

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

**Address: No. 69, Technology 7th Rd., Hwaya Technology Park, Kueishan Dist., Taoyuan City,
Taiwan**

Telephone No.: 886-3-397-5999



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 June 30, 2016 and 2015, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 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\$881,717 thousand and NT\$575,842 thousand as of June 30, 2016 and 2015, and the share of loss of associates and joint ventures accounted for using the equity method of NT\$6,490 thousand, NT\$20,212 thousand, NT\$12,417 thousand and NT\$34,588 thousand for the periods for April 1 to June 30, 2016 and 2015, and for the six months ended June 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.



Page 2

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 relation to the consolidated financial statements from which it has been derived.

A handwritten signature of the KPMG firm, written in black ink, appearing as 'KPMG' in a stylized, cursive font.

Taipei, Taiwan (the Republic of China)
August 11, 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 June 30, 2016 and 2015
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

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

	2016.6.30	2015.12.31	2015.6.30		2016.6.30	2015.12.31	2015.6.30
Assets				Liabilities and Equity			
Current assets:				Current liabilities:			
Cash and cash equivalents (note 6(a))	\$ 1,414,992	1,869,657	3,157,475	Short-term borrowings (note 6(l))	\$ 46,544	23,656	-
Current financial assets at fair value through profit or loss (note 6(b))	505,871	1,014,688	1,328,101	Accounts payable	1,193,338	1,309,867	1,117,470
Current available-for-sale financial assets (note 6(c))	931,400	629,823	591,863	Other payables	2,638,512	1,810,125	1,641,379
Notes and accounts receivable, net (note 6(e))	1,296,671	700,028	994,406	Long-term liabilities, current portion (notes 6(m) and 8)	940,194	841,507	644,131
Inventories (note 6(f))	2,541,128	2,471,370	2,084,797	Other current liabilities	<u>164,621</u>	<u>620,449</u>	<u>295,993</u>
Other current assets (note 6(k))	<u>299,151</u>	<u>298,537</u>	<u>235,925</u>	Total current liabilities	<u>4,983,209</u>	<u>4,605,604</u>	<u>3,698,973</u>
Total current assets	<u>6,989,213</u>	<u>6,984,103</u>	<u>8,392,567</u>	Non-current liabilities:			
Non-current assets:				Long-term borrowings (notes 6(m) and 8)	2,356,310	2,098,796	2,567,908
Non-current available-for-sale financial assets (note 6(c))	1,560,522	1,268,721	1,177,511	Deferred tax liabilities	28,682	28,159	30,491
Non-current investments in debt instrument without active market (note 6(d))	145,800	159,600	159,600	Other non-current liabilities	<u>176,526</u>	<u>169,814</u>	<u>163,165</u>
Investments accounted for using equity method (note 6(g))	881,717	657,960	575,842	Total non-current liabilities	<u>2,561,518</u>	<u>2,296,769</u>	<u>2,761,564</u>
Property, plant and equipment (notes 6(h) and 8)	13,060,494	11,623,190	11,121,023	Total liabilities	<u>7,544,727</u>	<u>6,902,373</u>	<u>6,460,537</u>
Investment property (notes 6(i) and 8)	1,478,421	1,085,846	1,088,504	Equity (notes 6(p), 6(q) and 6(r)):			
Intangible assets (note 6(j))	72,753	62,370	50,980	Ordinary share	5,866,663	5,965,641	7,441,357
Deferred tax assets	70,978	85,104	81,891	Capital surplus	3,758,737	3,815,017	3,800,606
Prepayments for business facilities	1,279,920	2,135,838	722,192	Retained earnings	7,694,289	7,045,498	5,534,209
Other non-current assets (notes 6(k) and 8)	<u>50,873</u>	<u>48,741</u>	<u>54,078</u>	Other equity	<u>726,275</u>	<u>382,944</u>	<u>187,479</u>
Total non-current assets	<u>18,601,478</u>	<u>17,127,370</u>	<u>15,031,621</u>	Total equity	18,045,964	17,209,100	16,963,651
Total assets	<u>\$ 25,590,691</u>	<u>24,111,473</u>	<u>23,424,188</u>	Total liabilities and equity	<u>\$ 25,590,691</u>	<u>24,111,473</u>	<u>23,424,188</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 Comprehensive Income

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating revenue	\$ 3,571,846	3,098,992	6,863,928	5,905,824
Operating costs (notes 6(f) 、6(g) 、6(j) 、6(o) 、6(q) 、6(t) 、7 and 12)	<u>(2,172,063)</u>	<u>(1,897,687)</u>	<u>(4,090,557)</u>	<u>(3,641,622)</u>
Gross profit from operations	<u>1,399,783</u>	<u>1,201,305</u>	<u>2,773,371</u>	<u>2,264,202</u>
Operating expenses (notes 6(e) 、6(j) 、6(o) 、6(q) 、6(t) 、7 and 12):				
Selling expenses	(40,304)	(34,236)	(83,434)	(67,936)
Administrative expenses	(181,536)	(125,535)	(340,647)	(253,069)
Research and development expenses	<u>(137,862)</u>	<u>(140,022)</u>	<u>(303,078)</u>	<u>(267,216)</u>
Total operating expenses	<u>(359,702)</u>	<u>(299,793)</u>	<u>(727,159)</u>	<u>(588,221)</u>
Net operating income	<u>1,040,081</u>	<u>901,512</u>	<u>2,046,212</u>	<u>1,675,981</u>
Non-operating income and expenses:				
Other income (note 6(u))	19,618	19,047	35,489	34,693
Other gains and losses (note 6(u))	37,619	(53,669)	24,901	(81,145)
Finance costs (note 6(u))	(2,120)	(5,035)	(2,215)	(11,955)
Share of loss of associates and joint ventures accounted for using equity method (note 6(g))	<u>(5,245)</u>	<u>(19,189)</u>	<u>(9,551)</u>	<u>(32,796)</u>
Total non-operating income and expenses	<u>49,872</u>	<u>(58,846)</u>	<u>48,624</u>	<u>(91,203)</u>
Profit before tax	1,089,953	842,666	2,094,836	1,584,778
Total tax expense (note 6(p))	<u>(384,383)</u>	<u>(306,031)</u>	<u>(549,773)</u>	<u>(429,672)</u>
Profit	<u>705,570</u>	<u>536,635</u>	<u>1,545,063</u>	<u>1,155,106</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	(9,567)	(5,471)	(24,400)	(9,790)
Unrealized gains (loss) on valuation of available-for-sale financial assets	180,503	(107,289)	370,881	(24,585)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method (note 6(g))	(241)	950	(3,150)	983
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	-	-	-	-
Total Components of other comprehensive income that will be reclassified to profit or loss	<u>170,695</u>	<u>(111,810)</u>	<u>343,331</u>	<u>(33,392)</u>
Other comprehensive income, net	<u>170,695</u>	<u>(111,810)</u>	<u>343,331</u>	<u>(33,392)</u>
Comprehensive income	<u>\$ 876,265</u>	<u>424,825</u>	<u>1,888,394</u>	<u>1,121,714</u>
Profit, attributable to:				
Profit, attributable to owners of parent	<u>\$ 705,570</u>	<u>536,635</u>	<u>1,545,063</u>	<u>1,155,106</u>
Comprehensive income attributable to:				
Comprehensive income, attributable to owners of parent	<u>\$ 876,265</u>	<u>424,825</u>	<u>1,888,394</u>	<u>1,121,714</u>
Earnings per common share (expressed in dollars) (note 6(s))				
Basic earnings per share	<u>\$ 1.19</u>	<u>0.72</u>	<u>2.60</u>	<u>1.55</u>
Diluted earnings per share	<u>\$ 1.19</u>	<u>0.72</u>	<u>2.59</u>	<u>1.54</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 six months ended June 30, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent								Total equity attributable to owners of parent	Non-controlling interests	Total equity
	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			
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)	-	-	-	-	-	-	-
Cash dividends	-	-	-	(148,679)	(148,679)	-	-	-	(148,679)	-	(148,679)
	-	-	196,347	(345,026)	(148,679)	-	-	-	(148,679)	-	(148,679)
Net income for the six months ended June 30, 2015	-	-	-	1,155,106	1,155,106	-	-	-	1,155,106	-	1,155,106
Other comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	(8,807)	(24,585)	(33,392)	(33,392)	-	(33,392)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	1,155,106	1,155,106	(8,807)	(24,585)	(33,392)	1,121,714	-	1,121,714
Changes in equity of associated and joint ventures accounted for using equity method	-	7,881	-	-	-	-	-	-	7,881	-	7,881
Exercise of employee stock options	18,980	24,105	-	-	-	-	-	-	43,085	-	43,085
Balance on June 30, 2015	\$ 7,441,357	3,800,606	800,954	4,733,255	5,534,209	(3,898)	191,377	187,479	16,963,651	-	16,963,651
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	17,209,100	-	17,209,100
Appropriation of 2015 earnings approved by stockholders during their meeting in 2016:											
Legal reserve	-	-	267,163	(267,163)	-	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	(298,333)	-	(298,333)
	-	-	267,163	(565,496)	(298,333)	-	-	-	(298,333)	-	(298,333)
Net income for the six months ended June 30, 2016	-	-	-	1,545,063	1,545,063	-	-	-	1,545,063	-	1,545,063
Other comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	(27,550)	370,881	343,331	343,331	-	343,331
Total comprehensive income for the six months ended June 30, 2016	-	-	-	1,545,063	1,545,063	(27,550)	370,881	343,331	1,888,394	-	1,888,394
Changes in equity of associates and joint ventures accounted for using equity method	-	5,548	-	(125,817)	(125,817)	-	-	-	(120,269)	-	(120,269)
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	2,902	-	2,902
Retirement of treasury shares	(100,000)	(63,708)	-	(472,122)	(472,122)	-	-	-	(635,830)	-	(635,830)
Balance on June 30, 2016	\$ 5,866,663	3,758,737	1,068,117	6,626,172	7,694,289	(7,767)	734,042	726,275	18,045,964	-	18,045,964

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 six months ended June 30, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	January to June, 2016	January to June, 2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,094,836	1,584,778
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,064,839	937,825
Amortization expense	14,212	9,625
Net (gain) loss on financial assets at fair value through profit or loss	(45,639)	33,803
Interest expense	2,215	11,955
Interest income	(4,995)	(13,548)
Dividend income	(2,416)	(1,824)
Share of loss of associates and joint ventures accounted for using equity method	12,417	34,588
Loss on disposal of property, plant and equipment	923	-
Gain on disposal of investments	(935)	(1,790)
Total adjustments to reconcile profit	<u>1,040,621</u>	<u>1,010,634</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in current financial assets at fair value through profit or loss	(31,998)	8,752
Increase in notes and accounts receivable, net	(596,643)	(304,355)
Increase in inventories	(106,110)	(584,906)
Increase in other current assets	(602)	(46,658)
Total changes in operating assets	<u>(735,353)</u>	<u>(927,167)</u>
Changes in operating liabilities:		
Increase (decrease) in accounts payable	(116,529)	187,697
Increase in other payables	223,981	125,873
Increase (decrease) in other current liabilities	(455,828)	196,464
Increase in other non-current liabilities	584	903
Total changes in operating liabilities	<u>(347,792)</u>	<u>510,937</u>
Total changes in operating assets and liabilities	<u>(1,083,145)</u>	<u>(416,230)</u>
Cash inflow generated from operations	2,052,312	2,179,182
Income taxes paid	(568,827)	(321,204)
Net cash flows from operating activities	<u>1,483,485</u>	<u>1,857,978</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(2,004,963)	(2,030,299)
Proceeds from disposal of current financial assets at fair value through profit or loss	2,592,352	2,052,856
Acquisition of current available-for-sale financial assets	(21,733)	-
Acquisition of non-current available-for-sale financial assets	(201,933)	(55,620)
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	-
Acquisition of property, plant and equipment	(650,757)	(378,238)
Proceeds from disposal of property, plant and equipment	644	-
Acquisition of intangible assets	(14,408)	(4,527)
Increase in other non-current assets	(2,132)	(8,937)
Increase in prepayments for business facilities	(1,023,705)	(501,251)
Interest received	5,009	13,191
Dividends received	2,416	1,824
Net cash flows used in investing activities	<u>(1,682,704)</u>	<u>(1,131,001)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	22,888	-
Proceeds from long-term borrowings	727,000	-
Repayments of long-term borrowings	(371,410)	(272,722)
Increase in other non-current liabilities	6,128	3,303
Exercise of employee share options	2,902	43,085
Payment to acquire treasury shares	(635,830)	-
Interest paid	(1,594)	(11,226)
Net cash flows used in financing activities	<u>(249,916)</u>	<u>(237,560)</u>
Effect of exchange rate changes on cash and cash equivalents	(5,530)	(9,141)
Net increase (decrease) in cash and cash equivalents	(454,665)	480,276
Cash and cash equivalents at the beginning of period	1,869,657	2,677,199
Cash and cash equivalents at the end of period	<u>\$ 1,414,992</u>	<u>3,157,475</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of June 30, 2016 and 2015**

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 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 Company and its subsidiaries (together referred to as “the Group”) engage in the researching, developing, manufacturing, and selling of GaAs wafers. Please see note 14.

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

The condensed consolidated interim financial statements for the six months ended June 30, 2016 and 2015 were reported to the Board of Directors and issued on August 11, 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 effected 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.

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

<u>New Standards, Interpretations, and Amendments</u>	<u>Effective Date Prescribed by IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral 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

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

New Standards, Interpretations, and Amendments	Effective Date Prescribed by IASB
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
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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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. • Impairment: The new expected credit loss model is to replace the current incurred loss model.

(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”	<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. 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		
			2016.6.30	2015.12.31	2015.6.30
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	100%
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%
The Company	WIN Venture Capital Corp.	Investment activities	100%	100%	100%

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

(c) Income taxes

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

Income tax 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(d) 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.

(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 six months ended June 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

	2016.6.30	2015.12.31	2015.6.30
Cash on hand	\$ 183	200	206
Cash in bank	1,243,152	650,406	1,178,081
Time deposits	<u>171,657</u>	<u>1,219,051</u>	<u>1,979,188</u>
	<u>\$ 1,414,992</u>	<u>1,869,657</u>	<u>3,157,475</u>

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

(Continued)

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

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

	2016.6.30	2015.12.31	2015.6.30
Stocks listed on domestic markets	\$ 158,022	125,783	82,486
Money market funds, equity funds and bond funds	<u>347,849</u>	<u>888,905</u>	<u>1,245,615</u>
	<u>\$ 505,871</u>	<u>1,014,688</u>	<u>1,328,101</u>

Refer to note 6(u) 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

	2016.6.30	2015.12.31	2015.6.30
Stocks listed on domestic markets	\$ <u>931,400</u>	<u>629,823</u>	<u>591,863</u>

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

	2016.6.30	2015.12.31	2015.6.30
Stocks listed on domestic markets	\$ 17,071	20,560	15,043
Stocks listed on foreign markets	376,223	357,396	307,666
Non-public trading stocks	694,343	549,815	558,402
Private fund (Note)	<u>472,885</u>	<u>340,950</u>	<u>296,400</u>
	<u>\$ 1,560,522</u>	<u>1,268,721</u>	<u>1,177,511</u>

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

Refer to note 6(u) 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) Non-current investments in debt instrument without active market

	Issue period	Nominal rate (%)	2016.6.30	2015.12.31	2015.6.30
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.

(e) Notes and accounts receivable, net

	2016.6.30	2015.12.31	2015.6.30
Notes receivable	\$ 119	100	-
Accounts receivable	1,303,739	705,601	999,941
Less: allowance for doubtful accounts	<u>(7,187)</u>	<u>(5,673)</u>	<u>(5,535)</u>
	\$ <u>1,296,671</u>	<u>700,028</u>	<u>994,406</u>

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

	2016.6.30	2015.12.31	2015.6.30
Past due 1~60 days	\$ 190,925	26,304	94,371
Past due 61~180 days	-	1,882	2,237
Past due more than 181 days	-	-	-
	\$ <u>190,925</u>	<u>28,186</u>	<u>96,608</u>

The movement of allowance for doubtful accounts with respect to notes and accounts receivable for the six months ended June 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
Foreign currency differences	<u>(39)</u>	<u>-</u>	<u>(39)</u>
Balance at June 30, 2016	\$ <u>7,187</u>	<u>-</u>	<u>7,187</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2015	\$ 5,590	-	5,590
Foreign currency differences	<u>(55)</u>	<u>-</u>	<u>(55)</u>
Balance at June 30, 2015	<u>\$ 5,535</u>	<u>-</u>	<u>5,535</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 recognise 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

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

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

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

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

(f) Inventories

	2016.6.30	2015.12.31	2015.6.30
Raw materials, supplies and spare parts	\$ 1,586,664	1,505,390	1,345,716
Work in process	731,704	732,353	571,865
Finished goods	<u>222,760</u>	<u>233,627</u>	<u>167,216</u>
	<u>\$ 2,541,128</u>	<u>2,471,370</u>	<u>2,084,797</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 six months ended June 30, 2016 and 2015, were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>(20,690)</u>	<u>7,221</u>	<u>(42,093)</u>	<u>26,457</u>
Revenue from sale of scraps	\$ <u>(1,718)</u>	<u>(6,325)</u>	<u>(2,913)</u>	<u>(12,231)</u>

The inventories were not pledged.

(g) Investments accounted for using equity method

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

	2016.6.30	2015.12.31	2015.6.30
Associates	\$ <u>881,717</u>	<u>657,960</u>	<u>575,842</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 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. Therefore, the percentage of the Group's ownership increased to 50.00%. However, the Group does not obtain control right on it.

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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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.

	2016.6.30	2015.12.31	2015.6.30
Total equity of the individually insignificant investments in associates	\$ <u>881,717</u>	<u>657,960</u>	<u>575,842</u>
	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016
			Six months ended June 30, 2015
Attributable to the Group:			
Net loss	\$ (6,490)	(20,212)	(12,417)
Other comprehensive income (loss)	<u>(241)</u>	<u>950</u>	<u>(3,150)</u>
Total comprehensive income (loss)	\$ <u>(6,731)</u>	<u>(19,262)</u>	<u>(15,567)</u>
			<u>(33,605)</u>

2. Pledge to secure

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

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the six months ended June 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
Additions	-	171,796	289,531	437,295	52,854	83,644	1,035,120
Reclassification (Note 1)	-	967,324	1,576,560	1,075,649	58,050	(2,214,201)	1,463,382
Disposals	-	(9,226)	(41,008)	-	(5,313)	-	(55,547)
Balance as of June 30, 2016	\$ <u>2,546,534</u>	<u>2,130,011</u>	<u>14,376,901</u>	<u>4,333,714</u>	<u>334,400</u>	<u>126,853</u>	<u>23,848,413</u>
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	-	1,399	101,107	13,307	16,061	245,625	377,499
Reclassification (Note 2)	-	-	26,181	3,247	-	(3,247)	26,181
Disposals	-	-	(690)	-	(37,364)	-	(38,054)
Balance as of June 30, 2015	\$ <u>2,546,534</u>	<u>999,510</u>	<u>11,851,050</u>	<u>2,790,420</u>	<u>171,994</u>	<u>1,587,962</u>	<u>19,947,470</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
Accumulated depreciation:							
Balance as of January 1, 2016	\$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
Depreciation	-	31,615	890,275	113,535	24,206	-	1,059,631
Disposals	-	(7,688)	(40,980)	-	(5,312)	-	(53,980)
Balance as of June 30, 2016	\$ -	<u>453,218</u>	<u>8,363,296</u>	<u>1,795,305</u>	<u>176,100</u>	-	<u>10,787,919</u>
Balance as of January 1, 2015	\$ -	370,746	5,934,630	1,449,642	174,316	-	7,929,334
Depreciation	-	29,593	782,143	116,151	7,280	-	935,167
Disposals	-	-	(690)	-	(37,364)	-	(38,054)
Balance as of June 30, 2015	\$ -	<u>400,339</u>	<u>6,716,083</u>	<u>1,565,793</u>	<u>144,232</u>	-	<u>8,826,447</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 June 30, 2016	\$ <u>2,546,534</u>	<u>1,676,793</u>	<u>6,013,605</u>	<u>2,538,409</u>	<u>158,300</u>	<u>126,853</u>	<u>13,060,494</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 June 30, 2015	\$ <u>2,546,534</u>	<u>599,171</u>	<u>5,134,967</u>	<u>1,224,627</u>	<u>27,762</u>	<u>1,587,962</u>	<u>11,121,023</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 June 30, 2016, December 31, and June 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 June 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 April 1 to June 30, 2016 and 2015 and for the six months ended June 30, 2016 and 2015, capitalized interest expenses amounted to \$9,412 thousand and \$9,138 thousand, \$20,874 thousand and \$16,581 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.48%~1.56%, 1.66%~1.75%, 1.46%~1.64% and 1.55%~1.79%, respectively.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(i) Investment property

The cost and accumulated depreciation of the investment property of the Group for the six months ended June 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 June 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 June 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>5,208</u>	<u>5,208</u>
Balance as of March 31, 2016	<u>\$ -</u>	<u>20,714</u>	<u>20,714</u>
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	<u>-</u>	<u>2,658</u>	<u>2,658</u>
Balance as of June 30, 2015	<u>\$ -</u>	<u>12,848</u>	<u>12,848</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 June 30, 2016	<u>\$ 963,127</u>	<u>515,294</u>	<u>1,478,421</u>
Balance as of January 1, 2015	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
Balance as of June 30, 2015	<u>\$ 963,127</u>	<u>125,377</u>	<u>1,088,504</u>
Fair value:			
Balance as of June 30, 2016			\$ <u>1,668,019</u>
Balance as of June 30, 2015			\$ <u>1,266,641</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 six months ended June 30, 2016</u>
Hsinchu	0.31%
Taoyuan	1.57%

As of June 30, 2016, December 31 and June 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.

(j) Intangible assets

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

	Technical know-how	Computer software and information systems	Others	Total
Costs:				
Balance as of January 1, 2016	\$ 46,005	57,702	1,843	105,550
Additions	<u>-</u>	<u>21,328</u>	<u>3,267</u>	<u>24,595</u>
Balance as of June 30, 2016	<u>\$ 46,005</u>	<u>79,030</u>	<u>5,110</u>	<u>130,145</u>
Balance as of January 1, 2015	\$ 46,005	48,044	-	94,049
Additions	<u>-</u>	<u>5,178</u>	<u>1,005</u>	<u>6,183</u>
Balance as of June 30, 2015	<u>\$ 46,005</u>	<u>53,222</u>	<u>1,005</u>	<u>100,232</u>
Amortisation:				
Balance as of January 1, 2016	\$ 19,808	22,767	605	43,180
Amortisation	<u>1,917</u>	<u>11,499</u>	<u>796</u>	<u>14,212</u>
Balance as of June 30, 2016	<u>\$ 21,725</u>	<u>34,266</u>	<u>1,401</u>	<u>57,392</u>
Balance as of January 1, 2015	\$ 15,974	23,653	-	39,627
Amortisation	<u>1,917</u>	<u>7,485</u>	<u>223</u>	<u>9,625</u>
Balance as of June 30, 2015	<u>\$ 17,891</u>	<u>31,138</u>	<u>223</u>	<u>49,252</u>
Carrying value:				
Balance as of January 1, 2016	\$ <u>26,197</u>	<u>34,935</u>	<u>1,238</u>	<u>62,370</u>
Balance as of June 30, 2016	<u>\$ 24,280</u>	<u>44,764</u>	<u>3,709</u>	<u>72,753</u>
Balance as of January 1, 2015	<u>\$ 30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>
Balance as of June 30, 2015	<u>\$ 28,114</u>	<u>22,084</u>	<u>782</u>	<u>50,980</u>

2. Amortization expense recognized in profit or loss

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

For the periods from April 1 to June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015, the amortization expenses of intangible assets were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating costs	\$ 2,269	1,746	4,442	3,806
Operating expenses	<u>5,174</u>	<u>2,792</u>	<u>9,770</u>	<u>5,819</u>
	<u>\$ 7,443</u>	<u>4,538</u>	<u>14,212</u>	<u>9,625</u>

3. Pledge to secure

The intangible assets were not pledged.

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

	2016.6.30	2015.12.31	2015.6.30
Other receivable from metal reclaiming	\$ 162,461	123,648	151,319
Tax refund receivable	71,176	116,165	51,127
Prepayment for purchases and prepaid expenses	49,342	39,784	13,714
Restricted assets	25,529	25,481	23,721
Refundable deposits	25,344	23,260	30,357
Others	<u>16,172</u>	<u>18,940</u>	<u>19,765</u>
	<u>\$ 350,024</u>	<u>347,278</u>	<u>290,003</u>

(l) Short-term borrowings

	2016.6.30	2015.12.31	2015.6.30
Unsecured short-term borrowings	\$ <u>46,544</u>	<u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>2,812,847</u>	<u>3,402,960</u>	<u>2,886,670</u>
Unused bank credit lines for short-term and long-term borrowing	\$ <u>1,934,792</u>	<u>1,694,367</u>	<u>939,202</u>
Annual interest rate	<u>0.70%~1.30%</u>	<u>0.79%</u>	<u>-</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(m) Long-term borrowings

	2016.6.30	2015.12.31	2015.6.30
Unsecured long-term borrowings (settled in TWD) \$	727,000	-	-
Secured long-term borrowings (settled in TWD)	2,569,504	2,940,303	3,212,039
Less: long-term liabilities, current portion	(940,194)	(841,507)	(644,131)
Total	<u>\$ 2,356,310</u>	<u>2,098,796</u>	<u>2,567,908</u>
Unused bank credit lines for long-term borrowings \$	<u>1,708,000</u>	<u>1,458,000</u>	<u>1,258,000</u>
Annual interest rate	<u>1.35%~1.54%</u>	<u>1.54%~1.64%</u>	<u>1.62%~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 June 30, 2016, the remaining balances of the borrowing due were as follows:

Year due	Amount
July 1, 2016~June 30, 2017	\$ 940,194
July 1, 2017~ June 30, 2018	1,140,194
July 1, 2018~ June 30, 2019	921,750
July 1, 2019~ June 30, 2020	294,366
July 1, 2020 and after	-
	<u>\$ 3,296,504</u>

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

1. The proceeds and repayment of the borrowings

For the six months ended June 30, 2016, The Group proceeded from long-term borrowings amounting to \$727,000 thousand with an interest rate of 1.35%~1.41%. The long-term borrowings are due in June 2, 2018 to April 11, 2019. There was no such transaction for the six months ended June 30, 2015.

For the six months ended June 30, 2016 and 2015, the repayment amounted to \$371,410 thousand and \$272,722 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.

(Continued)

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

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.

(n) Operating lease

1. Lease-lessor

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

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 June 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.

(o) 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating costs	\$ -	-	-	-
Operating expenses	<u>580</u>	<u>517</u>	<u>1,160</u>	<u>1,034</u>
	<u>\$ 580</u>	<u>517</u>	<u>1,160</u>	<u>1,034</u>

2. Defined contribution plans

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating cost	\$ 12,244	9,314	22,770	18,675
Operating expenses	<u>2,961</u>	<u>2,741</u>	<u>5,989</u>	<u>5,322</u>
	<u>\$ 15,205</u>	<u>12,055</u>	<u>28,759</u>	<u>23,997</u>

(p) Income tax

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Income tax expense	<u>\$ 384,383</u>	<u>306,031</u>	<u>549,773</u>	<u>429,672</u>

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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:

	2016.6.30	2015.12.31	2015.6.30
Unappropriated earnings after 1997	\$ <u>6,626,172</u>	<u>6,244,544</u>	<u>4,733,255</u>
Balance of imputation credit account (ICA)	\$ <u>1,354,701</u>	<u>786,268</u>	<u>645,276</u>
		2015 (Estimated)	2014 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings		<u>24.04%</u>	<u>16.45%</u>

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.

(q) 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 June 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 six months ended June 30, 2016 and 2015, the Company had issued 102 thousand shares and 1,898 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 will become effective on August 1, 2016. And the Board of Directors will set up a reduction record date and to conduct the reduction procedures.

For the six months ended June 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 June 30, 2016, a total of 10,000 thousand shares from treasury shares was cancelled.

2. Capital surplus

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

	2016.6.30	2015.12.31	2015.6.30
Additional paid-in capital	\$ 3,736,867	3,797,820	3,768,090
Changes in equity of associates and joint ventures accounted for using equity method	21,163	15,614	21,579
Employee stock options	<u>707</u>	<u>1,583</u>	<u>10,937</u>
	<u>\$ 3,758,737</u>	<u>3,815,017</u>	<u>3,800,606</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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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.

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 earnings 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

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	(24,400)	-
Associates	(3,150)	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	370,881
Balance as of June 30, 2016	<u>\$ (7,767)</u>	<u>734,042</u>
Balance as of January 1, 2015	\$ 4,909	215,962
Foreign currency differences (net of tax) :		
Subsidiaries	(9,790)	-
Associates	983	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	(24,585)
Balance as of June 30, 2015	<u>\$ (3,898)</u>	<u>191,377</u>

(r) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to June 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 six months ended June 30, 2016 and 2015, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	<u>Six months ended June 30, 2016</u>		<u>Six months ended June 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)	22.70	(1,898)
Expired	-	(40)	-	-
Outstanding at the end	-	<u>-</u>	22.70	<u>1,249</u>
Exercisable as of June 30		<u>-</u>		<u>1,249</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Compensation cost for employee stock options

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

(s) Earnings per share ("EPS")

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

	<u>Three months ended June 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	\$ 705,570	591,108	\$ <u>1.19</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	<u>-</u>	<u>2,158</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 705,570</u>	<u>593,266</u>	<u>\$ 1.19</u>
	<u>Three months ended June 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	\$ 536,635	743,642	\$ <u>0.72</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	5,156	
Employee stock options	<u>-</u>	<u>821</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 536,635</u>	<u>749,619</u>	<u>\$ 0.72</u>

(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 April 1 to June 30, 2016, and for the six months ended June 30, 2016, the Company accrued and recognised its employee bonuses amounting to \$74,300 thousand and \$140,900 thousand, and directors' and supervisors' remuneration amounting to \$21,600 thousand and \$40,900 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 April 1 to June 30, 2016, and of six months ended June 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.

(u) Non-operating income and expenses

1. Other income

For the periods from April 1 to June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015, the details of other income were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest income	\$ 2,339	6,802	4,995	13,548
Dividend income	1,215	927	2,416	1,824
Rent income	<u>16,064</u>	<u>11,318</u>	<u>28,078</u>	<u>19,321</u>
	<u>\$ 19,618</u>	<u>19,047</u>	<u>35,489</u>	<u>34,693</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Other gains and losses

For the periods from April 1 to June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015, the details of other gains and losses were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Foreign exchange losses	\$ (6,922)	(30,078)	(50,577)	(52,284)
Gains on disposals of investments	301	352	910	1,597
Gains (losses) on financial assets or liabilities at fair value through profit or loss	20,702	(4,197)	28,596	(1,755)
Losses on disposals of property, plant and equipment	(918)	-	(923)	-
Other	<u>24,456</u>	<u>(19,746)</u>	<u>46,895</u>	<u>(28,703)</u>
	<u>\$ 37,619</u>	<u>(53,669)</u>	<u>24,901</u>	<u>(81,145)</u>

3. Finance costs

For the periods from April 1 to June 30, 2016 and 2015, and for the six months ended June 30, 2016 and 2015, the details of finance costs were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest expense on bank borrowings	\$ 11,430	13,628	22,892	27,837
Other interest expense	102	545	197	699
Less: capitalized interest expense	<u>(9,412)</u>	<u>(9,138)</u>	<u>(20,874)</u>	<u>(16,581)</u>
	<u>\$ 2,120</u>	<u>5,035</u>	<u>2,215</u>	<u>11,955</u>

(v) 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.

(Continued)

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:

	2016.6.30			2015.12.31			2015.6.30		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
Financial assets									
Monetary items									
USD	\$ 66,845	32.28	2,157,754	71,622	32.83	2,351,365	116,879	30.86	3,606,883
EUR	125	35.89	4,473	1	35.88	19	-	-	-
JPY	90,359	0.3143	28,399	133,307	0.2727	36,352	176,978	0.2524	44,671
GBP	10	43.46	425	33	48.67	1,600	5	48.48	264
HKD	63	4.16	261	63	4.24	268	63	3.98	251
RMB	-	-	-	9	5.00	47	15,052	4.97	74,810
			<u>\$ 2,191,312</u>			<u>2,389,651</u>			<u>3,726,879</u>
Non-monetary items									
USD	1,153	32.28	<u>\$ 37,900</u>	83	32.83	<u>2,711</u>	90	30.86	<u>2,762</u>
Financial liabilities									
Monetary items									
USD	18,885	32.28	609,616	19,668	32.83	645,693	17,238	30.86	531,950
EUR	321	35.89	11,530	112	35.88	4,022	213	34.46	7,332
JPY	606,248	0.3143	190,542	654,578	0.2727	178,503	649,550	0.2524	163,947
GBP	-	-	-	8	48.67	383	10	48.48	495
			<u>\$ 811,688</u>			<u>828,601</u>			<u>703,724</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 TWD against the USD, EUR, GBP and the JPY etc for the six months ended June 30, 2016 and 2015 would have increased (decreased) the net profit after tax by \$57,374 thousand and \$125,598 thousand, respectively, and other comprehensive income by \$875 thousand and \$0 thousand, respectively. The analysis assumes that all other variables remain constant.

The Group's exchange gain or loss, including realized and unrealized of monetary items convert to amount of functional currency, and the Company's functional currency (also, the Group's functional currency), information about exchange rate is as below:

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
TWD	\$ <u>46,708</u>	<u>-</u>	<u>(52,384)</u>	<u>-</u>
USD	US\$ <u>(118)</u>	<u>32.78</u>	<u>3</u>	<u>31.18</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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.

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 \$5,917 thousand and \$6,672 thousand for the six months ended June 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 six months ended June 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	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ <u>74,758</u>	<u>15,176</u>	<u>53,081</u>	<u>39,843</u>
Decreasing 3%	\$ <u>(74,758)</u>	<u>(15,176)</u>	<u>(53,081)</u>	<u>(39,843)</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

2016.6.30					
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	\$ 158,022	158,022	-	-	158,022
Funds and investment	<u>347,849</u>	<u>347,849</u>	-	-	<u>347,849</u>
Subtotal	<u>505,871</u>	<u>505,871</u>	-	-	<u>505,871</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,324,694	1,324,694	-	-	1,324,694
Non-public stocks	694,343	-	694,343	-	694,343
Private fund	<u>472,885</u>	-	<u>472,885</u>	-	<u>472,885</u>
Subtotal	<u>2,491,922</u>	<u>1,324,694</u>	<u>1,167,228</u>	-	<u>2,491,922</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,414,992	-	-	-	-
Investments in debt instrument without active market (Note)	145,800	-	-	-	-
Notes and accounts receivables (Note)	1,296,671	-	-	-	-
Other receivables (Note)	<u>249,725</u>	-	-	-	-
Subtotal	<u>3,107,188</u>	-	-	-	-
Total	<u>\$ 6,104,981</u>	<u>1,830,565</u>	<u>1,167,228</u>	-	<u>2,997,793</u>
Amortized cost of financial liability					
Bank loan (Note)	3,343,048	-	-	-	-
Accounts payable (Note)	1,193,338	-	-	-	-
Other payables (Note)	<u>2,098,269</u>	-	-	-	-
Total	<u>\$ 6,634,655</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	<u>888,905</u>	<u>888,905</u>	-	-	<u>888,905</u>
Subtotal	<u>1,014,688</u>	<u>1,014,688</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	<u>340,950</u>	-	<u>340,950</u>	-	<u>340,950</u>
Subtotal	<u>1,898,544</u>	<u>1,007,779</u>	<u>890,765</u>	-	<u>1,898,544</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,869,657	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Notes and accounts receivable (Note)	700,028	-	-	-	-
Other receivables (Note)	<u>258,753</u>	-	-	-	-
Subtotal	<u>2,988,038</u>	-	-	-	-
Total	<u>\$ 5,901,270</u>	<u>2,022,467</u>	<u>890,765</u>	-	<u>2,913,232</u>
Amortized cost of financial liability					
Bank loan (Note)	2,963,959	-	-	-	-
Accounts payable (Note)	1,309,867	-	-	-	-
Other payables (Note)	<u>1,236,205</u>	-	-	-	-
Total	<u>\$ 5,510,031</u>	-	-	-	-

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	2015.6.30				Total
	Carrying value	Fair value			
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 82,486	82,486	-	-	82,486
Funds and investment	<u>1,245,615</u>	<u>1,245,615</u>	-	-	<u>1,245,615</u>
Subtotal	<u>1,328,101</u>	<u>1,328,101</u>	-	-	<u>1,328,101</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	914,572	914,572	-	-	914,572
Non-public stocks	558,402	-	558,402	-	558,402
Private fund	<u>296,400</u>	<u>-</u>	<u>296,400</u>	<u>-</u>	<u>296,400</u>
Subtotal	<u>1,769,374</u>	<u>914,572</u>	<u>854,802</u>	<u>-</u>	<u>1,769,374</u>
Loans and receivables					
Cash and cash equivalents (Note)	3,157,475	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Accounts receivable (Note)	994,406	-	-	-	-
Other receivables (Note)	<u>222,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,533,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,631,151</u>	<u>2,242,673</u>	<u>854,802</u>	<u>-</u>	<u>3,097,475</u>
Amortized cost of financial liability					
Bank loan (Note)	3,212,039	-	-	-	-
Accounts payable (Note)	1,117,470	-	-	-	-
Other payables (Note)	<u>1,641,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>\$ 5,970,888</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 six months ended June 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 six months ended June 30, 2016 and 2015.

(w) 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 six months ended June 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.

(x) Capital management

The Group's objective, policies and process of capital management of the condensed consolidated interim financial statements for the six months ended June 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Significant transactions with related parties: None.

(c) Transactions with key management personnel

For the periods from April 1 to June 30, and for the six months ended June 30, 2016 and 2015, key management personnel compensation were comprised as below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Short-term employee benefits	\$ 71,412	77,405	137,331	125,927
Post-employment benefits	<u>186</u>	<u>177</u>	<u>363</u>	<u>354</u>
	<u>\$ 71,598</u>	<u>77,582</u>	<u>137,694</u>	<u>126,281</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	2016.6.30	2015.12.31	2015.6.30
Other non-current assets	Gas deposits	\$ 4,700	4,700	3,000
Other non-current assets	Customs guarantee	20,829	20,781	20,721
Property, plant and equipment	Long-term borrowings	3,515,839	3,985,080	4,319,524
Investment property	Long-term borrowings	<u>1,478,421</u>	<u>1,085,846</u>	<u>1,088,504</u>
		<u>\$ 5,019,789</u>	<u>5,096,407</u>	<u>5,431,749</u>

(9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

- 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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:

	2016.6.30	2015.12.31	2015.6.30
The unrecognized amount	\$ <u>1,323,232</u>	<u>2,100,360</u>	<u>2,835,313</u>

3. The unused letters of credit

	2016.6.30	2015.12.31	2015.6.30
The unused letters of credit	\$ <u>148,108</u>	<u>105,610</u>	<u>199,621</u>

(10) **Important damage losses: None.**

(11) **Important subsequent events: None.**

(12) **Others**

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

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 335,040	164,003	499,043	282,489	140,079	422,568
Labor and health insurance	23,498	7,554	31,052	19,388	7,140	26,528
Pension	12,244	3,541	15,785	9,314	3,258	12,572
Others	19,887	2,933	22,820	10,562	2,059	12,621
Depreciation	526,869	33,577	560,446	437,085	32,975	470,060
Amortization	2,269	5,174	7,443	1,746	2,792	4,538

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	Six months ended June 30, 2016			Six months ended June 30, 2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 676,796	328,152	1,004,948	606,662	273,875	880,537
Labor and health insurance	47,208	16,801	64,009	40,447	14,259	54,706
Pension	22,770	7,149	29,919	18,675	6,356	25,031
Others	32,778	6,903	39,681	20,351	3,851	24,202
Depreciation	997,604	67,235	1,064,839	874,748	63,077	937,825
Amortization	4,442	9,770	14,212	3,806	5,819	9,625

(b) Seasonality or cyclicity of interim operations

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

(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 six months ended June 30, 2016:

1. Lending to other parties: None.
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	June 30, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Allianz Global Investors All Seasons Return Fund of Bond Funds	None	Current financial assets at fair value through profit or loss	10,480	156,430	-	156,430	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	156,813	-	156,813	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,416	-	2,416	
"	Green Seal Holding Limited/Stock	"	"	500	74,750	0.34	74,750	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	83,272	0.38	83,272	
"	Mega Diamond Money Market Fund	"	"	9	107	-	107	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	2,560	31,729	-	31,729	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	June 30, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
WIN Venture Capital Corp.	Capital Money Market Fund	None	Current financial assets at fair value through profit or loss	22	354	-	354	
					<u>505,871</u>		<u>505,871</u>	
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	25,968	840,055	8.57	840,055	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	90,304	2.49	90,304	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	1,041	0.03	1,041	
					<u>931,400</u>		<u>931,400</u>	
"	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	350,091	10.51	350,091	
"	Tainergy Tech Co., Ltd./Stock	"	"	943	17,071	0.26	17,071	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	91,193	3.33	91,193	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	437,400	-	437,400	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	59,740	1.17	59,740	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	100,000	15.87	100,000	
"	MegiCapital Fund II, L.P.	"	"	-	35,485	5.81	35,485	
"	Grand Fortune Venture Co. /Stock	"	"	5,000	52,376	6.87	52,376	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. /Stock	Subsidiary's main client	Non-current available-for-sale financial assets	75	376,223	0.02	376,223	(Note 1)
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	11,481	14.37	11,481	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	15,338	7.33	15,338	
"	MOAI Electronics Corporation /Stock	"	"	300	2,509	1.27	2,509	
"	Merit Biotech INC. /Stock	"	"	1,028	11,615	2.28	11,615	
					<u>1,560,522</u>		<u>1,560,522</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)	

Note1: Avago Technologies Ltd. renamed Broadcom Ltd. because it merged with Broadcom Corporation in 2016.

Note2: The redeemable preferred stock was the nature of bond, which was recognised as non-current investment in debt instrument without active market.

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	83,166	1,029,259	103,034	1,275,316	1,274,997	319	-	-
"	Polaris De-Bao Money Market Fund	"	-	-	7,538	89,500	47,686	566,744	55,224	656,349	656,244	105	-	-
"	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	(2,102,475)	31%	1-2 Month	-	-	444,276	35%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	2,102,475	100%	1-2 Month	-	-	(444,276)	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 June 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	444,276	10.26	-	-	444,276	-	(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 six months ended June 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	2,102,475	Note 3	30.63%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	444,276	"	1.74%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	444,276	"	1.74%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	2,102,475	"	30.63%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	37,373	"	0.54%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	37,373	"	0.54%

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.

(b) Information on investments:

The followings are the information on investees for the six months ended June 30, 2016:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of June 30, 2016			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				June 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%	6,218	(1,238)	(1,238)	(Note 1)
"	Win semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	718,136	227,636	22,000	100.00%	1,072,680	3,075	3,075	(Note 1)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	680,029	789,455	32,828	34.52%	176,822	(10,159)	(5,545)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	200,000	25,000	100.00%	167,202	12,254	12,254	(Note 1)
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06%	102,968	(42,911)	(13,058)	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of June 30, 2016			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				June 30, 2016	December 31, 2015	Shares (in thousands)	Percentage	Carrying value			
The Company	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	3,490	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82%	22,603	(42,911)	(2,866)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	32,590	20	40.00%	31,705	(852)	(340)	
	Merit Biotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	682,260	195,540	10,500	50.00%	547,619	41,182	9,392	

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 June 30, 2016	Net income (losses) of the investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized	Carrying value as of June 30, 2016 (Note 3)	Accumulated inward remittance of earnings as of June 30, 2016
					Outflow	Inflow						
JIANGSU KANG YUAN MERIT AGRICULTURAL DEVELOPMENT CO., LTD.	Hog farming and technology development	208,274 (RMB 42,943)	(Note 1)	-	-	-	-	43,760 (RMB 8,752)	50%	21,939 (USD 669)	211,081 (USD 6,539)	-
JIANGSU CM/MERIT AGRICULTURE DEVELOPMENT CO., LTD.	Hog farming and technology development	193,680 (USD 6,000)	(Note 1)	-	116,208 (USD 3,600)	-	116,208 (USD 3,600)	(2,435) (RMB 487)	30%	(439) (USD 13)	114,766 (USD 3,555)	-
JIANGSU MERIT/CM AGRICULTURE DEVELOPMENT CO., LTD.	Hog farming and technology development	96,840 (USD 3,000)	(Note 1)	-	58,104 (USD 1,800)	-	58,104 (USD 1,800)	565 (RMB 113)	30%	102 (USD 3)	58,440 (USD 1,810)	-
JIANGSU MERIT/COFCO-JOYCOME AGRICULTURE DEVELOPMENT CO., LTD.	Hog farming and technology development	154,944 (USD 4,800)	(Note 1)	-	92,966 (USD 2,880)	-	92,966 (USD 2,880)	(310) (RMB 62)	30%	(56) (USD 2)	92,782 (USD 2,874)	-
JIANGSU MERIT RUNFU AGRICULTURE DEVELOPMENT CO., LTD.	Hog farming and technology development	78,458 (RMB 16,177)	(Note 1)	-	-	-	-	(1,930) (RMB 386)	50%	(489) (USD 15)	38,687 (USD 1,198)	-

(d) Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of June 30, 2016	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
267,278 (USD 8,280)	677,880 (USD 21,000)	10,827,578

Note 1: The Group invested in Mainland China companies through Merit Biotech (Cayman Islands) Co., Ltd., which is established in a third region.

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

Note 3: Carrying value as of June 30, 2016 was with reference to the amount recognized by the associates of the subsidiaries established in a third region.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollar at the average exchange rate for the six months ended June 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 only reportable segment is the foundry segment. The foundry segment engages mainly in researching, developing, manufacturing, and selling of GaAs wafers etc.

Other operating segment which was incorporated in April, 2014 is mainly engaged in investment activities and does 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 six months ended June 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 June 30, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>3,558,720</u>	<u>13,126</u>	<u>-</u>	<u>3,571,846</u>
Interest expense	\$ <u>2,120</u>	<u>-</u>	<u>-</u>	<u>2,120</u>
Depreciation and amortization	\$ <u>567,889</u>	<u>-</u>	<u>-</u>	<u>567,889</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(5,245)</u>	<u>-</u>	<u>-</u>	<u>(5,245)</u>
Reportable segment profit or loss	\$ <u>1,029,161</u>	<u>10,920</u>	<u>-</u>	<u>1,040,081</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>809,517</u>	<u>-</u>	<u>-</u>	<u>809,517</u>
Three months ended June 30, 2015	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>3,098,987</u>	<u>5</u>	<u>-</u>	<u>3,098,992</u>
Interest expense	\$ <u>5,035</u>	<u>-</u>	<u>-</u>	<u>5,035</u>
Depreciation and amortization	\$ <u>474,598</u>	<u>-</u>	<u>-</u>	<u>474,598</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(19,189)</u>	<u>-</u>	<u>-</u>	<u>(19,189)</u>
Reportable segment profit or loss	\$ <u>921,464</u>	<u>(19,952)</u>	<u>-</u>	<u>901,512</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>382,270</u>	<u>-</u>	<u>-</u>	<u>382,270</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Six months ended June 30, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>6,846,859</u>	<u>17,069</u>	<u>-</u>	<u>6,863,928</u>
Interest expense	\$ <u>2,215</u>	<u>-</u>	<u>-</u>	<u>2,215</u>
Depreciation and amortization	\$ <u>1,079,051</u>	<u>-</u>	<u>-</u>	<u>1,079,051</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(9,551)</u>	<u>-</u>	<u>-</u>	<u>(9,551)</u>
Reportable segment profit or loss	\$ <u>2,033,958</u>	<u>12,254</u>	<u>-</u>	<u>2,046,212</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>1,688,870</u>	<u>-</u>	<u>-</u>	<u>1,688,870</u>
Six months ended June 30, 2015	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>5,905,630</u>	<u>194</u>	<u>-</u>	<u>5,905,824</u>
Interest expense	\$ <u>11,955</u>	<u>-</u>	<u>-</u>	<u>11,955</u>
Depreciation and amortization	\$ <u>947,450</u>	<u>-</u>	<u>-</u>	<u>947,450</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(32,796)</u>	<u>-</u>	<u>-</u>	<u>(32,796)</u>
Reportable segment profit or loss	\$ <u>1,711,543</u>	<u>(35,562)</u>	<u>-</u>	<u>1,675,981</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>884,016</u>	<u>-</u>	<u>-</u>	<u>884,016</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.