514
Restricted assets	32,461	25,571	25,551
Others	36,211	18,700	23,444
	\$ 667,217	432,398	431,545

Long-term prepaid rent, which the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease and for hog farming purpose. The durations of the agreements are 5~30 years. The payments for rental were made in accordance with the signed agreements. The Group entered into land lease agreements amounting to RMB183,420 thousand.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
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(n) Short-term borrowings

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Unsecured short-term borrowings (settled in USD)	\$ -	-	86,592
Unsecured short-term borrowings (settled in JPY)	\$ -	-	146,220
Unused bank credit lines for short-term borrowings	\$ 2,063,849	1,941,748	1,811,457
Unused bank credit lines for short-term and long-term borrowings	\$ 981,932	1,352,188	1,562,558
Annual interest rate	<u>1.997%~2.00%</u>	<u>0.63%~1.66%</u>	<u>0.63%~1.66%</u>

(o) Long-term borrowings

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Unsecured long-term borrowings (settled in NTD)	\$ 4,827,000	2,514,000	1,600,000
Secured long-term borrowings (settled in NTD)	1,259,240	2,099,943	2,198,363
Less: long-term liabilities, current portion	<u>(689,272)</u>	<u>(940,194)</u>	<u>(940,194)</u>
Total	\$ <u>5,396,968</u>	<u>3,673,749</u>	<u>2,858,169</u>
Unused bank credit lines for long- term borrowings	\$ <u>2,382,000</u>	<u>2,002,200</u>	<u>2,555,000</u>
Annual interest rate	<u>1.23%~1.60%</u>	<u>1.23%~1.64%</u>	<u>1.31%~1.64%</u>
Expiry date	<u>2018/2/18~2020/8/31</u>	<u>2018/2/18~2020/3/1</u>	<u>2018/2/18~2020/3/1</u>

As of September 30, 2017, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
October 1, 2017~September 30, 2018	\$ 689,272
October 1, 2018~September 30, 2019	1,664,550
October 1, 2019~September 30, 2020	3,732,418
October 1, 2020 and after	-
	<u>\$ 6,086,240</u>

The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in note 6(n).

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Notes to Consolidated Financial Statements

- (i) For the nine months ended September 30, 2017 and 2016, the Group proceeded from long-term borrowings amounting to \$5,012,500 thousand and \$1,600,000 thousand with an interest rate of 1.23%~1.27% and 1.31%~1.44%, respectively. For the nine months ended September 30, 2017 and 2016, the repayment amounted to \$3,541,007 thousand and \$742,819 thousand, respectively.
- (ii) The collateral for these long-term borrowings was disclosed in note 8.
- (iii) In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 thousand and is due in February 2018.

The related financial covenants and restrictions for the syndicated loan mentioned above were as follows:

At the ended of the annual reporting period, current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 120%, interest coverage ratio shall not be less than 300%, and net equity shall not be less than \$6,000,000 thousand.

For the years ended December 31, 2016 and 2015, the Company was in compliance with the above financial covenants and restrictions.

(p) Operating lease

(i) Lease-lessor

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

(ii) Lease-lessee

The Group leases a number of offices and parking lots etc. under operating lease. The leases typically run for a period of 1 to 6 years.

There were no significant addition to lease contracts for the period from January 1 to September 30, 2017 and 2016. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2016.

(q) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2016 and 2015.

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WIN Semiconductors Corp. and Its Subsidiaries
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The Group's expenses recognized in profit or loss were as follows:

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Operating costs	\$ -	-	-	-
Operating expenses	<u>612</u>	<u>581</u>	<u>1,835</u>	<u>1,741</u>
	<u>\$ 612</u>	<u>581</u>	<u>1,835</u>	<u>1,741</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance were as follows:

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Operating costs	\$ 15,658	12,646	43,916	35,416
Operating expenses	<u>4,064</u>	<u>3,077</u>	<u>11,268</u>	<u>9,066</u>
	<u>\$ 19,722</u>	<u>15,723</u>	<u>55,184</u>	<u>44,482</u>

(iii) The Group's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(r) Income tax

(i) The amount of income tax expenses were as follows:

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Income tax expense	<u>\$ 200,968</u>	<u>146,479</u>	<u>564,198</u>	<u>696,252</u>

(ii) There were no income tax expenses recognized in other comprehensive income for the periods from July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016.

(iii) Examination and approval

The Company's corporate income tax returns for the years through 2014 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(iv) The Company's integrated income tax information at the reporting date were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Unappropriated earnings after 1997	\$ 8,244,999	8,308,684	7,757,919
Balance of imputation credit account (ICA)	\$ 1,468,481	1,540,683	1,221,855
		2016(Actual)	2015(Actual)
Creditable ratio for distributed to domestic shareholders of earnings		25.14 %	24.04 %

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above.

(s) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to September 30, 2017 and 2016. For the related information, please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2016.

(i) Ordinary share

For the nine months ended September 30, 2016, the Company had issued 102 thousand shares resulting from the exercise of employee stock options. The record dates were agreed on the end of each calendar quarter. All issued shares were paid up upon issuances. The aforementioned stock issuance, which was authorized by and registered with the government authorities, was included in ordinary share.

The resolution was passed during the meeting of shareholders held on June 24, 2016 for the capital reduction of \$1,789,999 thousand representing 179,000 thousand shares of outstanding shares. On August 1, 2016, the authority had already approved the application and the Company's chairman of Board of Directors resolved the record date as August 2, 2016. The related registration process had been completed.

(ii) Capital surplus

Balance of capital surplus at the reporting date were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Additional paid-in capital	\$ 3,691,035	3,736,867	3,736,867
Changes in equity of associates and joint ventures accounted for using equity method	21,163	21,163	21,163
Employee stock options	698	707	707
	\$ 3,712,896	3,758,737	3,758,737

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(iii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve and a special capital reserve is likewise appropriated or the annual income or earnings are retained in accordance with the relevant laws or regulations or as requested by the authorities. Otherwise, the distribution of remaining balance of the earnings should be further proposed by the Board of Directors and resolved by the shareholders' meeting. And the cash dividends should not lower than 10% of the total stockholders' dividends.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in appropriating its remaining earnings as its dividend policy in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth.

The appropriations of earnings for 2016 and 2015 had been approved in a shareholders' meeting held on June 16, 2017 and June 24, 2016, respectively. The dividends were as follows:

	<u>2016</u>	<u>2015</u>
Cash dividends	\$ 1,811,999	298,333

The above-mentioned appropriations of earnings for 2016 and 2015 were consistent with the resolutions of the meeting of the Board of Directors.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(iv) Treasury shares

For the nine months ended September 30, 2017 and 2016 in accordance with the requirements under article 28-2 of the Securities and Exchange Act, the Company repurchased 1,080 thousand shares and 10,000 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of September 30, 2017 and 2016, all the shares repurchased by the Company have been cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of the number of common shares issued. Also, the total amount of the repurchased shares should not exceed the sum of retained earnings, paid-in capital in excess of par value and other realized capital surplus. The shares and dollar amount that may be repurchased do not exceed the upper limit, which were calculated based on the audited or reviewed financial reports by a certified accountant, for the latest accounting period prior to a resolution of a meeting of the Board of Directors.

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In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(v) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2017	\$ 1,719	760,178
Foreign currency differences (net of tax):		
The Group	(82,910)	-
Associates	3,069	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	894,512
Adjustments in reclassification of the impairment of available-for-sale financial assets (net of tax)	-	(7,908)
Cumulative gains (losses) reclassified to profit or loss upon disposal of available -for-sale financial assets (net of tax)	-	(114,050)
Other comprehensive income reclassified to profit or loss on disposal of foreign operations	1,991	-
Balance as of September 30, 2017	<u>\$ (76,131)</u>	<u>1,532,732</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2016	\$ 19,783	363,161
Foreign currency differences (net of tax):		
The Group	(52,675)	-
Associates	804	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	661,546
Cumulative gains (losses) reclassified to profit or loss upon disposal of available- for-sale financial assets (net of tax)	-	(191,243)
Balance as of September 30, 2016	<u>\$ (32,088)</u>	<u>833,464</u>

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(t) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to September 30, 2017 and 2016. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2016.

(i) The related outstanding units and weighted-average exercise price of employee stock options were as follows:

	<u>Nine months ended September 30, 2017</u>		<u>Nine months ended September 30, 2016</u>	
	<u>Weighted-average exercise price (expressed in dollars)</u>	<u>Shares (in thousands)</u>	<u>Weighted-average exercise price (expressed in dollars)</u>	<u>Shares (in thousands)</u>
Outstanding at the beginning	\$ -	-	28.40	142
Granted	-	-	-	-
Exercised	-	-	28.40	(102)
Expired	-	-	-	(40)
Outstanding at the end	-	<u>-</u>	-	<u>-</u>

(ii) Compensation cost for employee stock options

For the nine months ended September 30, 2017 and 2016, the compensation cost for employee stock options both amounted to \$0 thousand.

(u) Earnings per share ("EPS")

The Company's earnings per share were calculated as follows:

	<u>Three months ended September 30, 2017</u>		
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS:			
Profit belonging to common shareholders	\$ 1,181,438	402,666	<u>\$ 2.93</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	<u>-</u>	<u>1,019</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 1,181,438</u>	<u>403,685</u>	<u>\$ 2.93</u>

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<u>Three months ended September 30, 2016</u>			
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS:			
Profit belonging to common shareholders	\$ 1,005,930	469,927	\$ <u>2.14</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	<u>-</u>	<u>2,394</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 1,005,930</u>	<u>472,321</u>	<u>\$ 2.13</u>
<u>Nine months ended September 30, 2017</u>			
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS:			
Profit belonging to common shareholders	\$ 2,422,956	402,666	\$ <u>6.02</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	<u>-</u>	<u>1,581</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 2,422,956</u>	<u>404,247</u>	<u>\$ 5.99</u>
<u>Nine months ended September 30, 2016</u>			
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS:			
Profit belonging to common shareholders	\$ 2,550,993	552,283	\$ <u>4.62</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	<u>-</u>	<u>3,465</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 2,550,993</u>	<u>555,748</u>	<u>\$ 4.59</u>

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(v) Employees', directors' and supervisors' remuneration

According to the Company's Article of Incorporation, if there is any net profit after closing of a fiscal year, it shall be allocated according to the following principles:

- (i) Employee remuneration: not less than 5% but no more than 10% and shall be determined and pursuant to Employee Bonus Procedure of the Company. In addition, employee's profit sharing remuneration shall be distributed in the form of shares or cash. Stock-type employee bonuses may be distributed to qualified employees of affiliates of the Company.
- (ii) Remuneration of Directors and Supervisors: no more than 3%.

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

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Employee compensation	\$ 91,900	79,300	201,300	220,200
Directors' and supervisors' compensation	26,700	23,000	58,400	63,900
	<u>\$ 118,600</u>	<u>102,300</u>	<u>259,700</u>	<u>284,100</u>

The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the bonuses and remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration were included in the operating costs and operating expenses of the nine months ended September 30, 2017 and 2016. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

For the years ended December 31, 2016 and 2015 the Company accrued and recognized its employee remuneration amounting to \$263,000 thousand and \$231,300 thousand, respectively, and directors' and supervisors' remuneration amounting to \$76,300 thousand and \$67,100 thousand, respectively. There was no differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, for the years ended December 31, 2016 and 2015.

The related information mentioned above can be found on websites such as the Market Observation Post System.

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(w) Non-operating income and expenses

(i) Other income

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Interest income	\$ 5,863	2,401	17,232	7,396
Dividend income	72,985	47,884	77,645	50,300
Rent income	23,413	22,728	70,174	50,806
	<u>\$ 102,261</u>	<u>73,013</u>	<u>165,051</u>	<u>108,502</u>

(ii) Other gains and losses

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Foreign exchange losses	\$ (1,920)	(34,445)	(136,341)	(85,022)
Gains on disposals of investments	120,157	226,719	114,106	227,629
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(22,593)	(10,943)	(32,745)	17,653
Losses on disposal of property, plant and equipment	-	(1,850)	(245)	(2,773)
Others	(479)	46,972	8,440	93,867
	<u>\$ 95,165</u>	<u>226,453</u>	<u>(46,785)</u>	<u>251,354</u>

(iii) Finance costs

	<u>Three months ended</u> <u>September 30, 2017</u>	<u>Three months ended</u> <u>September 30, 2016</u>	<u>Nine months ended</u> <u>September 30, 2017</u>	<u>Nine months ended</u> <u>September 30, 2016</u>
Interest expenses on bank borrowings	\$ 19,385	13,152	55,960	36,044
Other interest expenses	65	114	197	311
Less: capitalized interest expenses	(4,826)	(5,083)	(15,414)	(25,957)
	<u>\$ 14,624</u>	<u>8,183</u>	<u>40,743</u>	<u>10,398</u>

(x) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(w) of the consolidated financial statements for the year ended December 31, 2016.

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(i) Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of September 30, 2017						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,259,240	1,276,710	678,991	399,836	197,883	-
Unsecured bank loans	4,827,000	4,966,993	82,188	1,321,951	3,562,854	-
Accounts payable	1,456,512	1,456,512	1,456,512	-	-	-
Other payables	<u>1,024,272</u>	<u>1,024,272</u>	<u>1,024,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,567,024</u>	<u>8,724,487</u>	<u>3,241,963</u>	<u>1,721,787</u>	<u>3,760,737</u>	<u>-</u>
As of December 31, 2016						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans	2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable	975,478	975,478	975,478	-	-	-
Other payables	<u>878,426</u>	<u>878,426</u>	<u>878,426</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,467,847</u>	<u>6,551,930</u>	<u>2,838,070</u>	<u>896,840</u>	<u>2,817,020</u>	<u>-</u>
As of September 30, 2016						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,198,363	2,241,772	965,571	678,295	597,906	-
Unsecured bank loans	1,832,812	1,886,650	254,764	220,473	1,411,413	-
Accounts payable	904,914	904,914	904,914	-	-	-
Other payables	<u>712,309</u>	<u>712,309</u>	<u>712,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,648,398</u>	<u>5,745,645</u>	<u>2,837,558</u>	<u>898,768</u>	<u>2,009,319</u>	<u>-</u>

(ii) Currency risk

1) Exposure to currency risk

The Group's significant exposure to foreign currency risk were as follows:

	September 30, 2017			December 31, 2016			September 30, 2016		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
Financial assets									
Monetary items									
USD	\$ 106,383	30.26	3,219,159	83,868	32.25	2,704,780	59,719	31.36	1,872,781
EUR	6	35.75	219	28	33.90	935	45	35.08	1,590
JPY	173,461	0.2691	46,679	67,409	0.2756	18,575	6,070	0.3109	1,887
GBP	12	40.56	474	12	39.61	463	12	40.63	474
HKD	62	3.87	241	63	4.16	261	63	4.04	253
			<u>\$ 3,266,772</u>			<u>2,725,014</u>			<u>1,876,985</u>
Non-monetary items									
USD	\$ 68,110	30.26	<u>\$ 2,011,789</u>	40,623	32.25	<u>1,316,726</u>	40,738	31.36	<u>1,260,725</u>

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	September 30, 2017			December 31, 2016			September 30, 2016			
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	
Financial liabilities										
Monetary items										
USD	\$	27,245	30.26	824,441	13,904	32.25	448,395	14,493	31.36	454,500
EUR		1,015	35.75	36,296	476	33.90	16,123	130	35.08	4,565
JPY		277,233	0.2691	<u>74,604</u>	292,688	0.2756	<u>80,663</u>	848,546	0.3109	<u>263,811</u>
				<u>\$ 935,341</u>			<u>545,181</u>			<u>722,876</u>

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, net, other receivables, current financial assets at fair value through profit or loss, available-for-sale financial assets, loans and borrowings, notes and accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, and the JPY etc. for the nine months ended September 30, 2017 and 2016 would have increased (decreased) the net profit after tax by \$96,754 thousand and \$48,018 thousand, respectively, and other comprehensive income would have increased (decreased) by \$14,087 thousand and \$4,621 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Exchange gains or losses

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the nine months ended September 30, 2017 and 2016, foreign exchange gains (losses) (including realized and unrealized portions) amounted to loss \$136,341 thousand and \$85,022 thousand, respectively.

(iii) Interest rate risk

Please refer to the attached note for the liquidity risk and the Group's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the non-derivatives financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have (decreased) increased by \$10,321 thousand and \$9,750 thousand for the nine months ended September 30, 2017 and 2016, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

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WIN Semiconductors Corp. and Its Subsidiaries
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(iv) Other price risk

For the nine months ended September 30, 2017 and 2016, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

Prices of securities at the reporting date	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	\$ <u>103,100</u>	<u>4,973</u>	<u>75,001</u>	<u>5,784</u>
Decreasing 3%	\$ <u>(103,100)</u>	<u>(4,973)</u>	<u>(75,001)</u>	<u>(5,784)</u>

(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	September 30, 2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 135,119	135,119	-	-	135,119
Funds and investment	30,645	30,645	-	-	30,645
Subtotal	\$ <u>165,764</u>	<u>165,764</u>	-	-	<u>165,764</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	\$ 2,155,399	2,155,399	-	-	2,155,399
Non-public stocks	675,796	-	675,796	-	675,796
Private fund	605,483	-	605,483	-	605,483
Subtotal	\$ <u>3,436,678</u>	<u>2,155,399</u>	<u>1,281,279</u>	-	<u>3,436,678</u>
Loans and receivables					
Cash and cash equivalents (Note)	\$ 2,840,843	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (Note)	1,444,036	-	-	-	-
Other receivables (Note)	387,713	-	-	-	-
Subtotal	\$ <u>4,765,192</u>	-	-	-	-
Amortized cost of financial liabilities					
Bank loan (Note)	\$ 6,086,240	-	-	-	-
Notes and accounts payable (Note)	1,456,512	-	-	-	-
Other payables (Note)	1,024,272	-	-	-	-
Subtotal	\$ <u>8,567,024</u>	-	-	-	-

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2) Valuation techniques of financial instrument not valued at fair value

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

- Investments in debt instrument without active market and financial liability measured at amortized cost

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when:

- the bid-ask spread is increasing; or
- the bid-ask spread varies significantly; or
- there has been a significant decline in trading volume.

When the financial instrument of the Group is traded in an active market, its fair value is illustrated by the category and nature as follows:

- Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.

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WIN Semiconductors Corp. and Its Subsidiaries
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- Close-end funds with standard terms and conditions, such as money market funds, and bond funds; investors can require the investment trust company to redeem the fund at any time. The fair value is based on the net value of the fund.

Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Group is not traded in an active market, its fair value is illustrated by the category and nature as follows:

- Equity instruments do not have any quoted market price: the fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

b) Derivative instruments

The fair value is determined by using the models that are acceptable to the market participants, for example, discounted cash flow analyses or option pricing models. Forward exchange contracts are measured using quoted forward exchange rates. The fair value of structured interest derivative financial instruments is determined by using the proper option pricing models, such as Black-Scholes model, or other valuation technique, such as Monte Carlo simulation.

4) Transfer between level 2 and level 1

For the nine months ended September 30, 2017 and 2016, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy level 3 for the nine months ended September 30, 2017 and 2016.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(y) Management of financial risk

There was no significant change in the Group's objective and policies for the management of financial risk of the consolidated interim financial statements for the nine months ended September 30, 2017 and 2016 which compared with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 6(x) of the consolidated financial statements for the year ended December 31, 2016.

(z) Capital management

The Group's objective, policies and process of capital management of the consolidated interim financial statements for the nine months ended September 30, 2017 was the same as the consolidated financial statements for the year ended December 31, 2016. There was no significant change on summary of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 6(y) of the consolidated financial statements for the year ended December 31, 2016.

(7) Related-party transactions:

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated interim financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Merit Biotech Inc.	Other related parties
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Associates

(c) Significant transactions with related parties

(i) Loans to related parties were as follows:

Chainwin Cayman provided an unsecured loan, with an interest rate of 1.18% to other related parties, Merit Biotech Inc. As of September 30, 2016, the outstanding balance of the loan amounted to USD856 thousand (NTD26,843 thousand), which had been repaid in November 2016.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

Chainwin Cayman provided an unsecured loan, with an interest rate of 4.35% to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. As of September 30, 2017, the outstanding balance of the loan amounted to USD 6,000 thousand (NTD 181,560 thousand). Also, the amount of interest revenue arising from the aforementioned loan was USD59 thousand (NTD1,769 thousand) from the period January 1, 2017 to September 30, 2017. As of September 30, 2017, the preceding interest revenue has yet to be received.

(ii) Receivables from Related Parties

Account	Relationship	September 30, 2017	December 31, 2016	September 30, 2016
Other receivables	Other related parties	\$ -	-	26,843
	Associates-Jiangsu CM / Merit Agriculture Development Co., Ltd.	183,337	-	-
		<u>\$ 183,337</u>	<u>-</u>	<u>26,843</u>

(d) Transactions with key management personnel

Key management personnel compensation were comprised as below:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Short-term employee benefits	\$ 84,385	76,725	207,188	214,056
Post-employment benefits	192	191	574	554
	<u>\$ 84,577</u>	<u>76,916</u>	<u>207,762</u>	<u>214,610</u>

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	September 30, 2017	December 31, 2016	September 30, 2016
Other non-current assets	Gas deposits	\$ 4,700	4,700	4,700
Other non-current assets	Customs guarantee	20,934	20,871	20,850
Other non-current assets	Acceptance bill	6,827	-	-
Property, plant and equipment	Long-term borrowings	2,931,455	3,176,314	3,338,973
Investment property	Long-term borrowings	1,446,995	1,468,113	1,473,267
		<u>\$ 4,410,911</u>	<u>4,669,998</u>	<u>4,837,790</u>

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

(i) In 2015, the Company signed a shareholder's agreement with CSDC Private Limited, a Singapore company. According to the agreement, the Company should purchase a certain amount of raw material from the main shareholders of CSDC Private Limited from 2014 to 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.

(ii) The unrecognized commitment of acquisition of plant expansion and machinery equipment and purchase of raw materials by the aforementioned shareholder's agreement were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
The unrecognized amount	\$ 2,794,129	2,916,764	1,349,348
	September 30, 2017	December 31, 2016	September 30, 2016
(iii) The unused letters of credit	\$ 54,770	234,314	181,057

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

The Company resolved to subscribe the new shares contributed by the subsidiary of the Group, Win Semiconductors Cayman Islands Co., Ltd. (Win Cayman), for the 20,000 thousand shares, with a par value of USD 1 per share, amounting to USD 20,000 thousand in cash, as proposed in the Board of Directors' meeting held on October 5, 2017. Also, Win Cayman resolved to subscribe the 10,000 thousand shares contributed by its subsidiary, Chainwin Cayman, with a par value of USD 2 per share, amounting to USD 20,000 thousand in cash, as proposed in the Board of Directors' meeting on the same date.

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WIN Semiconductors Corp. and Its Subsidiaries
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(12) Others:

- (a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the periods from July 1 to September 30, 2017 and 2016, and for the nine months ended September 30, 2017 and 2016:

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	432,193	194,781	626,974	329,211	179,018	508,229
Labor and health insurance	34,815	12,950	47,765	27,269	10,848	38,117
Pension	15,658	4,676	20,334	12,646	3,658	16,304
Others	13,536	29,790	43,326	11,518	25,930	37,448
Depreciation	603,297	47,116	650,413	601,356	35,432	636,788
Amortization	3,970	7,991	11,961	3,412	6,482	9,894

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,221,051	556,748	1,777,799	1,006,007	507,170	1,513,177
Labor and health insurance	96,398	32,186	128,584	74,477	27,649	102,126
Pension	43,916	13,103	57,019	35,416	10,807	46,223
Others	38,300	68,159	106,459	33,556	73,025	106,581
Depreciation	1,670,595	129,713	1,800,308	1,598,960	102,667	1,701,627
Amortization	11,311	22,520	33,831	7,854	16,252	24,106

- (b) Seasonality or cyclicity of interim operations

The business segment of the Group is neither seasonal nor cyclical.

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(13) Other disclosures:**(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In thousands of Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Amount of used loan facilities during the period (USD6,000)	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Jiangsu CM Merit Agriculture Development Co., Ltd.	Other receivables	Yes	181,560 (USD6,000)	181,560 (USD6,000)	181,560 (USD6,000)	4.35%	2	-	Working Capital	-	None	-	Net equity 20%= 234,218	Net equity 40%= 468,436

Note 1: Company numbering as follow:

Subsidiaries to subsidiaries—0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 20% and 40%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties: None.**(iii) Securities held as of September 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):**

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)		
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	490	33,727	0.30	33,727	
WIN Venture Capital Corp.	Serconum Corporation/Stock	"	"	1,238	101,392	0.51	101,392	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	995	12,381	-	12,381	
"	Capital Money Market Fund	"	"	1,140	18,264	-	18,264	
					165,764		165,764	
The Company	ITEQ CORPORATION/Stock	"	Current available-for- sale financial assets	25,557	1,495,067	8.44	1,495,067	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	1,525	100,343	1.63	100,343	
"	Solar Applied Materials Technology Corp./Stock	The Company's vendor	"	105	1,678	0.03	1,678	
					1,597,088		1,597,088	

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WIN Semiconductors Corp. and Its Subsidiaries
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Name of holder	Category and name of security	Relationship with company	Account title	Ending balance			Fair value	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)		
The Company	Inventec Solar Energy Corporation /Stock	None	Non-current available-for-sale financial assets	34,000	252,285	10.51	252,285	
"	Tainergy Tech Co., Ltd./Stock	"	"	612	7,866	0.17	7,866	
"	CDIB Capital Creative Industries Limited /Stock	"	"	5,000	86,430	3.33	86,430	
"	Fuh Hwa Tung-ta Fund	"	"	15,725	242,395	-	242,395	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	119,450	1.78	119,450	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	93,509	15.87	93,509	
"	Magi Capital Fund II, L.P.	"	"	-	59,612	5.81	59,612	
"	Grand Fortune Venture Corp. /Stock	"	"	5,000	52,744	6.87	52,744	
"	Fuh Hwa Oriental Fund	"	"	15,000	151,350	-	151,350	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	118,440	-	118,440	
"	CDIB Capital Growth Partners L.P.	"	"	-	33,686	4.29	33,686	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. /Stock	Subsidiary's main client	"	75	550,445	0.02	550,445	
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	53,323	10.05	53,323	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	7,025	7.33	7,025	
"	MOAI Electronics Corporation /Stock	None	"	300	1,159	0.92	1,159	
"	Merit Biotech INC. /Stock	Main shareholder of the Company's investment through subsidiaries	"	1,320	9,871	2.93	9,871	
					<u>1,839,590</u>		<u>1,839,590</u>	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	9,260	92,600	16.50	(Note 1)	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Cayman Island Co., Ltd.	"	Non-current financial assets at cost	12	23,300	4.78	(Note 2)	

Note 1: The redeemable preferred stock was the nature of bond, which was recognized as non-current investment in debt instrument without active market.

Note 2: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales			Ending Balance		
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	22,000	718,136	20,000	604,000	-	-	-	-	42,000	1,952,177 (Note)

Note: The amount of ending balance was calculated using equity method. The amounts of the transaction and the ending balance had been offset in the consolidated interim financial statements.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(4,084,216)	37 %	1-2 Month	-	-	1,123,212	62%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	4,084,216	100 %	1-2 Month	-	-	(1,123,212)	100%	(Note)

Note: The amounts of the transaction and the ending balance had been offset in the consolidated interim financial statements.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	1,123,212	6.62	-	-	1,123,212	-	(Note)

Note: The amounts of the transaction and the ending balance had been offset in the consolidated interim financial statements.

- (ix) Trading in derivative instruments: None.
(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	4,084,216	Note 3	35.50%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	1,123,212	"	3.81%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	1,123,212	"	3.81%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	4,084,216	"	35.50%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI, USA, INC.	3	Operating expenses	55,876	"	0.49%
2	WIN SEMI, USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	55,876	"	0.49%

Note 1: Company numbering as follows:

- Parent company—0
- Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

- Parent company to subsidiary—1
- Subsidiary to parent company—2
- Subsidiary to subsidiary—3

Note 3: There is no significant difference from transaction terms with non-related parties.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries Notes to Consolidated Financial Statements

(b) Information on investments:

The following is the information on investees for the nine months ended September 30, 2017 (excluding information on investees in Mainland China):

(In thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2017			Net income (losses) of investee	Share of profits/losses of investee	Remark
				September 30, 2017	December 31, 2016	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00 %	7,132	(222)	(222) (Note)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	1,322,136	718,136	42,000	100.00 %	1,952,177	(3,421)	(3,421) (Note)	
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	640,197	680,029	11,768	34.52 %	79,274	(112,319)	(38,909)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	162,715	13,680	13,680 (Note)	
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06 %	57,787	(92,331)	(26,319)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	(26,803)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82 %	12,685	(92,331)	(5,778)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	32,590	38	49.30 %	63,435	9,870	3,829	
"	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	"	836,409	682,260	13,034	48.27 %	774,373	(37,171)	(25,753) (Note)	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	"	38,573	38,573	1,283	100.00 %	28,897	(458)	(458) (Note)	

Note: The amount of the transaction had been offset in the consolidated interim financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2017	Net income (losses) of the investee	Percentage of ownership	Investment Income (Losses) (Note 2)	Carrying value as of September 30, 2017 (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	318,687 (RMB 70,041)	(Note 1)	-	-	-	26,830 (USD 879)	48.27%	26,830 (USD 879)	430,940 (USD 14,241)	-	
Jiangsu Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	45,350 (USD 1,500)	(Note 1)	-	-	-	(2,413) (USD 79)	48.27%	(2,413) (USD 79)	41,443 (USD 1,469)	-	
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	444,640 (USD 14,694)	(Note 1)	108,936 (USD 3,600)	-	108,936 (USD 3,600)	(44,867) (USD 1,469)	23.65%	(22,637) (USD 741)	195,160 (USD 6,449)	-	
Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	105,910 (USD 3,500)	(Note 1)	54,468 (USD 1,800)	-	54,468 (USD 1,800)	(1,359) (USD 53)	28.96%	(957) (USD 32)	61,302 (USD 2,026)	-	
Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	145,248 (USD 4,800)	(Note 1)	87,149 (USD 2,880)	-	87,149 (USD 2,880)	(5,584) (USD 183)	28.96%	(3,350) (USD 110)	85,781 (USD 2,835)	-	
Jiangsu Merit Ransu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	73,605 (RMB 16,177)	(Note 1)	-	-	-	(923) (USD 30)	48.27%	(923) (USD 30)	58,215 (USD 1,924)	-	

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WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(ii) Limitation on investment in Mainland China:

(In thousands of Dollars)		
Accumulated Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
250,553 (USD 8,280)	647,655 (USD 21,403)	11,694,100

Note 1: The Group invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the reviewed financial statements of the investee companies.

Note 3: Carrying value as of September 30, 2017 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollar at the average exchange rate for the nine months ended September 30, 2017. The other amounts related to foreign currency were translated into New Taiwan Dollar at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

(iii) Significant transactions: None.

(14) Segment information:

- (a) The Group's reportable segment is the foundry segment. The foundry segment engages mainly in researching, developing, manufacturing, and selling of GaAs wafers etc.

Other operating segments are mainly engaged in investment activities and agriculture technology, which do not exceed the quantitative thresholds to be reported.

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the periods from July 1 to September 30, and for the nine months ended September 30, 2017 and 2016, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in note 4 "significant accounting policies" were as follows:

Three months ended September 30, 2017	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ <u>4,311,392</u>	<u>92,334</u>	<u>-</u>	<u>4,403,726</u>
Interest expenses	\$ <u>14,624</u>	<u>-</u>	<u>-</u>	<u>14,624</u>
Depreciation and amortization	\$ <u>654,900</u>	<u>6,758</u>	<u>716</u>	<u>662,374</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(27,686)</u>	<u>(19,821)</u>	<u>-</u>	<u>(47,507)</u>
Reportable segment profit or loss	\$ <u>1,237,090</u>	<u>(8,327)</u>	<u>(716)</u>	<u>1,228,047</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>756,733</u>	<u>30,966</u>	<u>-</u>	<u>787,699</u>

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Three months ended September 30, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ <u>3,472,029</u>	<u>80,979</u>	<u>-</u>	<u>3,553,008</u>
Interest expenses	\$ <u>8,183</u>	<u>-</u>	<u>-</u>	<u>8,183</u>
Depreciation and amortization	\$ <u>643,911</u>	<u>2,275</u>	<u>496</u>	<u>646,682</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(7,772)</u>	<u>(2,516)</u>	<u>-</u>	<u>(10,288)</u>
Reportable segment profit or loss	\$ <u>871,984</u>	<u>25,068</u>	<u>(32,697)</u>	<u>864,355</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>878,294</u>	<u>8,304</u>	<u>-</u>	<u>886,598</u>
Nine months ended September 30, 2017	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ <u>11,178,613</u>	<u>327,171</u>	<u>-</u>	<u>11,505,784</u>
Interest expenses	\$ <u>40,743</u>	<u>-</u>	<u>-</u>	<u>40,743</u>
Depreciation and amortization	\$ <u>1,810,104</u>	<u>21,869</u>	<u>2,166</u>	<u>1,834,139</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(61,399)</u>	<u>(24,620)</u>	<u>-</u>	<u>(86,019)</u>
Reportable segment profit or loss	\$ <u>2,991,278</u>	<u>(18,119)</u>	<u>(18,426)</u>	<u>2,954,733</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>2,107,167</u>	<u>445,682</u>	<u>-</u>	<u>2,552,849</u>
Nine months ended September 30, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ <u>10,318,888</u>	<u>98,048</u>	<u>-</u>	<u>10,416,936</u>
Interest expenses	\$ <u>10,398</u>	<u>-</u>	<u>-</u>	<u>10,398</u>
Depreciation and amortization	\$ <u>1,722,962</u>	<u>2,275</u>	<u>496</u>	<u>1,725,733</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(17,323)</u>	<u>(5,382)</u>	<u>-</u>	<u>(22,705)</u>
Reportable segment profit or loss	\$ <u>2,905,942</u>	<u>37,322</u>	<u>(32,697)</u>	<u>2,910,567</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>2,567,164</u>	<u>8,304</u>	<u>-</u>	<u>2,575,468</u>

The segment profit or loss, assets and liabilities of the operating segment above were consistent with the related accounts shown in the consolidated balance sheets and consolidated statements of comprehensive income of the Group.