

WIN Semiconductors Corp. and Subsidiaries
Condensed Consolidated Financial Statements
September 30, 2016 and 2015
(With Independent Auditors' Review Thereon)

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Independent Auditors' Review Report

The Board of Directors
WIN Semiconductors Corp.

We have reviewed the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of September 30, 2016 and 2015, and the related condensed consolidated statements of comprehensive income for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These condensed consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Except as discussed in the third paragraph, we conducted our reviews in accordance with the Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of company 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 condensed 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\$317,484 thousand and NT\$563,483 thousand as of September 30, 2016 and 2015, and the share of loss of associates and joint ventures accounted for using the equity method of NT\$10,288 thousand, NT\$11,499 thousand, NT\$22,705 thousand and NT\$46,087 thousand for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, 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 condensed 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 Standards 34 "Interim Financial Reporting," which are accredited by the Financial Supervisory Commission, R.O.C.



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, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 17, 2016, we expressed an unqualified audit opinion on those consolidated financial statements. Based on the opinion dated March 17, 2016, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2015 is fairly stated, in all material respects, in conformity with the consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Taipei, Taiwan (the Republic of China)
November 10, 2016

Note to Readers

The accompanying condensed consolidated interim financial statements are intended only to present the financial position, financial performance, and cash flows in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standards 34 “Interim Financial Reporting,” which are accredited by the Financial Supervisory Commission, R.O.C. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors’ review report and the accompanying condensed 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 auditors’ report and financial statements, the Chinese version shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards as of September 30, 2016 and 2015
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

September 30, 2016, December 31 and September 30, 2015
 (Expressed in Thousands of New Taiwan Dollars)

	2016.9.30	2015.12.31	2015.9.30	2016.9.30	2015.12.31	2015.9.30
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 1,813,495	1,869,657	1,674,782	232,812	23,656	-
Current financial assets at fair value through profit or loss (note 6(b))	192,793	1,014,688	1,050,249	904,914	1,309,867	975,033
Current available-for-sale financial assets (note 6(c))	921,580	629,823	606,651	1,787,358	1,810,125	1,414,898
Notes and accounts receivable, net (note 6(f))	960,325	700,028	946,343	940,194	841,507	742,819
Inventories (note 6(g))	2,568,804	2,471,370	2,165,804	183,098	620,449	429,092
Current biological assets (note 6(h))	154,379	-	-	4,048,376	4,605,604	3,561,842
Other current assets (note 6(o) and 7)	307,096	298,537	274,170	2,858,169	2,098,796	2,196,991
Total current assets	6,918,472	6,984,103	6,717,999	35,042	28,159	28,733
Non-current assets:						
Non-current available-for-sale financial assets (note 6(c))	1,578,468	1,268,721	1,176,627	177,046	169,814	163,624
Non-current financial assets at cost (note 6(d))	24,147	-	-	3,070,257	2,296,769	2,389,348
Non-current investments in debt instrument without active market (note 6(e))	145,800	159,600	159,600	7,118,633	6,902,373	5,951,190
Investments accounted for using equity method (note 6(i))	317,484	657,960	563,483	4,076,664	5,965,641	5,955,077
Property, plant and equipment (notes 6(l) and 8)	13,191,693	11,623,190	10,832,204	3,758,737	3,815,017	3,801,463
Investment property (notes 6(m) and 8)	1,475,267	1,085,846	1,087,175	8,826,036	7,045,498	6,339,307
Intangible assets (notes 6(j) and (n))	230,959	62,370	63,263	801,376	382,944	221,831
Non-current biological assets (note 6(h))	23,071	-	-	17,462,813	17,209,100	16,317,678
Deferred tax assets	54,484	85,104	79,919	724,940	-	-
Prepayments for business facilities	1,224,092	2,135,838	1,542,668	18,187,753	17,209,100	16,317,678
Other non-current assets (notes 6(o) and 8)	124,449	48,741	45,930	-	-	-
Total non-current assets	18,387,914	17,127,370	15,550,869	25,306,386	24,111,473	22,268,868
Total assets	\$ 25,306,386	24,111,473	22,268,868	\$ 25,306,386	24,111,473	22,268,868
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6(p))						
Accounts payable						
Other payables						
Long-term liabilities, current portion (notes 6(q) and 8)						
Other current liabilities						
Total current liabilities						
Non-current liabilities:						
Long-term borrowings (notes 6(q) and 8)						
Deferred tax liabilities						
Other non-current liabilities						
Total non-current liabilities						
Total liabilities						
Equity (notes 6(t), 6(u), 6(v) and 6(w)):						
Ordinary share						
Capital surplus						
Retained earnings						
Other equity						
Total equity attributable to owners of parent						
Non-controlling interest (note 6(k))						
Total equity						
Total liabilities and equity						

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the periods July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating revenue	\$ 3,553,008	2,912,939	10,416,936	8,818,763
Operating costs (notes 6(g) 、6(h) 、6(n) 、6(s) 、6(u) 、6(x) 、7 and 12)	<u>(2,299,102)</u>	<u>(1,735,358)</u>	<u>(6,389,659)</u>	<u>(5,376,980)</u>
Gross profit from operations	<u>1,253,906</u>	<u>1,177,581</u>	<u>4,027,277</u>	<u>3,441,783</u>
Operating expenses (notes 6(f) 、6(n) 、6(s) 、6(u) 、6(x) 、7 and 12):				
Selling expenses	(40,977)	(32,884)	(124,411)	(100,820)
Administrative expenses	(204,531)	(163,471)	(545,178)	(416,540)
Research and development expenses	<u>(144,043)</u>	<u>(153,936)</u>	<u>(447,121)</u>	<u>(421,152)</u>
Total operating expenses	<u>(389,551)</u>	<u>(350,291)</u>	<u>(1,116,710)</u>	<u>(938,512)</u>
Net operating income	<u>864,355</u>	<u>827,290</u>	<u>2,910,567</u>	<u>2,503,271</u>
Non-operating income and expenses:				
Other income (note 6(y))	73,013	50,621	108,502	85,314
Other gains and losses (note 6(y))	226,453	98,811	251,354	17,666
Finance costs (note 6(y))	(8,183)	(1,732)	(10,398)	(13,687)
Share of loss of associates and joint ventures accounted for using equity method (note 6(i))	<u>(7,772)</u>	<u>(10,789)</u>	<u>(17,323)</u>	<u>(43,585)</u>
Total non-operating income and expenses	<u>283,511</u>	<u>136,911</u>	<u>332,135</u>	<u>45,708</u>
Profit before tax	1,147,866	964,201	3,242,702	2,548,979
Total tax expense (note 6(t))	<u>(146,479)</u>	<u>(159,103)</u>	<u>(696,252)</u>	<u>(588,775)</u>
Profit	<u>1,001,387</u>	<u>805,098</u>	<u>2,546,450</u>	<u>1,960,204</u>
Other comprehensive income (loss):				
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(33,652)	25,498	(58,052)	15,708
Unrealized gains (loss) on valuation of available-for-sale financial assets	99,422	9,633	470,303	(14,952)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method (note 6(i))	3,617	(779)	467	204
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(t))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Components of other comprehensive income that will be reclassified to profit or loss	<u>69,387</u>	<u>34,352</u>	<u>412,718</u>	<u>960</u>
Other comprehensive income, net	<u>69,387</u>	<u>34,352</u>	<u>412,718</u>	<u>960</u>
Comprehensive income	<u>\$ 1,070,774</u>	<u>839,450</u>	<u>2,959,168</u>	<u>1,961,164</u>
Profit, attributable to:				
Profit, attributable to owners of parent	\$ 1,005,930	805,098	2,550,993	1,960,204
Loss, attributable to non-controlling interests	<u>(4,543)</u>	<u>-</u>	<u>(4,543)</u>	<u>-</u>
	<u>\$ 1,001,387</u>	<u>805,098</u>	<u>2,546,450</u>	<u>1,960,204</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	\$ 1,080,694	839,450	2,969,088	1,961,164
Comprehensive income (loss), attributable to non-controlling interests	<u>(9,920)</u>	<u>-</u>	<u>(9,920)</u>	<u>-</u>
	<u>\$ 1,070,774</u>	<u>839,450</u>	<u>2,959,168</u>	<u>1,961,164</u>
Earnings per common share (expressed in dollars) (note 6(w))				
Basic earnings per share	<u>\$ 2.14</u>	<u>1.32</u>	<u>4.62</u>	<u>2.81</u>
Diluted earnings per share	<u>\$ 2.13</u>	<u>1.31</u>	<u>4.59</u>	<u>2.78</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
WIN Semiconductors Corp. and Subsidiaries**

**Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent										
	Retained earnings					Other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2015	\$ 7,422,377	3,768,620	604,607	3,923,175	4,527,782	4,909	215,962	220,871	15,939,650	-	15,939,650
Appropriation of 2014 earnings approved by stockholders during their meeting in 2015:											
Legal reserve	-	-	196,347	(196,347)	-	-	-	-	(148,679)	-	(148,679)
Cash dividends	-	-	-	(148,679)	(148,679)	-	-	-	(148,679)	-	(148,679)
Net income for the nine months ended September 30, 2015	-	-	196,347	(345,026)	1,960,204	-	-	960	1,960,204	-	1,960,204
Other comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	15,912	(14,952)	960	1,961,164	-	1,961,164
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	1,960,204	1,960,204	15,912	(14,952)	960	(1,486,790)	-	(1,486,790)
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	7,800	-	7,800
Changes in equity of associated and joint ventures accounted for using equity method	-	7,800	-	-	-	-	-	-	44,533	-	44,533
Exercise of employee stock options	19,490	25,043	-	-	-	-	-	-	16,317,678	-	16,317,678
Balance on September 30, 2015	\$ 5,955,077	3,801,463	800,954	5,538,353	6,439,407	20,821	201,010	221,831	17,209,100	-	17,209,100
Balance on January 1, 2016	\$ 5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	-	-
Appropriation of 2015 earnings approved by stockholders during their meeting in 2016:											
Legal reserve	-	-	267,163	(267,163)	-	-	-	-	(298,333)	-	(298,333)
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	(298,333)	-	(298,333)
Net income for the nine months ended September 30, 2016	-	-	267,163	(565,496)	2,550,993	-	-	-	2,550,993	(4,543)	2,546,450
Other comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	(52,208)	470,303	418,095	418,095	(5,377)	412,718
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	2,550,993	2,550,993	(52,208)	470,303	418,095	2,969,088	(9,920)	2,959,168
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	(1,789,999)	-	(1,789,999)
Changes in equity of associates and joint ventures accounted for using equity method	-	5,549	-	-	-	-	-	-	5,549	-	5,549
Disposal of investments accounted for using equity method	-	-	-	-	-	337	-	337	337	-	337
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	2,902	-	2,902
Retirement of treasury shares	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	(635,831)	-	(635,831)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	734,860	-	734,860
Balance on 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	724,940	18,187,753

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the nine months ended September 30, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	January to September, 2016	January to September, 2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>3,242,702</u>	<u>2,548,979</u>
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,701,627	1,412,460
Amortization expense	24,106	17,383
Net (gain) loss on financial assets at fair value through profit or loss	(37,215)	21,484
Interest expense	10,398	13,687
Interest income	(7,396)	(17,232)
Dividend income	(53,085)	(36,819)
Share of loss of associates and joint ventures accounted for using equity method	22,705	46,087
Loss (gain) on disposal of property, plant and equipment	2,773	(797)
Loss (gain) on disposal of investments	(227,663)	30,566
Changes in biological assets at fair value	(7,288)	-
Total adjustments to reconcile profit	<u>1,428,962</u>	<u>1,486,819</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in current financial assets at fair value through profit or loss	(27,335)	10,073
Increase in notes and accounts receivable, net	(238,612)	(256,292)
Increase in inventories	(120,714)	(677,689)
Decrease in biological assets	24,966	-
Decrease (increase) in other current assets	36,898	(84,959)
Total changes in operating assets	<u>(324,797)</u>	<u>(1,008,867)</u>
Changes in operating liabilities:		
Increase (decrease) in accounts payable	(457,267)	45,260
Increase (decrease) in other payables	67,848	(6,822)
Increase (decrease) in other current liabilities	(437,351)	329,563
Increase in other non-current liabilities	1,104	1,362
Total changes in operating liabilities	<u>(825,666)</u>	<u>369,363</u>
Total changes in operating assets and liabilities	<u>(1,150,463)</u>	<u>(639,504)</u>
Cash inflow generated from operations	3,521,201	3,396,294
Dividends received	-	1,030
Income taxes paid	(887,354)	(514,515)
Net cash flows from operating activities	<u>2,633,847</u>	<u>2,882,809</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(2,761,160)	(4,131,048)
Proceeds from disposal of current financial assets at fair value through profit or loss	3,666,937	4,410,099
Acquisition of current available-for-sale financial assets	(21,732)	-
Acquisition of non-current available-for-sale financial assets	(205,491)	(55,620)
Proceeds from non-current available-for-sale financial assets	284,141	-
Acquisition of investments accounted for using equity method	(486,720)	(220,000)
Proceeds from capital reduction of investments accounted for using equity method	109,426	-
Proceeds from disposal of non-current investments in debt instrument without active markets	13,800	-
Net cash in flows from business combinations	963,765	-
Acquisition of property, plant and equipment	(1,360,368)	(438,987)
Proceeds from disposal of property, plant and equipment	892	2,663
Decrease in other receivables due from related parties	4,931	-
Acquisition of intangible assets	(40,090)	(23,103)
Increase in other non-current assets	(45,911)	(789)
Increase in prepayments for business facilities	(1,175,010)	(1,347,648)
Interest received	7,151	16,981
Dividends received	46,600	35,789
Net cash flows used in investing activities	<u>(998,839)</u>	<u>(1,751,663)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	209,156	-
Proceeds from long-term borrowings	1,600,000	-
Repayments of long-term borrowings	(742,819)	(545,444)
Increase in other non-current liabilities	6,128	3,303
Cash dividends paid	(298,333)	(148,679)
Capital reduction payments to shareholders	(1,789,999)	(1,486,790)
Exercise of employee share option	2,902	44,533
Payments to acquire treasury shares	(635,831)	-
Interest paid	(9,059)	(12,572)
Net cash flows used in financing activities	<u>(1,657,855)</u>	<u>(2,145,649)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(33,315)</u>	<u>12,086</u>
Net decrease in cash and cash equivalents	<u>(56,162)</u>	<u>(1,002,417)</u>
Cash and cash equivalents at the beginning of period	<u>1,869,657</u>	<u>2,677,199</u>
Cash and cash equivalents at the end of period	<u>\$ 1,813,495</u>	<u>1,674,782</u>

See accompanying notes to financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
as of September 30, 2016 and 2015
WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

September 30, 2016 and 2015

**(Expressed in Thousands of New Taiwan Dollars Except for Earnings Per Share
Information and Unless Otherwise Specified)**

(1) Organization and business scope

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, Technology 7th Rd., Hwaya Technology Park, Kueishan Dist., Taoyuan City, Taiwan.

The main operation of 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

The condensed consolidated interim financial statements for the nine months ended September 30, 2016 and 2015 were reported to the Board of Directors and issued on November 10, 2016.

(3) Application of new standards, amendments, and interpretations

- (a) Effect of new issuances of or amendments to the International Financial reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission, R.O.C ("FSC") but not yet adopted by the Group.

According to Financial-Supervisory-Securities-Auditing No. 1050026834 issued by the FSC on July 18, 2016, commencing 2016, public companies and companies with shares listed on Taiwan Stock Exchange and Taipei Exchange shall adopt the standard as endorsed by the FSC which issued by International Accounting Standards Board ("IASB") before January 1, 2016 and effectived by IFRS (not including IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers") on January 1, 2017 in preparing the consolidated financial statements.

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

A summary of the new standards, interpretations and amendments is listed below:

New Standards, Interpretations, and Amendments	Effective Date Prescribed by IASB
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 Account"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Improvements to IFRSs 2010-2012 & 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The above new IFRS standards have no significant impact to the Group's condensed consolidated interim financial statement.

(b) New standards, interpretations and amendments not yet endorsed by the FSC

A summary of the new standards and interpretations issued by IASB but not yet endorsed by the FSC is listed below:

New Standards, Interpretations, and Amendments	Effective Date Prescribed by IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Lease"	January 1, 2019

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Prescribed by IASB</u>
Amendments to IFRS 2 “Clarification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 15 “Clarification of IFRS 15”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

The relevant impacts for the Group are as follows:

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
May 28, 2014 April 12, 2016	· IFRS 15 “Revenue from Contracts with Customers”	<p>The new standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 “Construction Contracts”, IAS 18 “Revenue”, and the relevant interpretations.</p> <p>In April 12, 2016, the amendments clarify how to identify performance obligations in a contract; determine whether a company is a principal or an agent; and determine whether the revenue from granting a license should be recognized at a point in time or over time.</p>
November 19, 2013 July 24, 2014	· IAS 9 “Financial Instruments”	<p>The new standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”. The main amendments are as follows:</p> <ul style="list-style-type: none"> · Clarification and Measurement: The financial asset is driven by the entity’s business model and the contractual cash flow characteristics, which would be classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (OCI), and financial assets at fair value through profit or loss. The financial liabilities measured at fair value through profit or loss that have the changes in fair value related to the changes in its credit risk are recognized in OCI.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

<u>Issue Date</u>	<u>New Standards and Amendments</u>	<u>Main Amendments</u>
January 13, 2016	· IFRS 16 “Lease”	<ul style="list-style-type: none"> · Impairment: The new expected credit loss model is to replace the current incurred loss model. <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 lease liability on the balance sheet. During the lease term, the lease payment shall include the measurement of the depreciation on the right-of-use asset and the interest expense on the lease liability. · A lessor shall classify a lease as either finance leases or operating leases. The accounting treatment remains similar in accordance with IAS 17 “Leases”.

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

Except the abovementioned disclosures, the impact of the adoption of the IFRSs 2013 was the same as those in the consolidated financial statement for the year ended December 31, 2015. For the related information, please refer to note 3 of the consolidated financial statements for the year ended December 31, 2015.

(4) Summary of significant accounting policies

(a) Statement of compliance

The condensed 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 condensed consolidated interim financial statements, the Chinese version shall prevail.

These condensed 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Except the following accounting policies mentioned below, the significant accounting policies adopted in the condensed consolidated interim financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2015. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2015.

(b) Basis of consolidation

1. Except the following principles of preparation mentioned below, the Principles of preparation of the condensed consolidated interim financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2015. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2015.
2. List of subsidiaries in the condensed consolidated interim financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			2016.9.30	2015.12.31	2015.9.30
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	43.75% (Note)	-	-
Chainwin Cayman	Jiangsu Kang Yuan Merit Agricultural Development Co., Ltd.	Developing hog farming technology and trading	100.00%	-	-
Chainwin Cayman	Jiangsu CM / Merit Agricultural Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-	-
Chainwin Cayman	Jiangsu Merit / CM Agricultural Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-	-
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agricultural Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-	-
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	100.00%	-	-
Chainwin Cayman	Jiangsu Merit Runfu Agricultural Development Co., Ltd.	Developing hog farming technology and trading	50.44%	-	-
Fortune BVI	Jiangsu Merit Runfu Agricultural Development Co., Ltd.	Developing hog farming technology and trading	49.56%	-	-

Note: 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 6(j) for further information.

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

3. List of subsidiaries which are not included in the condensed consolidated interim financial statements: None.

(c) Biological assets

Biological assets are measured at fair value less costs to sell on initial recognition, with any change therein recognized in profit or loss at the end of each reporting period. Costs to sell include all costs that would be necessary to sell the assets, excluding finance costs and tax expenses. Biological asset does not have a quoted market price in an active market and for which alternative fair value measurements are determined to be clearly unreliable. In such case, the asset is measured at cost less accumulated depreciation and impairment losses.

(d) 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 expense for the year is best estimated by multiplying pretax income for the interim reporting period with the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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.

(e) Defined benefit plans

The pension cost in the condensed 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.

(f) Business combinations

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets if the non-controlling interests are present ownership interests.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(5) Major sources of accounting assumptions, judgments and estimation uncertain

The preparation of the condensed 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 condensed 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, 2015. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2015.

(6) Significant account disclosure

Except for the following disclosure, the significant account disclosure in the condensed consolidated interim financial statements for the nine months ended September 30, 2016, which compare with the consolidated financial statements for the year ended December 31, 2015, was not changed significantly. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2015.

(a) Cash and cash equivalents

	2016.9.30	2015.12.31	2015.9.30
Cash on hand	\$ 184	200	210
Cash in bank	1,740,914	650,406	1,615,572
Time deposits	<u>72,397</u>	<u>1,219,051</u>	<u>59,000</u>
	<u>\$ 1,813,495</u>	<u>1,869,657</u>	<u>1,674,782</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

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

	2016.9.30	2015.12.31	2015.9.30
Stocks listed on domestic markets	\$ 162,778	125,783	63,498
Money market funds, equity funds and bond funds	<u>30,015</u>	<u>888,905</u>	<u>986,751</u>
	<u>\$ 192,793</u>	<u>1,014,688</u>	<u>1,050,249</u>

Refer to note 6(y) for the gains or losses on disposal of investments and the amount of remeasurement at fair value through profit or loss.

The above-mentioned financial assets were not pledged.

(c) Current and non-current available-for-sale financial assets

1. Current available-for-sale financial assets

	2016.9.30	2015.12.31	2015.9.30
Stocks listed on domestic markets	\$ <u>921,580</u>	<u>629,823</u>	<u>606,651</u>

2. Non-current available-for-sale financial assets

	2016.9.30	2015.12.31	2015.9.30
Stocks listed on domestic markets	\$ 14,336	20,560	14,006
Stocks listed on foreign markets	405,767	357,396	308,181
Non-public trading stocks	720,444	549,815	559,540
Private fund (Note)	<u>437,921</u>	<u>340,950</u>	<u>294,900</u>
	<u>\$ 1,578,468</u>	<u>1,268,721</u>	<u>1,176,627</u>

Note: As of September 30, 2016, the private fund is during the lock-up period.

Refer to note 6(y) for the gains or losses on disposal of investments.

3. The above-mentioned financial assets were not pledged.

(Continued)

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

(d) Financial assets measured at cost

	2016.9.30
Foreign unlisted stocks	\$ 24,147
Less: accumulated impairment	<u>-</u>
Total	<u>\$ 24,147</u>

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

As of September 30 and December 31, 2015, there were no such transactions.

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

	Issue period	Nominal rate (%)	2016.9.30	2015.12.31	2015.9.30
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>145,800</u>	<u>159,600</u>	<u>159,600</u>

The above-mentioned financial assets were not pledged.

(f) Notes and accounts receivable, net

	2016.9.30	2015.12.31	2015.9.30
Notes receivable	\$ -	100	-
Accounts receivable	967,448	705,601	952,019
Less: allowance for doubtful accounts	<u>(7,123)</u>	<u>(5,673)</u>	<u>(5,676)</u>
	<u>\$ 960,325</u>	<u>700,028</u>	<u>946,343</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2016.9.30	2015.12.31	2015.9.30
Past due 1~60 days	\$ 133,090	26,304	66,692
Past due 61~180 days	-	1,882	6,706
Past due more than 181 days	-	-	-
	<u>\$ 133,090</u>	<u>28,186</u>	<u>73,398</u>

The movement of allowance for doubtful accounts with respect to notes and accounts receivable for the nine months ended September 30, 2016 and 2015, were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
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>
	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	\$ 5,590	-	5,590
Effect of changes in foreign exchange rates	86	-	86
Balance at September 30, 2015	<u>\$ 5,676</u>	<u>-</u>	<u>5,676</u>

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

Assessment method:

1. At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.
2. 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 the 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, 2016, December 31 and September 30, 2015, the notes and accounts receivable, net, were not pledged.

(g) Inventories

	2016.9.30	2015.12.31	2015.9.30
Raw materials, supplies and spare parts	\$ 1,714,453	1,505,390	1,335,216
Work in process	480,380	732,353	757,491
Finished goods	<u>373,971</u>	<u>233,627</u>	<u>73,097</u>
	<u>\$ 2,568,804</u>	<u>2,471,370</u>	<u>2,165,804</u>

Except for cost of goods sold and inventories recognized as expense, the remaining gains or losses which were recognized as operating cost or deduction of operating cost for the nine months ended September 30, 2016 and 2015, were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>7,725</u>	<u>23,202</u>	<u>(34,368)</u>	<u>49,659</u>
Revenue from sale of scraps	\$ <u>(2,097)</u>	<u>(5,392)</u>	<u>(5,010)</u>	<u>(17,623)</u>

The inventories were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(h) Biological assets

1. List of biological assets:

	2016.9.30
Consumable biological assets	\$ <u>154,379</u>
Bearer biological assets	\$ <u>23,071</u>

2. Change in biological assets:

Acquisition through business combinations (note 6(j))	\$ 197,900
Increase due to purchases	424
Input costs	57,983
Depreciation expenses	(1,168)
Decrease due to sales	(83,373)
Changes in fair value less costs to sell due to price changes	7,288
Effect of changes in foreign exchange rates	<u>(1,604)</u>
Balance as of September 30, 2016	\$ <u>177,450</u>
Current	\$ 154,379
Non-current	<u>23,071</u>
	\$ <u>177,450</u>

The gain of \$7,288 thousand was recognized as deduction of operating cost of the condensed consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the lower of its carrying amount or fair value less costs to sell.

3. On September 30, 2016, number of the biological assets as follows:

	2016.9.30
Farrows, hogs and breeders	<u>30,330</u>

From acquisition date to the reporting date, the Group sold 7,331 hogs.

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

4. 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. In 2016, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were \$1,168 thousand.

5. 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.

(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.

6. The biological assets were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(i) Investments accounted for using equity method

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

	2016.9.30	2015.12.31	2015.9.30
Associates	\$ <u>317,484</u>	<u>657,960</u>	<u>563,483</u>

1. Associates:

On January 28, 2015, the Group acquired 42.74% of the shares of Phalanx Biotech Group, Inc. for \$220,000 thousand in cash, and has significant influence on it. In April 2015, Phalanx Biotech Group, Inc. approved a cash subscription, the Group did not subscribe any new shares. Therefore, the percentage of the Group's ownership declined to 37.88%. The Group still has significant influence on Phalanx Biotech Group, Inc.

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.

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 condensed consolidated interim financial statements of the Group.

	2016.9.30	2015.12.31	2015.9.30
Total equity of the individually insignificant investments in associates	\$ <u>317,484</u>	<u>657,960</u>	<u>563,483</u>

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Attributable to the Group:				
Net loss	\$ (10,288)	(11,499)	(22,705)	(46,087)
Other comprehensive income (loss)	<u>3,617</u>	<u>(779)</u>	<u>467</u>	<u>204</u>
Total comprehensive income (loss)	\$ <u>(6,671)</u>	<u>(12,278)</u>	<u>(22,238)</u>	<u>(45,883)</u>

2. Pledge to secure

The investments accounted for using equity method of the Group were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements****(j) 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 control 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 the 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

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 the operating policies of Chainwin Cayman and has control over its board of directors. The Group expects Chainwin Cayman's future generated cash flow to be 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 Level 3 fair value based on the inputs to the valuation technique used. The key assumptions are as follows:

- (1) The discount rate is based on the weighted-average cost of capital that was computed by Chainwin Cayman and its comparable capital structures and corresponded by the market value.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

- (2) 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 the expectations of future outcomes, taking into account the past experience adjusted for the anticipated revenue growth. Revenue growth is projected by taking into account the previous average growth levels and the estimated sales volume and price growth for the next five years. It is assumed that sales price would grow at a constant margin above the forecast inflation over the next five years, in line with the 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 US\$ 2.1 at the acquisition date.

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 (note6(h))	172,664
Other current assets	43,549
Financial assets at cost	24,578
Non-current biological assets (note6(h))	25,236
Property, plant and equipment (note6(l))	100,278
Intangible assets (note6(n))	21,964
Other non-current assets	29,797
Notes payable and accounts payable	(52,345)
Other current liabilities	<u>(57,826)</u>
Total identifiable net assets acquired	<u>\$ 1,306,418</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(note6(n))	<u>\$ 132,278</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 was recognized as “gains on disposals of investment”.

Goodwill mainly attributed to the profitability of the hog farming and technical talent of Chainwin Cayman work force. Due to the fact that the enterprise regional income tax rate of the investee is 0%, the Group did not expect any goodwill arising from the consolidations to be deductible for tax purposes.

(k) Material non-controlling interests of subsidiaries

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

<u>Subsidiaries</u>	<u>Main operation place</u>	<u>Percentage of non-controlling interests September 30, 2016</u>
Chainwin Cayman	Cayman Islands	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.

	<u>September 30, 2016</u>
Current assets	\$ 1,121,768
Non-current assets	248,298
Current liabilities	(100,554)
Non-current liabilities	-
Net assets	<u>\$ 1,269,512</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

**For the nine
months ended
September 30, 2016**

Sales revenue	\$ <u>272,837</u>
Net income	\$ 44,523
Other comprehensive income (loss)	<u>(10,690)</u>
Comprehensive income (loss)	\$ <u>33,833</u>

Net cash flows from operating activities	\$ 8,920
Net cash flows used in investing activities	(13,074)
Net cash flows from financing activities	803,375
Effect of changes in foreign exchange rates	<u>(13,612)</u>
Increase in cash and cash equivalents	\$ <u>785,609</u>

Dividends to non-controlling interests	\$ <u>-</u>
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From the acquisition date, the non-controlling interests are allocated during the reporting period as follows:

Non-controlling interest	\$ <u>724,940</u>
Loss, attributable to non-controlling interests	\$ <u>(4,543)</u>
Comprehensive income (loss), attributable to non-controlling interests	\$ <u>(9,920)</u>

(1) 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, 2016 and 2015 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, 2016	\$ 2,546,534	1,000,117	12,551,818	2,820,770	228,809	2,257,410	21,405,458
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 1)	-	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>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Balance as of January 1, 2015	\$ 2,546,534	998,111	11,724,452	2,773,866	193,297	1,345,584	19,581,844
Additions	-	1,654	159,626	24,488	37,976	337,457	561,201
Reclassification (Note 2)	-	-	28,832	3,247	-	(3,247)	28,832
Disposals	-	-	(4,865)	-	(37,364)	-	(42,229)
Balance as of September 30, 2015	\$ <u>2,546,534</u>	<u>999,765</u>	<u>11,908,045</u>	<u>2,801,601</u>	<u>193,909</u>	<u>1,679,794</u>	<u>20,129,648</u>
Accumulated depreciation:							
Balance as of January 1, 2016	\$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
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>
Balance as of January 1, 2015	\$ -	370,746	5,934,630	1,449,642	174,316	-	7,929,334
Depreciation	-	44,222	1,177,573	174,174	12,504	-	1,408,473
Disposals	-	-	(2,999)	-	(37,364)	-	(40,363)
Balance as of September 30, 2015	\$ <u>-</u>	<u>414,968</u>	<u>7,109,204</u>	<u>1,623,816</u>	<u>149,456</u>	<u>-</u>	<u>9,297,444</u>
Carrying value:							
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>
Balance as of January 1, 2015	\$ <u>2,546,534</u>	<u>627,365</u>	<u>5,789,822</u>	<u>1,324,224</u>	<u>18,981</u>	<u>1,345,584</u>	<u>11,652,510</u>
Balance as of September 30, 2015	\$ <u>2,546,534</u>	<u>584,797</u>	<u>4,798,841</u>	<u>1,177,785</u>	<u>44,453</u>	<u>1,679,794</u>	<u>10,832,204</u>

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were classified as investment property.

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

1. Pledge to secure

As of September 30, 2016, December 31, and September 30, 2015, 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.

2. Property, plant and equipment under construction

In 2012, the Group acquired land, buildings and structures for the construction of a new factory. As of September 30, 2016, the completion of preceding construction of the factory had been reclassified to property, plant and equipment and investment property.

3. For the periods from July 1 to September 30, 2016 and 2015 and for the nine months ended September 30, 2016 and 2015, capitalized interest expenses amounted to \$5,083 thousand and \$11,651 thousand, \$25,957 thousand and \$28,232 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.40%~1.53%, 1.69%~1.75%, 1.40%~1.64% and 1.55%~1.79%, respectively.

(Continued)

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

(m) Investment property

The cost and accumulated depreciation of the investment property of the Group for the nine months ended September 30, 2016 and 2015 were as follows:

	Land	Buildings and structures	Total
Cost:			
Balance as of January 1, 2016	\$ 963,127	138,225	1,101,352
Reclassification (Note)	<u>-</u>	<u>397,783</u>	<u>397,783</u>
Balance as of September 30, 2016	<u>\$ 963,127</u>	<u>536,008</u>	<u>1,499,135</u>
Balance as of January 1, 2015	\$ 963,127	138,225	1,101,352
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of September 30, 2015	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Accumulated depreciation:			
Balance as of January 1, 2016	\$ -	15,506	15,506
Depreciation	<u>-</u>	<u>10,362</u>	<u>10,362</u>
Balance as of September 30, 2016	<u>\$ -</u>	<u>25,868</u>	<u>25,868</u>
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	<u>-</u>	<u>3,987</u>	<u>3,987</u>
Balance as of September 30, 2015	<u>\$ -</u>	<u>14,177</u>	<u>14,177</u>
Carrying value:			
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>
Balance as of January 1, 2015	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
Balance as of September 30, 2015	<u>\$ 963,127</u>	<u>124,048</u>	<u>1,087,175</u>
Fair value:			
Balance as of September 30, 2016			\$ <u>1,670,046</u>
Balance as of September 30, 2015			\$ <u>1,259,278</u>

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

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 inherent 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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, 2016</u>
Hsinchu	0.18%
Taoyuan	1.13%

As of September 30, 2016, December 31 and September 30, 2015, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(n) Intangible assets

1. The movement in intangible assets for the nine months ended September 30, 2016 and 2015 were as follows:

	Technical know-how	Computer software and information systems	Goodwill	Others	Total
Costs:					
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>
Balance as of January 1, 2015	\$ 46,005	48,044	-	-	94,049
Additions	-	25,219	-	1,005	26,224
Balance as of September 30, 2015	<u>\$ 46,005</u>	<u>73,263</u>	<u>-</u>	<u>1,005</u>	<u>120,273</u>
Amortisation:					
Balance as of January 1, 2016	\$ 19,808	22,767	-	605	43,180
Acquisition through business combinations	13	-	-	-	13
Amortisation	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>
Balance as of January 1, 2015	\$ 15,974	23,653	-	-	39,627
Amortisation	2,875	14,117	-	391	17,383
Balance as of September 30, 2015	<u>\$ 18,849</u>	<u>37,770</u>	<u>-</u>	<u>391</u>	<u>57,010</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	Technical know-how	Computer software and information systems	Goodwill	Others	Total
Carrying value:					
Balance as of January 1, 2016	\$ <u>26,197</u>	<u>34,935</u>	<u>-</u>	<u>1,238</u>	<u>62,370</u>
Balance as of September 30, 2016	\$ <u>23,356</u>	<u>52,502</u>	<u>129,957</u>	<u>25,144</u>	<u>230,959</u>
Balance as of January 1, 2015	\$ <u>30,031</u>	<u>24,391</u>	<u>-</u>	<u>-</u>	<u>54,422</u>
Balance as of September 30, 2015	\$ <u>27,156</u>	<u>35,493</u>	<u>-</u>	<u>614</u>	<u>63,263</u>

2. Amortization expense recognized in profit or loss

For the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, the amortization expenses of intangible assets were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating costs	\$ 3,412	1,803	7,854	5,609
Operating expenses	<u>6,482</u>	<u>5,955</u>	<u>16,252</u>	<u>11,774</u>
	\$ <u>9,894</u>	<u>7,758</u>	<u>24,106</u>	<u>17,383</u>

3. Pledge to secure

The intangible assets were not pledged.

(o) Other current assets and other non-current assets

	2016.9.30	2015.12.31	2015.9.30
Other receivable from metal reclaiming	\$ 149,788	123,648	153,698
Tax refund receivable	58,964	116,165	84,951
Long-term prepaid rent	66,384	-	-
Other receivables-related parties	26,843	-	-
Prepayment for purchases and prepaid expenses	48,057	39,784	14,227
Restricted assets	25,551	25,481	23,752
Refundable deposits	32,514	23,260	22,178
Others	<u>23,444</u>	<u>18,940</u>	<u>21,294</u>
	\$ <u>431,545</u>	<u>347,278</u>	<u>320,100</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Long-term prepaid rent

From January 1 to September 30, 2016, for the hog farming purpose, the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease. The durations of the agreements are 5~30 years. Total agreement price amounted to RMB 168,884 thousand.

(p) Short-term borrowings

	2016.9.30	2015.12.31	2015.9.30
Unsecured short-term borrowings	\$ <u>232,812</u>	<u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>1,811,457</u>	<u>3,402,960</u>	<u>3,034,467</u>
Unused bank credit lines for short-term and long-term borrowing	\$ <u>1,562,558</u>	<u>1,694,367</u>	<u>563,961</u>
Annual interest rate	<u>0.63%~1.66%</u>	<u>0.79%</u>	<u>-</u>

(q) Long-term borrowings

	2016.9.30	2015.12.31	2015.9.30
Unsecured long-term borrowings (settled in NTD)	\$ 1,600,000	-	-
Secured long-term borrowings (settled in NTD)	2,198,363	2,940,303	2,939,810
Less: long-term liabilities, current portion	(940,194)	(841,507)	(742,819)
Total	\$ <u>2,858,169</u>	<u>2,098,796</u>	<u>2,196,991</u>
Unused bank credit lines for long-term borrowings	\$ <u>2,555,000</u>	<u>1,458,000</u>	<u>1,558,000</u>
Annual interest rate	<u>1.31%~1.64%</u>	<u>1.54%~1.64%</u>	<u>1.61%~1.68%</u>
Maturity date	<u>2018.2.18~2020.3.1</u>	<u>2018.2.18~2020.3.1</u>	<u>2018.2.18~2020.3.1</u>

As of September 30, 2016, the remaining balances of the borrowing due were as follows:

Year due	Amount
October 1, 2016~ September 30, 2017	\$ 940,194
October 1, 2017~ September 30, 2018	867,472
October 1, 2018~ September 30, 2019	1,794,750
October 1, 2019~ September 30, 2020	195,947
October 1, 2020 and after	-
	\$ <u>3,798,363</u>

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

1. The proceeds and repayment of the borrowings

For the nine months ended September 30, 2016, the Group proceeded from long-term borrowings amounting to \$1,600,000 thousand with an interest rate of 1.31%~1.44%. The long-term borrowings are due in June 2, 2018 to September 5, 2019. There was no such transaction for the nine months ended September 30, 2015.

For the nine months ended September 30, 2016 and 2015, the repayment amounted to \$742,819 thousand and \$545,444 thousand, respectively.

2. The collateral for these long-term borrowings was disclosed in note 8.

3. 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, 2015 and 2014, the Company was in compliance with the above financial covenants and restrictions.

(r) Operating lease

1. Lease-lessor

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

2. Leases-lessee

The Group leases a number of parking lots etc. under operating leases. The leases typically run for a period of 1 to 5 years.

There were no significant addition to lease contracts for the period from January 1 to September 30, 2016 and 2015. For the related information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2015.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(s) Employee benefits

1. 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 condensed 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, 2015 and 2014.

The Group's expenses recognized in profit or loss for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015 were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating costs	\$ -	-	-	-
Operating expenses	<u>581</u>	<u>517</u>	<u>1,741</u>	<u>1,551</u>
	<u>\$ 581</u>	<u>517</u>	<u>1,741</u>	<u>1,551</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015 were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating cost	\$ 12,646	9,593	35,416	28,268
Operating expenses	<u>3,077</u>	<u>2,938</u>	<u>9,066</u>	<u>8,260</u>
	<u>\$ 15,723</u>	<u>12,531</u>	<u>44,482</u>	<u>36,528</u>

3. The Group's mainland 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. The term within the acquisition date to September 30, 2016, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$376 thousand.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(t) Income tax

1. The amount of income tax expenses for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015 were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Income tax expense	\$ <u>146,479</u>	<u>159,103</u>	<u>696,252</u>	<u>588,775</u>

2. There were no income tax expenses recognized in other comprehensive income for the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015.

3. Examination and approval

The Company's corporate income tax returns for the years through 2013 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance. However, there was controversy over the expiration of the loss carryforwards for year 2012. Therefore, the Company initiated an administrative litigation to the tax authorities.

4. The Company's integrated income tax information at the reporting date were as follows:

	2016.9.30	2015.12.31	2015.9.30
Unappropriated earnings after 1997	\$ <u>7,757,919</u>	<u>6,244,544</u>	<u>5,538,353</u>
Balance of imputation credit account (ICA)	\$ <u>1,221,855</u>	<u>786,268</u>	<u>784,323</u>
		2015 (Actual)	2014 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings		<u>24.04%</u>	<u>16.45%</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

According to the amendment by the Ministry of Finance on October, 17, 2013 under the Rule No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of the ROC is calculated at 50% of the original tax deduction ratio starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit-seeking income tax which was actually paid under the provisions of Article 66-9, half of the amount of the surcharge on profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(u) 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, 2016 and 2015. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2015.

1. Ordinary share issuance

For the nine months ended September 30, 2016 and 2015, the Company had issued 102 thousand shares and 1,949 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

The Company resolved a capital reduction of \$1,789,999 thousand, representing 179,000 thousand shares of outstanding shares as approved in the shareholders' meeting held on June 24, 2016. The preceding application had been approved by the authority and become effective on August 1, 2016. The Company's Board of Directors set up the reduction record date as August 2, 2016, and the related registration process had been completed.

For the nine months ended September 30, 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 10,000 thousand shares as treasury shares, which was proposed and arranged for the cancellation of shares for the interest of shareholders and Company's credit. As of September 30, 2016, a total of 10,000 thousand shares from treasury shares was cancelled.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Capital surplus

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

	2016.9.30	2015.12.31	2015.9.30
Additional paid-in capital	\$ 3,736,867	3,797,820	3,769,456
Changes in equity of associates and joint ventures accounted for using equity method	21,163	15,614	21,499
Employee stock options	<u>707</u>	<u>1,583</u>	<u>10,508</u>
	<u>\$ 3,758,737</u>	<u>3,815,017</u>	<u>3,801,463</u>

In accordance with amended Company Act in 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

3. 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.

A. Legal reserve

According to the amended Company Act which was announced in January 2012, 10% of net income should be set aside as statutory earnings reserve, until it equals the share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

B. Special reverse

In accordance with Permit No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity resulting from the IFRS first-time adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first time adoption. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

C. Appropriations of earnings

The appropriations of earning for 2015 and 2014 had been approved in a shareholders' meeting held on June 24, 2016, and June 3, 2015, respectively. The dividends were as follows:

	2015	2014
Cash dividends	\$ 298,333	148,679

The above-mentioned appropriations of earnings for 2015 and 2014 were consistent with the resolutions of the meeting of the Board of Directors.

In the shareholders' meeting held on June 3, 2015, it resolved the employee bonuses and directors' and supervisors' remuneration amounted \$176,700 thousand and \$53,000 thousand, respectively. The above-mentioned appropriations of earnings were consistent with those accrued and recognized for the year ended December 31, 2014.

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

D. Other equity interest, net of tax

Changes in other equity interest were as follows:

	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):		
Subsidiaries	(52,675)	-
Associates	804	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	661,546
Cumulative gain 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>
Balance as of January 1, 2015	\$ 4,909	215,962
Foreign currency differences (net of tax) :		
Subsidiaries	15,708	-
Associates	204	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	(14,952)
Balance as of September 30, 2015	<u>\$ 20,821</u>	<u>201,010</u>

(v) 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, 2016 and 2015. For the related information, please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2015.

1. For the nine months ended September 30, 2016 and 2015, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	<u>Nine months ended September 30, 2016</u>		<u>Nine months ended September 30, 2015</u>	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ 28.40	142	22.70	3,147
Granted	-	-	-	-
Exercised	28.40	(102)	22.85	(1,949)
Expired	-	(40)	-	-
Outstanding at the end	-	<u>-</u>	28.40	<u>1,198</u>
Exercisable as of September 30	-	<u>-</u>	-	<u>1,198</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Compensation cost for employee stock options

For the nine months ended September 30, 2016 and 2015, the compensation cost for employee stock options both amounted to \$0 thousand.

(w) Earnings per share ("EPS")

For the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, the Company's earnings per share were calculated as follows:

	<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—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,005,930	469,927	\$ <u>2.14</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	2,394	
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>Three months ended September 30, 2015</u>		
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 805,098	608,402	\$ <u>1.32</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	4,945	
Employee stock options	-	351	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 805,098</u>	<u>613,698</u>	<u>\$ 1.31</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	<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—retroactively adjusted:			
Profit belonging to common shareholders	\$ 2,550,993	552,283	\$ <u>4.62</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	<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>
	<u>Nine months ended September 30, 2015</u>		
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,960,204	697,786	\$ <u>2.81</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	7,010	
Employee stock options	-	<u>363</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 1,960,204</u>	<u>705,159</u>	\$ <u>2.78</u>

(x) 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:

1. Employee bonuses: 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 bonuses 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.
2. Remuneration of Directors and Supervisors: no more than 3%.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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.

For the periods from July 1 to September 30, 2016, and for the nine months ended September 30, 2016, the Company accrued and recognised its employee bonuses amounting to \$79,300 thousand and \$220,200 thousand, and directors' and supervisors' remuneration amounting to \$23,000 thousand and \$63,900 thousand, respectively. The employee bonuses, 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 bonuses and remuneration were included in the operating costs and operating expenses of the periods from July 1 to September 30, 2016, and of nine months ended September 30, 2016. The differences between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognised in profit or loss in the following year.

The employee bonuses and directors' and supervisors' remuneration amounted to \$231,300 thousand and \$67,100 thousand. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements.

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

(y) Non-operating income and expenses

1. Other income

For the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, the details of other income were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Interest income	\$ 2,401	3,684	7,396	17,232
Dividend income	47,884	33,965	50,300	35,789
Rent income	<u>22,728</u>	<u>12,972</u>	<u>50,806</u>	<u>32,293</u>
	<u>\$ 73,013</u>	<u>50,621</u>	<u>108,502</u>	<u>85,314</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Other gains and losses

For the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, the details of other gains and losses were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Foreign exchange gains (losses)	\$ (34,445)	112,039	(85,022)	59,755
Gains on disposals of investments	226,719	1,639	227,629	3,236
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(10,943)	(3,192)	17,653	(4,947)
Gains (losses) on disposals of property, plant and equipment	(1,850)	797	(2,773)	797
Other	46,972	(12,472)	93,867	(41,175)
	<u>\$ 226,453</u>	<u>98,811</u>	<u>251,354</u>	<u>17,666</u>

3. Finance costs

For the periods from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015, the details of finance costs were as follows:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Interest expense on bank borrowings	\$ 13,152	13,217	36,044	41,054
Other interest expense	114	166	311	865
Less: capitalized interest expense	(5,083)	(11,651)	(25,957)	(28,232)
	<u>\$ 8,183</u>	<u>1,732</u>	<u>10,398</u>	<u>13,687</u>

(z) 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(t) of the consolidated financial statements for the year ended December 31, 2015.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

1. Market risk

(i) Currency risk

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

	2016.9.30			2015.12.31			2015.9.30		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
Financial assets									
Monetary items									
USD	\$ 59,719	31.36	1,872,781	71,622	32.83	2,351,365	66,380	32.87	2,181,905
EUR	45	35.08	1,590	1	35.88	19	-	-	-
JPY	6,070	0.3109	1,887	133,307	0.2727	36,352	13,792	0.2739	3,772
GBP	12	40.63	474	33	48.67	1,600	15	49.83	750
HKD	63	4.04	253	63	4.24	268	63	4.24	268
RMB	-	-	-	9	5.00	47	-	-	-
			<u>\$ 1,876,985</u>			<u>2,389,651</u>			<u>2,186,625</u>
Non-monetary items									
USD	1,157	31.36	<u>\$ 32,396</u>	83	32.83	<u>2,711</u>	81	32.87	<u>2,665</u>
Financial liabilities									
Monetary items									
USD	14,493	31.36	454,500	19,668	32.83	645,693	14,570	32.87	478,913
EUR	130	35.08	4,565	112	35.88	4,022	112	36.92	4,138
JPY	848,546	0.3109	263,811	654,578	0.2727	178,503	342,883	0.2739	93,911
GBP	-	-	-	8	48.67	383	12	49.83	586
			<u>\$ 722,876</u>			<u>828,601</u>			<u>577,548</u>

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, notes and accounts receivable, net, other receivables, financial asset at fair value through profit or loss, available-for-sale financial assets, loans and borrowings, 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, 2016 and 2015 would have increased (decreased) the net profit after tax by \$48,018 thousand and \$66,914 thousand, respectively, and other comprehensive income by \$4,621 thousand and \$0 thousand, respectively. The analysis assumes that all other variables remain constant.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the nine months ended September 30, 2016 and 2015, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$85,022 thousand and \$59,755 thousand, respectively.

(ii) Interest rate risk

There was no significant change in the risk exposure to interest rates on the financial liabilities of the Group. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2015.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 \$9,750 thousand and \$9,159 thousand for the nine months ended September 30, 2016 and 2015, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(iii) Other price risk

For the nine months ended September 30, 2016 and 2015, 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, 2016		Nine months ended September 30, 2015	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ <u>75,001</u>	<u>5,784</u>	<u>53,498</u>	<u>31,507</u>
Decreasing 3%	\$ <u>(75,001)</u>	<u>(5,784)</u>	<u>(53,498)</u>	<u>(31,507)</u>

2. Fair value

(i) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have quotation in active market and which fair value cannot be reasonably measured.

(Continued)

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

2016.9.30					
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	\$ 162,778	162,778	-	-	162,778
Funds and investment	30,015	30,015	-	-	30,015
Subtotal	<u>192,793</u>	<u>192,793</u>	<u>-</u>	<u>-</u>	<u>192,793</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,341,683	1,341,683	-	-	1,341,683
Non-public stocks	720,444	-	720,444	-	720,444
Private fund	437,921	-	437,921	-	437,921
Subtotal	<u>2,500,048</u>	<u>1,341,683</u>	<u>1,158,365</u>	<u>-</u>	<u>2,500,048</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,813,495	-	-	-	1,813,495
Investments in debt instrument without active market (Note)	145,800	-	-	-	145,800
Accounts receivables (Note)	960,325	-	-	-	960,325
Other receivables (Note)	258,914	-	-	-	258,914
Subtotal	<u>3,178,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,178,534</u>
Total	<u>\$ 5,871,375</u>	<u>1,534,476</u>	<u>1,158,365</u>	<u>-</u>	<u>5,871,375</u>
Amortized cost of financial liability					
Bank loan (Note)	\$ 4,031,175	-	-	-	4,031,175
Accounts payable (Note)	904,914	-	-	-	904,914
Other payables (Note)	1,441,935	-	-	-	1,441,935
Total	<u>\$ 6,378,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,378,024</u>
2015.12.31					
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	\$ 125,783	125,783	-	-	125,783
Funds and investment	888,905	888,905	-	-	888,905
Subtotal	<u>1,014,688</u>	<u>1,014,688</u>	<u>-</u>	<u>-</u>	<u>1,014,688</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,007,779	1,007,779	-	-	1,007,779
Non-public stocks	549,815	-	549,815	-	549,815
Private fund	340,950	-	340,950	-	340,950
Subtotal	<u>1,898,544</u>	<u>1,007,779</u>	<u>890,765</u>	<u>-</u>	<u>1,898,544</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,869,657	-	-	-	1,869,657
Investments in debt instrument without active market (Note)	159,600	-	-	-	159,600
Notes and accounts receivable (Note)	700,028	-	-	-	700,028
Other receivables (Note)	258,753	-	-	-	258,753
Subtotal	<u>2,988,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,988,038</u>
Total	<u>\$ 5,901,270</u>	<u>2,022,467</u>	<u>890,765</u>	<u>-</u>	<u>2,913,232</u>
Amortized cost of financial liability					
Bank loan (Note)	2,963,959	-	-	-	2,963,959
Accounts payable (Note)	1,309,867	-	-	-	1,309,867
Other payables (Note)	1,236,205	-	-	-	1,236,205
Total	<u>\$ 5,510,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,510,031</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	2015.9.30				
	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	\$ 63,498	63,498	-	-	63,498
Funds and investment	986,751	986,751	-	-	986,751
Subtotal	<u>1,050,249</u>	<u>1,050,249</u>	<u>-</u>	<u>-</u>	<u>1,050,249</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	928,838	928,838	-	-	928,838
Non-public stocks	559,540	-	559,540	-	559,540
Private fund	294,900	-	294,900	-	294,900
Subtotal	<u>1,783,278</u>	<u>928,838</u>	<u>854,440</u>	<u>-</u>	<u>1,783,278</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,674,782	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Accounts receivable (Note)	946,343	-	-	-	-
Other receivables (Note)	255,757	-	-	-	-
Subtotal	<u>3,036,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,870,009</u>	<u>1,979,087</u>	<u>854,440</u>	<u>-</u>	<u>2,833,527</u>
Amortized cost of financial liability					
Bank loan (Note)	2,939,810	-	-	-	-
Accounts payable (Note)	975,033	-	-	-	-
Other payables (Note)	1,018,572	-	-	-	-
Subtotal	<u>\$ 4,933,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The information on fair value is not disclosed since the carrying amount is a reasonable approximation of fair value.

(ii) 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.

(iii) 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements**

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.
- 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements****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.

(iv) Transfer between level 2 and level 1

For the nine months ended September 30, 2016 and 2015, there was no change.

(v) Movement of level 3

There were no financial assets with fair value hierarchy level 3 for the nine months ended September 30, 2016 and 2015.

(aa) Concentration of financial risk

There was no significant change in the Group's objective of financial risk management and policies of the condensed consolidated interim financial statements for the nine months ended September 30, 2016 and 2015 which compared with the consolidated financial statements for the year ended December 31, 2015. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2015.

(bb) Capital management

The Group's objective, policies and process of capital management of the condensed consolidated interim financial statements for the nine months ended September 30, 2016 and 2015 was the same as the consolidated financial statements for the years ended December 31, 2015 and 2014. There was no significant change on summary of quantitative data of capital management compared with the consolidated financial statements for the years ended December 31, 2015 and 2014. For the related information, please refer to note 6(v) of the consolidated financial statements for the year ended December 31, 2015.

(7) Related-parties transactions**(a) Parent Company and ultimate controlling party**

The Company is the ultimate controlling party of the Group.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Significant transactions with related parties:

Loans to related parties were as follows:

	2016.9.30
Other related parties	\$ <u>26,843</u>

Chainwin Cayman lend money to Merit Biotech Inc. As of September 30, 2016, the outstanding balance of the loan amounted to USD 856 thousand (NT\$ 26,843 thousand). The loan is unsecured and its interest rate is 1.18%. Merit Biotech Inc. shall repay the loan before December 31, 2016.

(c) Transactions with key management personnel

For the periods from July 1 to September 30, and for the nine months ended September 30, 2016 and 2015, key management personnel compensation were comprised as below:

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Short-term employee benefits	\$ 121,813	124,616	259,144	250,543
Post-employment benefits	<u>191</u>	<u>177</u>	<u>554</u>	<u>531</u>
	<u>\$ 122,004</u>	<u>124,793</u>	<u>259,698</u>	<u>251,074</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	2016.9.30	2015.12.31	2015.9.30
Other non-current assets	Gas deposits	\$ 4,700	4,700	3,000
Other non-current assets	Customs guarantee	20,850	20,781	20,752
Property, plant and equipment	Long-term borrowings	3,338,973	3,985,080	4,145,206
Investment property	Long-term borrowings	<u>1,473,267</u>	<u>1,085,846</u>	<u>1,087,175</u>
		<u>\$ 4,837,790</u>	<u>5,096,407</u>	<u>5,256,133</u>

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

1. In 2015, the Company signed 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 between 2014 and 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.
2. The unrecognized commitment of purchase of raw materials by the aforementioned shareholder's agreement and acquisition of plant expansion and machinery equipment were as follows:

	2016.9.30	2015.12.31	2015.9.30
The unrecognized amount	\$ <u>1,349,348</u>	<u>2,100,360</u>	<u>2,475,968</u>
3. The unused letters of credit			
	2016.9.30	2015.12.31	2015.9.30
The unused letters of credit	\$ <u>181,057</u>	<u>105,610</u>	<u>621,572</u>

(10) Important damage losses: None.

(11) Important subsequent events: None.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(12) Others

- (a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function from July 1 to September 30, 2016 and 2015, and for the nine months ended September 30, 2016 and 2015:

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 329,211	179,018	508,229	289,941	167,599	457,540
Labor and health insurance	27,013	10,728	37,741	22,712	11,444	34,156
Pension	12,902	3,778	16,680	9,593	3,455	13,048
Others	19,911	3,472	23,383	11,133	2,245	13,378
Depreciation	601,356	35,432	636,788	440,423	34,212	474,635
Amortization	3,412	6,482	9,894	1,803	5,955	7,758
	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 1,006,007	507,170	1,513,177	896,603	441,474	1,338,077
Labor and health insurance	74,221	27,529	101,750	63,159	25,703	88,862
Pension	35,672	10,927	46,599	28,268	9,811	38,079
Others	52,689	10,375	63,064	31,484	6,096	37,580
Depreciation	1,598,960	102,667	1,701,627	1,315,171	97,289	1,412,460
Amortization	7,854	16,252	24,106	5,609	11,774	17,383

- (b) Seasonality or cyclicity of interim operations

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(13) Other disclosure items

(a) Information on significant transaction:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the nine months ended September 30, 2016:

1. Lending to other parties:

No. (Note1)	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)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 3)	Transaction amounts for business between two parties	Reasons for short-term financing	Allowance for bad debt	Guarantee		Individual funding loan limits (note 4)	Maximum limit of fund financing (note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Merit Biotech Inc.	Other receivables	Y	47,040 (USD 1,500)	47,040 (USD 1,500)	26,843 (USD 856)	1.18%	2	-	Working Capital	-	None	-	Net equity ×10% =103,193	Net equity ×20% =206,385

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 10% and 20%, respectively, of its equity based on the current financial statement.

2. Guarantees and endorsements for other parties: None.

3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Relationship with the Company	Account	September 30, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Franklin Mutual European Fund-A-USD	None	Current financial assets at fair value through profit or loss	3	2,466	-	2,466	
"	Green Seal Holding Limited/Stock	"	"	500	77,000	0.34	77,000	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	85,778	0.38	85,778	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	2,201	27,290	-	27,290	
"	Capital Money Market Fund	"	"	16	259	-	259	
					<u>192,793</u>		<u>192,793</u>	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	September 30, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	ITEQ CORPORATION/Stock	None	Current available-for-sale financial assets	25,968	814,087	8.57	814,087	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	106,452	2.50	106,452	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	1,041	0.03	1,041	
					<u>921,580</u>		<u>921,580</u>	
"	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	342,777	10.51	342,777	
"	Tainergy Tech Co., Ltd./Stock	"	"	943	14,336	0.26	14,336	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	91,192	3.33	91,192	
"	Fuh Hwa Tung-ta Fund	"	"	20,710	407,991	-	407,991	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	88,600	1.17	88,600	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	100,000	15.87	100,000	
"	MegiCapital Fund II, L.P.	"	"	-	29,930	5.81	29,930	
"	Grand Fortune Venture Co. /Stock	"	"	5,000	50,730	6.87	50,730	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. /Stock	Subsidiary's main client	"	75	405,767	0.02	405,767	(Note 1)
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	10,660	14.37	10,660	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	12,512	7.33	12,512	
"	MOAI Electronics Corporation /Stock	None	"	300	1,784	1.27	1,784	
"	Merit Biotech INC. /Stock	Main shareholder of the Company's investment through subsidiaries	"	1,320	22,189	2.93	22,189	
					<u>1,578,468</u>		<u>1,578,468</u>	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	14,580	<u>145,800</u>	17.11	(Note 2)	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	Investment through subsidiaries to subsidiaries	Financial assets measured at cost	12	<u>24,147</u>	4.78	(Note 3)	

Note 1: Avago Technologies Ltd. renamed Broadcom Ltd. because it merged with Broadcom Corporation in 2016.

Note 2: The redeemable preferred stock was the nature of bond, which was recognised as non-current investment in debt instrument without active market.

Note 3: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale			Ending		
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	19,868	245,738	119,752	1,482,818	139,620	1,728,958	1,728,556	402	-	-
"	Polaris De-Bao Money Market Fund	"	-	-	7,538	89,500	55,797	663,244	63,335	752,866	752,744	122	-	-
"	Capital Money Market Fund	"	-	-	4,820	76,800	22,526	359,400	27,346	436,256	436,200	56	-	-

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

5. Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
7. Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Remark
			Item	Amount	Percentage of the purchases (sales) (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(3,351,903)	33%	1-2 Month	-	-	588,478	56%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	3,351,903	100%	1-2 Month	-	-	(588,478)	100%	(Note)

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

8. Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Balance as September 30, 2016	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	588,478	9.27	-	-	588,478	-	(Note)

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

9. Information regarding trading in derivative financial instruments: None.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

10. Significant transactions and business relationship between the parent company and its subsidiaries for the nine months ended September 30, 2016:

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	3,351,903	Note 3	32.18%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	588,478	"	2.33%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	588,478	"	2.33%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	3,351,903	"	32.18%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	55,450	"	0.53%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	55,450	"	0.53%
3	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Jiangsu Kang Yuan Merit Agricultural Development Co., Ltd.	3	Accounts receivable—related parties	5,837	"	0.02%
4	Jiangsu Kang Yuan Merit Agricultural Development Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	3	Accounts payable—related parties	5,837	"	0.02%

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 Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Information on investments:

The followings are the information on investees for the nine months ended September 30, 2016:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of September 30, 2016			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				September 30, 2016	December 31, 2015	Shares (in thousands)	Percentage	Carrying value			
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00%	6,943	(513)	(513)	(Note)
"	Win semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	718,136	227,636	22,000	100.00%	1,228,329	27,353	27,353	(Note)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	680,029	789,455	32,828	34.52%	174,448	(22,938)	(7,919)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	200,000	25,000	100.00%	172,647	14,090	14,090	(Note)
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	184,000	16,400	31.06%	92,165	(81,032)	(24,519)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	(3,026)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82%	20,231	(81,032)	(5,382)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	32,590	20	40.00%	30,640	(1,267)	(503)	
"	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	Investment activities	682,260	195,540	10,500	43.75%	687,477	78,847	12,592	(Note)
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Island	Investment activities	38,573	-	1,283	100.00%	35,944	(1,982)	(1,982)	(Note)

Note 1: The amount had been offset in the condensed consolidated interim financial statements.

(c) Information on investment in Mainland China:

(Amounts in thousands of dollars)

Investee company	Main businesses and products	Total amount of Paid-in Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment		Accumulated outflow of investment from Taiwan as of September 30, 2016	Net income (losses) of the investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized	Carrying value as of September 30, 2016 (Note 3)	Accumulated inward remittance of earnings as of September 30, 2016
					Outflow	Inflow						
Jiangsu Kang Yuan Merit Agricultural Development Co., Ltd.	Developing hog farming technology and trading	201,403 (RMB 42,943)	(Note 1)	-	-	-	-	86,688 (USD 2,673)	43.75%	86,688 (USD 2,673)	242,000 (USD 7,717)	-
Jiangsu CM / Merit Agricultural Development Co., Ltd.	Developing hog farming technology and trading	188,160 (USD 6,000)	(Note 1)	-	112,896 (USD 3,600)	-	112,896 (USD 3,600)	(5,494) (USD 169)	26.25%	(3,296) (USD 102)	107,304 (USD 3,422)	-
Jiangsu Merit / CM Agricultural Development Co., Ltd.	Developing hog farming technology and trading	94,080 (USD 3,000)	(Note 1)	-	56,448 (USD 1,800)	-	56,448 (USD 1,800)	1,030 (USD 32)	26.25%	618 (USD 19)	55,915 (USD 1,783)	-
Jiangsu Merit / Cofejoycome Agricultural Development Co., Ltd.	Developing hog farming technology and trading	150,528 (USD 4,800)	(Note 1)	-	90,317 (USD 2,880)	-	90,317 (USD 2,880)	373 (USD 12)	26.25%	224 (USD 7)	89,987 (USD 2,869)	-
Jiangsu Merit Runfu Agricultural Development Co., Ltd.	Developing hog farming technology and trading	75,870 (RMB 16,177)	(Note 1)	-	-	-	-	(3,897) (USD 120)	43.75%	(3,897) (USD 120)	67,300 (USD 2,146)	-

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

(d) Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of September 30, 2016	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
259,661 (USD 8,280)	658,560 (USD 21,000)	10,912,651

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, 2016 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, 2016. 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.

(e) Significant transactions: None.

(14) Segment financial 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 nine months ended September 30, 2016 and 2015, 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, 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 expense	\$ <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>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

<u>Three months ended September 30, 2015</u>	<u>Foundry</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ <u>2,912,103</u>	<u>836</u>	<u>-</u>	<u>2,912,939</u>
Interest expense	\$ <u>1,732</u>	<u>-</u>	<u>-</u>	<u>1,732</u>
Depreciation and amortization	\$ <u>482,393</u>	<u>-</u>	<u>-</u>	<u>482,393</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(10,789)</u>	<u>(710)</u>	<u>-</u>	<u>(11,499)</u>
Reportable segment profit or loss	\$ <u>846,413</u>	<u>(19,123)</u>	<u>-</u>	<u>827,290</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>925,722</u>	<u>-</u>	<u>-</u>	<u>925,722</u>
<u>Nine months ended September 30, 2016</u>	<u>Foundry</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ <u>10,318,888</u>	<u>98,048</u>	<u>-</u>	<u>10,416,936</u>
Interest expense	\$ <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>
<u>Nine months ended September 30, 2015</u>	<u>Foundry</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue:				
Revenue from external customers	\$ <u>8,817,733</u>	<u>1,030</u>	<u>-</u>	<u>8,818,763</u>
Interest expense	\$ <u>13,687</u>	<u>-</u>	<u>-</u>	<u>13,687</u>
Depreciation and amortization	\$ <u>1,429,843</u>	<u>-</u>	<u>-</u>	<u>1,429,843</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(43,585)</u>	<u>(2,502)</u>	<u>-</u>	<u>(46,087)</u>
Reportable segment profit or loss	\$ <u>2,557,956</u>	<u>(54,685)</u>	<u>-</u>	<u>2,503,271</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>1,809,738</u>	<u>-</u>	<u>-</u>	<u>1,809,738</u>

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