

WIN Semiconductors Corp. and Subsidiaries
Condensed Consolidated Financial Statements
March 31, 2016 and 2015
(With Independent Auditors' Review Thereon)

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Independent Auditors' Review Report

The Board of Directors
WIN Semiconductors Corp.

We have reviewed the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of March 31, 2016 and 2015, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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\$540,808 thousand and NT\$587,223 thousand as of March 31, 2016 and 2015, and the share of loss of associates and joint ventures accounted for using the equity method of NT\$5,927 thousand, NT\$14,376 thousand for the three months ended March 31, 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 the International Accounting Standards 34 "Interim Financial Reporting," which are accredited by the Financial Supervisory Commission, R.O.C.



In accordance with the generally accepted auditing standards and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” in the Republic of China, we have previously audited the consolidated financial statements of the Company and its subsidiaries, which comprise the consolidated financial statements as of and for the year ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 17, 2016, we expressed an unqualified audit opinion on those consolidated financial statements. Based on the opinion dated March 17, 2016, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2015 is fairly stated, in all material respects, in 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 cursive, stylized font.

Taipei, Taiwan (the Republic of China)
May 12, 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved 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 March 31, 2016 and 2015
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

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

	2016.3.31	2015.12.31	2015.3.31	2015.3.31
Assets				
Current assets:				
Cash and cash equivalents (note 6(a))	\$ 1,717,761	1,869,657	2,897,176	
Current financial assets at fair value through profit or loss (note 6(b))	773,501	1,014,688	902,835	1,237,778
Current available-for-sale financial assets (note 6(c))	838,533	629,823	697,534	1,270,015
Notes and accounts receivable, net (note 6(c))	911,195	700,028	936,162	545,444
Inventories (note 6(f))	2,534,218	2,471,370	1,915,152	119,256
Other current assets (note 6(k))	210,478	298,537	321,959	3,172,493
Total current assets	<u>6,985,686</u>	<u>6,984,103</u>	<u>7,670,818</u>	
Non-current assets:				
Non-current available-for-sale financial assets (note 6(c))	1,387,881	1,268,721	1,148,764	2,666,102
Non-current investments in debt instrument without active market (note 6(d))	159,600	159,600	159,600	27,850
Investments accounted for using equity method (note 6(e))	540,808	657,960	587,223	159,402
Property, plant and equipment (notes 6(h) and 8)	11,317,307	11,623,190	11,459,122	2,853,354
Investment property (notes 6(i) and 8)	1,084,517	1,085,846	1,089,833	6,025,847
Intangible assets (note 6(j))	60,595	62,370	51,740	7,433,953
Deferred tax assets	97,741	85,104	81,254	3,783,322
Prepayments for business facilities	2,655,379	2,135,838	390,299	5,146,253
Non-current prepayments for investments	193,140	-	-	299,289
Other non-current assets (notes 6(k) and 8)	49,969	48,741	50,011	17,209,100
Total non-current assets	<u>17,546,937</u>	<u>17,127,370</u>	<u>15,017,846</u>	
Total assets	<u>\$ 24,532,623</u>	<u>24,111,473</u>	<u>22,688,664</u>	<u>22,688,664</u>
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note 6(l))	\$ -			23,656
Accounts payable	1,117,697	1,309,867	1,309,867	1,237,778
Other payables	1,794,233	1,810,125	1,810,125	1,270,015
Long-term liabilities, current portion (notes 6(m) and 8)	940,194	841,507	841,507	545,444
Other current liabilities	275,313	620,449	620,449	119,256
Total current liabilities	<u>4,127,437</u>	<u>4,605,604</u>	<u>4,605,604</u>	<u>3,172,493</u>
Non-current liabilities:				
Long-term borrowings (notes 6(m) and 8)	1,977,730	2,098,796	2,098,796	2,666,102
Deferred tax liabilities	27,486	28,159	28,159	27,850
Other non-current liabilities	170,316	169,814	169,814	159,402
Total non-current liabilities	<u>2,175,532</u>	<u>2,296,769</u>	<u>2,296,769</u>	<u>2,853,354</u>
Total liabilities	<u>6,302,969</u>	<u>6,902,373</u>	<u>6,902,373</u>	<u>6,025,847</u>
Equity (notes 6(p), 6(q) and 6(r)):				
Ordinary share	5,966,663	5,965,641	5,965,641	7,433,953
Capital surplus	3,822,420	3,815,017	3,815,017	3,783,322
Retained earnings	7,884,991	7,045,498	7,045,498	5,146,253
Other equity	555,580	382,944	382,944	299,289
Total equity	<u>18,229,654</u>	<u>17,209,100</u>	<u>17,209,100</u>	<u>16,662,817</u>
Total liabilities and equity	<u>\$ 24,532,623</u>	<u>24,111,473</u>	<u>22,688,664</u>	<u>22,688,664</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 three months ended March 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	2016	2015
Operating revenue	\$ 3,292,082	2,806,832
Operating costs (notes 6(f) 、 6(g) 、 6(j) 、 6(o) 、 6(q) 、 6(t) 、 7 and 12)	<u>(1,918,494)</u>	<u>(1,743,935)</u>
Gross profit from operations	<u>1,373,588</u>	<u>1,062,897</u>
Operating expenses (notes 6(j) 、 6(o) 、 6(q) 、 6(t) 、 7 and 12):		
Selling expenses	(43,130)	(33,700)
Administrative expenses	(159,111)	(127,534)
Research and development expenses	<u>(165,216)</u>	<u>(127,194)</u>
Total operating expenses	<u>(367,457)</u>	<u>(288,428)</u>
Net operating income	<u>1,006,131</u>	<u>774,469</u>
Non-operating income and expenses:		
Other income (note 6(u))	15,871	15,646
Other gains and losses (note 6(u))	(12,718)	(27,476)
Finance costs (note 6(u))	(95)	(6,920)
Share of loss of associates and joint ventures accounted for using equity method (note 6(g))	<u>(4,306)</u>	<u>(13,607)</u>
Total non-operating income and expenses	<u>(1,248)</u>	<u>(32,357)</u>
Profit before tax	1,004,883	742,112
Total tax expense (note 6(p))	<u>(165,390)</u>	<u>(123,641)</u>
Profit	<u>839,493</u>	<u>618,471</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	(14,833)	(4,319)
Unrealized gains on valuation of available-for-sale financial assets	190,378	82,704
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method (note 6(g))	(2,909)	33
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(p))	<u>-</u>	<u>-</u>
Total Components of other comprehensive income that will be reclassified to profit or loss	<u>172,636</u>	<u>78,418</u>
Other comprehensive income, net	<u>172,636</u>	<u>78,418</u>
Comprehensive income	<u>\$ 1,012,129</u>	<u>696,889</u>
Profit, attributable to:		
Profit, attributable to owners of parent	<u>\$ 839,493</u>	<u>618,471</u>
Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	<u>\$ 1,012,129</u>	<u>696,889</u>
Earnings per common share (expressed in dollars) (note 6(s))		
Basic earnings per share	<u>\$ 1.41</u>	<u>0.83</u>
Diluted earnings per share	<u>\$ 1.40</u>	<u>0.83</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 three months ended March 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent						Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Other equity interest				
						Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets			
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
Net income for the three months ended March 31, 2015	-	-	-	618,471	618,471	-	-	-	618,471	618,471
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	(4,286)	82,704	78,418	78,418	78,418
Total comprehensive income for the three months ended March 31, 2015	-	-	-	618,471	618,471	(4,286)	82,704	78,418	696,889	696,889
Exercise of employee stock options	11,576	14,702	-	-	-	-	-	-	26,278	26,278
Balance on March 31, 2015	\$ 7,433,953	3,783,322	604,607	4,541,646	5,146,253	623	298,666	299,289	16,662,817	16,662,817
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
Net income for the three months ended March 31, 2016	-	-	-	839,493	839,493	-	-	-	839,493	839,493
Other comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	(17,742)	190,378	172,636	172,636	172,636
Total comprehensive income for the three months ended March 31, 2016	-	-	-	839,493	839,493	(17,742)	190,378	172,636	1,012,129	1,012,129
Changes in equity of associates and joint ventures accounted for using equity method	-	-	-	-	-	-	-	-	5,523	5,523
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	2,902	2,902
Balance on March 31, 2016	\$ 5,966,663	3,822,470	800,954	7,084,037	7,884,991	2,041	553,539	555,580	18,229,654	18,229,654

Net income for the three months ended March 31, 2015
Other comprehensive income for the three months ended March 31, 2015
Total comprehensive income for the three months ended March 31, 2015
Exercise of employee stock options
Balance on March 31, 2015
Balance on January 1, 2016
Net income for the three months ended March 31, 2016
Other comprehensive income for the three months ended March 31, 2016
Total comprehensive income for the three months ended March 31, 2016
Changes in equity of associates and joint ventures accounted for using equity method
Exercise of employee stock options
Balance on March 31, 2016

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 three months ended March 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>1,004,883</u>	<u>742,112</u>
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	504,393	467,765
Amortization expense	6,769	5,087
Net loss (gain) on financial assets at fair value through profit or loss	(11,837)	11,629
Interest expense	95	6,920
Interest income	(2,656)	(6,746)
Dividend income	(1,201)	(897)
Share of loss of associates and joint ventures accounted for using equity method	5,927	14,376
Loss on disposal of property, plant and equipment	5	-
Gain on disposal of investments	(609)	(1,434)
Total adjustments to reconcile profit	<u>500,886</u>	<u>496,700</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	(49,464)	7,876
Notes and accounts receivable, net	(211,167)	(246,111)
Inventories	(89,127)	(415,235)
Other current assets	88,260	(132,254)
Total changes in operating assets	<u>(261,498)</u>	<u>(785,724)</u>
Changes in operating liabilities:		
Accounts payable	(192,170)	308,005
Other payables	(10,417)	(29,494)
Other current liabilities	(345,136)	19,727
Other non-current liabilities	502	443
Total changes in operating liabilities	<u>(547,221)</u>	<u>298,681</u>
Total changes in operating assets and liabilities	<u>(808,719)</u>	<u>(487,043)</u>
Cash inflow generated from operations	697,050	751,769
Income taxes paid	(199)	(619)
Net cash flows from operating activities	<u>696,851</u>	<u>751,150</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(1,046,802)	(648,882)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,349,899	1,119,399
Acquisition of current available-for-sale financial assets	(21,732)	-
Acquisition of non-current available-for-sale financial assets	(117,119)	(25,000)
Acquisition of investments accounted for using equity method	-	(220,000)
Proceeds from capital reduction of investments accounted for using equity method	109,426	-
Increase in prepayments for investments	(193,140)	-
Acquisition of property, plant and equipment	(270,972)	(294,197)
Acquisition of intangible assets	(244)	(2,639)
Increase in other non-current assets	(1,228)	(4,870)
Increase in prepayments for business facilities	(608,137)	(204,910)
Interest received	2,481	5,951
Dividends received	1,201	897
Net cash flows used in investing activities	<u>(796,367)</u>	<u>(274,251)</u>
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(23,656)	-
Proceeds from long-term borrowings	250,000	-
Repayments of long-term borrowings	(272,722)	(272,722)
Exercise of employee share options	2,902	26,278
Interest paid	157	(6,553)
Net cash flows used in financing activities	<u>(43,319)</u>	<u>(252,997)</u>
Effect of exchange rate changes on cash and cash equivalents	(9,061)	(3,925)
Net increase (decrease) in cash and cash equivalents	<u>(151,896)</u>	<u>219,977</u>
Cash and cash equivalents at the beginning of period	<u>1,869,657</u>	<u>2,677,199</u>
Cash and cash equivalents at the end of period	<u>\$ <u>1,717,761</u></u>	<u><u>2,897,176</u></u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2016 and 2015**

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

March 31, 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 three months ended March 31, 2016 and 2015 was authorized for issued by the Board of Directors as of May 12, 2016.

(3) New standards and interpretations not yet adopted

The new released or amended standards and interpretations not yet endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”).

A summary of the new standards and amendments issued by the International Accounting Standards Board (“IASB”) since the nearest end date of the reporting period (“reporting date”) till the reporting date of the condensed consolidated interim financial statements that has not yet endorsed and issued by the FSC are as following:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective Date Prescribed by IASB</u>
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”	Depend on IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Account”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Lease”	January 1, 2019
Amendments to IFRS 15 “Clarification of IFRS 15”	January 1, 2018
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective Date Prescribed by IASB
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “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
IFRIC 21 “Levies”	January 1, 2014

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.

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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		
			2016.3.31	2015.12.31	2015.3.31
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 recognised 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.

(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.

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

The accounting policy and disclosure of the Group include that measuring the financial assets and financial liabilities at fair value. The accounting department of the Group uses external information to make the evaluation result agreed to market status and to confirm the data resource is independent reliable and consistent with other resource. The accounting department of the Group regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results are reasonable. The accounting department of the Group regularly evaluates investment property using the evaluation methods announced by FSC and related parametric assumptions.

When measuring the fair value of an asset or a liability, the Group usually uses market observable data. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

1. Note 6(i)-Investment property.
2. Note 6(v)-Financial instruments.

(6) Significant account disclosure

Except for the following disclosure, the significant account disclosure in the condensed consolidated interim financial statements for the three months ended March 31, 2016, which compare with the

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2016.3.31	2015.12.31	2015.3.31
Cash on hand	\$ 199	200	226
Cash in bank	591,466	650,406	228,064
Time deposits	<u>1,126,096</u>	<u>1,219,051</u>	<u>2,668,886</u>
	<u>\$ 1,717,761</u>	<u>1,869,657</u>	<u>2,897,176</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.

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

	2016.3.31	2015.12.31	2015.3.31
Stocks listed on domestic markets	\$ 133,182	125,783	100,460
Money market funds, equity funds and bond funds	<u>640,319</u>	<u>888,905</u>	<u>802,375</u>
	<u>\$ 773,501</u>	<u>1,014,688</u>	<u>902,835</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

	2016.3.31	2015.12.31	2015.3.31
Stocks listed on domestic markets	\$ <u>838,533</u>	<u>629,823</u>	<u>697,534</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2016.3.31	2015.12.31	2015.3.31
Stocks listed on domestic markets	\$ 20,183	20,560	17,825
Stocks listed on foreign markets	373,002	357,396	298,086
Non-public stocks	632,276	549,815	534,953
Private fund (Note)	<u>362,420</u>	<u>340,950</u>	<u>297,900</u>
	<u>\$ 1,387,881</u>	<u>1,268,721</u>	<u>1,148,764</u>

Note: As of March 31, 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.

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

	Issue period	Nominal rate (%)	2016.3.31	2015.12.31	2015.3.31
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>159,600</u>	<u>159,600</u>	<u>159,600</u>

The above-mentioned financial assets were not pledged.

(e) Notes and accounts receivable, net

	2016.3.31	2015.12.31	2015.3.31
Notes receivable	\$ 857	100	-
Accounts receivable	915,966	705,601	941,728
Less: allowance for doubtful accounts	<u>(5,628)</u>	<u>(5,673)</u>	<u>(5,566)</u>
	<u>\$ 911,195</u>	<u>700,028</u>	<u>936,162</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:

	2016.3.31	2015.12.31	2015.3.31
Past due 1~60 days	\$ 63,683	26,304	38,163
Past due 61~180 days	-	1,882	-
Past due more than 181 days	-	-	-
	<u>\$ 63,683</u>	<u>28,186</u>	<u>38,163</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

The movement of allowance for doubtful accounts with respect to notes and accounts receivable for the three months ended March 31, 2016 and 2015, were as follows:

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 5,673	-	5,673
Foreign currency differences	<u>(45)</u>	<u>-</u>	<u>(45)</u>
Balance at March 31, 2016	\$ <u>5,628</u>	<u>-</u>	<u>5,628</u>
	<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>(24)</u>	<u>-</u>	<u>(24)</u>
Balance at March 31, 2015	\$ <u>5,566</u>	<u>-</u>	<u>5,566</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 cover.

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

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(f) Inventories

	2016.3.31	2015.12.31	2015.3.31
Raw materials, supplies and spare parts	\$ 1,601,188	1,505,390	1,133,859
Work in process	579,077	732,353	484,011
Finished goods	<u>353,953</u>	<u>233,627</u>	<u>297,282</u>
	<u>\$ 2,534,218</u>	<u>2,471,370</u>	<u>1,915,152</u>

Except for cost of goods sold and inventories recognized as expense, the remaining gains or losses which were recognized as operating cost or deduction of operating cost for the three months ended March 31, 2016 and 2015, were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>(21,403)</u>	<u>19,236</u>
Revenue from sale of scraps	\$ <u>(1,195)</u>	<u>(5,906)</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:

	2016.3.31	2015.12.31	2015.3.31
Associates	\$ <u>540,808</u>	<u>657,960</u>	<u>587,223</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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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. On January 4, 2016, Merit Biotech (Cayman Islands) Co., Ltd. approved a cash subscription, wherein the Group did not subscribe any new shares. Therefore, the percentage of the Group's ownership decreased to 22.22%. The Group still has a significant influence on Merit Biotech (Cayman Islands) Co., Ltd. In March 2016, the Group subscribed the new shares contributed by Merit Biotech (Cayman Islands) Co., Ltd. for \$193,140 thousand. However, the process of the subscription has not yet been completed and therefore, on March 31, 2016, the prepayment mentioned above, was recognized as non-current prepayments for investments.

On December 14, 2015, the Group acquired 40% of the shares of Rainbow Star Group Limited for \$32,590 thousand in cash, and has significant influence on it.

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

	2016.3.31	2015.12.31	2015.3.31
Total equity of the individually insignificant investments in associates	\$ <u>540,808</u>	<u>657,960</u>	<u>587,223</u>
		Three months ended March 31, 2016	Three months ended March 31, 2015
Attributable to the Group:			
Net loss	\$ (5,927)		(14,376)
Other comprehensive income	<u>(2,909)</u>		<u>33</u>
Total comprehensive income	\$ <u>(8,836)</u>		<u>(14,343)</u>

2. Pledge to secure

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 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	-	-	37,240	3,152	9,910	53,372	103,674
Reclassification (Note 1)	-	-	93,512	-	-	-	93,512
Disposals	-	-	(33,115)	-	(5,313)	-	(38,428)
Balance as of March 31, 2016	<u>\$ 2,546,534</u>	<u>1,000,117</u>	<u>12,649,485</u>	<u>2,823,922</u>	<u>233,406</u>	<u>2,310,782</u>	<u>21,564,216</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	-	130	14,087	8,835	1,867	232,895	257,814
Reclassification (Note 2)	-	-	15,234	3,247	-	(3,247)	15,234
Disposals	-	-	(690)	-	(37,363)	-	(38,053)
Balance as of March 31, 2015	<u>\$ 2,546,534</u>	<u>998,241</u>	<u>11,753,083</u>	<u>2,785,948</u>	<u>157,801</u>	<u>1,575,232</u>	<u>19,816,839</u>
Accumulated depreciation:							
Balance as of January 1, 2016	\$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
Depreciation	-	12,754	423,962	56,807	9,541	-	503,064
Disposals	-	-	(33,111)	-	(5,312)	-	(38,423)
Balance as of March 31, 2016	<u>\$ -</u>	<u>442,045</u>	<u>7,904,852</u>	<u>1,738,577</u>	<u>161,435</u>	<u>-</u>	<u>10,246,909</u>
Balance as of January 1, 2015	\$ -	370,746	5,934,630	1,449,642	174,316	-	7,929,334
Depreciation	-	14,790	390,142	58,223	3,281	-	466,436
Disposals	-	-	(690)	-	(37,363)	-	(38,053)
Balance as of March 31, 2015	<u>\$ -</u>	<u>385,536</u>	<u>6,324,082</u>	<u>1,507,865</u>	<u>140,234</u>	<u>-</u>	<u>8,357,717</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 March 31, 2016	<u>\$ 2,546,534</u>	<u>558,072</u>	<u>4,744,603</u>	<u>1,085,345</u>	<u>71,971</u>	<u>2,310,782</u>	<u>11,317,307</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 March 31, 2015	<u>\$ 2,546,534</u>	<u>612,705</u>	<u>5,429,001</u>	<u>1,278,083</u>	<u>17,567</u>	<u>1,575,232</u>	<u>11,459,122</u>

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

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

1. Pledge to secure

As of March 31, 2016, December 31, and March 31, 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.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Property, plant and equipment under construction

In 2012, the Group acquired land, buildings and structures for the construction of a new factory in Kueishan Dist., Taoyuan City. As of March 31, 2016, the Group recognized related construction in progress and prepayments for business facilities amounted to \$2,554,174 thousand (which included the borrowing costs of the capitalized interest expenses).

3. For the three months ended March 31, 2016 and 2015, capitalized interest expenses amounted to \$11,462 thousand and \$7,443 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.46%~1.64% and 1.55%~1.79%, respectively.

(i) Investment property

The cost and accumulated depreciation of the investment property of the Group for the three months ended March 31, 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
Additions	-	-	-
Balance as of March 31, 2016	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2015	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of March 31, 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	-	1,329	1,329
Balance as of March 31, 2016	<u>\$ -</u>	<u>16,835</u>	<u>16,835</u>
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	-	1,329	1,329
Balance as of March 31, 2015	<u>\$ -</u>	<u>11,519</u>	<u>11,519</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 March 31, 2016	<u>\$ 963,127</u>	<u>121,390</u>	<u>1,084,517</u>
Balance as of January 1, 2015	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
Balance as of March 31, 2015	<u>\$ 963,127</u>	<u>126,706</u>	<u>1,089,833</u>
Fair value:			
Balance as of March 31, 2016			\$ <u>1,225,983</u>
Balance as of March 31, 2015			\$ <u>1,327,317</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 reflects its specified inherit risk on the net cash flows. The inputs to the valuation technique used for measuring fair value were categorized as a Level 2 fair value.

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

<u>Location</u>	<u>For the three months ended March 31, 2016</u>
Hsinchu	0.31%

As of March 31, 2016, December 31 and March 31, 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 three months ended March 31, 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>4,994</u>	<u>-</u>	<u>4,994</u>
Balance as of March 31, 2016	<u>\$ 46,005</u>	<u>62,696</u>	<u>1,843</u>	<u>110,544</u>
Balance as of January 1, 2015	\$ 46,005	48,044	-	94,049
Additions	<u>-</u>	<u>1,400</u>	<u>1,005</u>	<u>2,405</u>
Balance as of March 31, 2015	<u>\$ 46,005</u>	<u>49,444</u>	<u>1,005</u>	<u>96,454</u>
Amortisation:				
Balance as of January 1, 2016	\$ 19,808	22,767	605	43,180
Amortisation	<u>959</u>	<u>5,503</u>	<u>307</u>	<u>6,769</u>
Balance as of March 31, 2016	<u>\$ 20,767</u>	<u>28,270</u>	<u>912</u>	<u>49,949</u>
Balance as of January 1, 2015	\$ 15,974	23,653	-	39,627
Amortisation	<u>958</u>	<u>4,073</u>	<u>56</u>	<u>5,087</u>
Balance as of March 31, 2015	<u>\$ 16,932</u>	<u>27,726</u>	<u>56</u>	<u>44,714</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 March 31, 2016	<u>\$ 25,238</u>	<u>34,426</u>	<u>931</u>	<u>60,595</u>
Balance as of January 1, 2015	\$ <u>30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>
Balance as of March 31, 2015	<u>\$ 29,073</u>	<u>21,718</u>	<u>949</u>	<u>51,740</u>

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Amortization expense recognized in profit or loss

For the three months ended March 31, 2016 and 2015, the amortization expenses of intangible assets were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Operating costs	\$ 2,173	2,060
Operating expenses	<u>4,596</u>	<u>3,027</u>
	<u>\$ 6,769</u>	<u>5,087</u>

3. Pledge to secure

The intangible assets were not pledged.

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

	2016.3.31	2015.12.31	2015.3.31
Other receivable from metal reclaiming	\$ 97,427	123,648	192,929
Tax refund receivable	66,102	116,165	83,753
Prepaid expenses	30,889	39,784	24,650
Restricted assets	25,506	25,481	23,692
Refundable deposits	24,463	23,260	26,319
Others	<u>16,060</u>	<u>18,940</u>	<u>20,627</u>
	<u>\$ 260,447</u>	<u>347,278</u>	<u>371,970</u>

(l) Short-term borrowings

	2016.3.31	2015.12.31	2015.3.31
Unsecured short-term borrowings	\$ <u>-</u>	<u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>3,094,479</u>	<u>3,402,960</u>	<u>3,357,635</u>
Unused bank credit lines for short-term and long-term borrowing	\$ <u>1,684,189</u>	<u>1,694,367</u>	<u>350,000</u>
Annual interest rate	<u>-</u>	<u>0.79%</u>	<u>-</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(m) Long-term borrowings

	2016.3.31	2015.12.31	2015.3.31
Unsecured long-term borrowings (settled in TWD) \$	250,000	-	-
Secured long-term borrowings (settled in TWD)	2,667,924	2,940,303	3,211,546
Less: long-term liabilities, current portion	(940,194)	(841,507)	(545,444)
Total	<u>\$ 1,977,730</u>	<u>2,098,796</u>	<u>2,666,102</u>
Unused bank credit lines for long-term borrowings \$	<u>1,208,000</u>	<u>1,458,000</u>	<u>908,000</u>
Annual interest rate	<u>1.41%~1.54%</u>	<u>1.54%~1.64%</u>	<u>1.61%~1.68%</u>
Maturity date	<u>2018.2.18~2020.3.1</u>	<u>2018.2.18~2020.3.1</u>	<u>2018.2.18~2020.3.1</u>

As of March 31, 2016, the remaining balances of the borrowing due were as follows:

Year due	Amount
April 1, 2016~March 31, 2017	\$ 940,194
April 1, 2017~March 31, 2018	940,194
April 1, 2018~March 31, 2019	644,750
April 1, 2019~March 31, 2020	392,786
April 1, 2020 and after	-
	<u>\$ 2,917,924</u>

The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in note 6(1).

1. The proceeds and repayment of the borrowings

For the three months ended March 31, 2016, The Group proceeded from long-term borrowings amounting to \$250,000 thousand with an interest rate of 1.41%. The long-term borrowings are due in February 3, 2019. There was no such transaction for the three months ended March 31, 2015.

For the three months ended March 31, 2016 and 2015, the repayment amounted to both \$272,722 thousand.

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.

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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 March 31, 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.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

The Group's expenses recognized in profit or loss for the three months ended March 31, 2016 and 2015 were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Operating costs	\$ -	-
Operating expenses	<u>580</u>	<u>517</u>
	\$ <u>580</u>	<u>517</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2016 and 2015 were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Operating cost	\$ 10,526	9,361
Operating expenses	<u>3,028</u>	<u>2,581</u>
	\$ <u>13,554</u>	<u>11,942</u>

(p) Income tax

1. The amount of income tax expenses for the three months ended March 31, 2016 and 2015 were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Income tax expense	\$ <u>165,390</u>	<u>123,641</u>

2. There were no income tax expenses recognized in other comprehensive income for the three months ended March 31, 2016 and 2015.
3. Examination and approval

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

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2016.3.31	2015.12.31	2015.3.31
Unappropriated earnings after 1997	\$ <u>7,084,037</u>	<u>6,244,544</u>	<u>4,541,646</u>
Balance of imputation credit account (ICA)	\$ <u>786,268</u>	<u>786,268</u>	<u>325,493</u>
		2015 (Estimated)	2014 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings		<u>21.74%</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 March 31, 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 three months ended March 31, 2016 and 2015, the Company had issued 102 thousand shares and 1,158 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

The Company resolved a capital reduction of \$1,789,999 thousand, representing 179,000 thousand shares of outstanding shares as proposed in the Board of Directors' meeting held on March 17, 2016. The Board of Directors' will announce the details after the shareholders' meeting approves the proposal and the authority approves the application.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Capital surplus

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

	2016.3.31	2015.12.31	2015.3.31
Additional paid-in capital	\$ 3,800,564	3,797,820	3,752,432
Changes in equity of associates and joint ventures accounted for using equity method	21,137	15,614	13,698
Employee stock options	719	1,583	17,192
	<u>\$ 3,822,420</u>	<u>3,815,017</u>	<u>3,783,322</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 remaining balance of the earnings is further appropriated as follows:

- (i) 5% to 10% as employees bonuses;
- (ii) 1% to 3% as directors' and supervisors' remuneration;
- (iii) the remaining balance, excluding (i) and (ii), will be distributed to stockholders as dividends of which cash dividends should not be lower than 10% of the total stockholders' dividends.

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

According to the amended Company Act, which was announced in May 2015, employee bonuses and the directors' and supervisors' remuneration were not part of the appropriations of earnings. The Company has already amended its articles of incorporation before the deadline specified by the authorities, but still need be approved by shareholders' meeting.

(Continued)

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

For the three months ended March 31, 2015, the Company accrued and recognised employee bonuses and directors' and supervisors' remuneration on the basis of the Company Act prior to the revision on May 2015. The Company accrued and recognized employee bonuses and directors' and supervisors' remuneration amounted to \$55,600 thousand and \$16,700 thousand, respectively. The preceding amounts were estimated based on the profit for the period ended and multiplied by the rule of the Company's Article of Incorporation. The above bonus and remuneration were included in the operating costs and operating expenses. If there are any changes in accounting estimates after the release date of the financial report next year, the impact of the changes shall be recognized in profit or loss of the following year. If the shareholders' meeting on the day resolves to give employee bonuses by stocks, the number of shares distributed to employees as employee bonuses is calculated based on the closing price as of the date before the shareholder resolution date and considering the impact of excluded dividends and rights.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

The appropriations of earning for 2015 had been proposed in the meeting of Board of Directors held on March 17, 2016, and the appropriations of earnings for 2014 had been approved in a shareholders' meeting held on June 3, 2015, respectively. The dividends were as follows:

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

The above-mentioned appropriations of earnings for 2014 were consistent with the resolutions of the meeting of the Board of Directors. The appropriation of earnings for 2015 is waiting for the resolutions of the meeting of the shareholders.

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

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

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	(14,833)	-
Associates	(2,909)	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	190,378
Balance as of March 31, 2016	<u>\$ 2,041</u>	<u>553,539</u>
Balance as of January 1, 2015	\$ 4,909	215,962
Foreign currency differences (net of tax) :		
Subsidiaries	(4,319)	-
Associates	33	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	82,704
Balance as of March 31, 2015	<u>\$ 623</u>	<u>298,666</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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 March 31, 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 three months ended March 31, 2016 and 2015, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	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	(1,158)
Expired	-	(40)	-	-
Outstanding at the end	-	<u>-</u>	22.70	<u>1,989</u>
Exercisable as of March 31	-	<u>-</u>	-	<u>1,989</u>

2. Compensation cost for employee stock options

For the three months ended March 31, 2016 and 2015, the compensation cost for employee stock options both amounted to \$0 thousand.

(s) Earnings per share ("EPS")

For the three months ended March 31, 2016 and 2015, the Company's earnings per share were calculated as follows:

	Three months ended March 31, 2016		
	Profit	Weighted- average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS — retroactively adjusted:			
Profit belonging to common shareholders	\$ 839,493	596,666	\$ <u>1.41</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	4,669	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>839,493</u>	<u>601,335</u>	\$ <u>1.40</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	<u>Three months ended March 31, 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	\$ 618,471	742,806	\$ <u>0.83</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	5,421	
Employee stock options	-	963	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>618,471</u>	<u>749,190</u>	\$ <u>0.83</u>

(t) Employee bonuses, directors' and supervisors' remuneration

According to the Company's Article of Incorporation adopted by the Board but has not resolved at the meeting of the shareholders, once the Company has annual profit, it should appropriate 5%~10% of the profit to its employees and 3% or less as directors' and supervisor's remuneration. The pervading target given via shares includes dependent employees of the Company's subsidiaries under certain requirements.

For the three months ended March 31, 2016, the Company accrued and recognised its employee bonuses amounting to \$66,600 thousand, and directors' and supervisors' remuneration amounting to \$19,300 thousand. 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 three month ended March 31, 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(u) Non-operating income and expenses

1. Other income

For the three months ended March 31, 2016 and 2015, the details of other income were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Interest income	\$ 2,656	6,746
Dividend income	1,201	897
Rent income	12,014	8,003
	<u>\$ 15,871</u>	<u>15,646</u>

2. Other gains and losses

For the three months ended March 31, 2016 and 2015, the details of other gains and losses were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Foreign exchange losses	\$ (43,655)	(22,206)
Gains on disposals of investments	609	1,245
Gains on financial assets or liabilities at fair value through profit or loss	7,894	2,442
Losses on disposals of property, plant and equipment	(5)	-
Other	22,439	(8,957)
	<u>\$ (12,718)</u>	<u>(27,476)</u>

3. Finance costs

For the three months ended March 31, 2016 and 2015, the details of finance costs were as follows:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Interest expense on bank borrowings	\$ 11,462	14,209
Other interest expense	95	154
Less: capitalized interest expense	(11,462)	(7,443)
	<u>\$ 95</u>	<u>6,920</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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.

1. Market risk

(i) Currency risk

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

	2016.3.31			2015.12.31			2015.3.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets									
Monetary items									
USD	\$ 73,777	32.19	2,374,885	71,622	32.83	2,351,365	102,436	31.30	3,206,239
EUR	397	36.51	14,495	1	35.88	19	1	33.65	10
JPY	155,571	0.2863	44,540	133,307	0.2727	36,352	51,781	0.2604	13,482
GBP	18	46.17	813	33	48.67	1,600	1	46.24	11
HKD	63	4.15	260	63	4.24	268	63	4.04	255
RMB	-	-	-	9	5.00	47	-	-	-
			<u>\$ 2,434,993</u>			<u>2,389,651</u>			<u>3,219,997</u>
Non-monetary items									
USD	594	32.19	19,663	83	32.83	2,711	88	31.30	2,769
RMB	-	-	-	-	-	-	29,984	5.04	151,122
			<u>\$ 19,663</u>			<u>2,711</u>			<u>153,891</u>
Financial liabilities									
Monetary items									
USD	14,339	32.19	461,560	19,668	32.83	645,693	21,701	31.30	679,236
EUR	560	36.51	20,462	112	35.88	4,022	44	33.65	1,483
JPY	354,008	0.2863	101,353	654,578	0.2727	178,503	614,487	0.2604	160,012
GBP	8	46.17	354	8	48.67	383	10	46.24	474
			<u>\$ 583,729</u>			<u>828,601</u>			<u>841,205</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 three months ended March 31, 2016 and 2015 would have increased (decreased) the net profit after tax by \$76,954 thousand and \$106,415 thousand, respectively, and other comprehensive income by \$239 thousand and \$0 thousand, respectively. The analysis assumes that all other variables remain constant.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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:

	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
TWD	\$ <u>(40,044)</u>	<u>-</u>	<u>(22,125)</u>	<u>-</u>
USD	US\$ <u>(109)</u>	<u>33.14</u>	<u>(3)</u>	<u>31.52</u>

(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 \$2,895 thousand and \$3,336 thousand for the three months ended March 31, 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 three months ended March 31, 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	Three months ended March 31, 2016		Three months ended March 31, 2015	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ <u>66,279</u>	<u>23,205</u>	<u>55,389</u>	<u>27,085</u>
Decreasing 3%	\$ <u>(66,279)</u>	<u>(23,205)</u>	<u>(55,389)</u>	<u>(27,085)</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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.

	2016.3.31				
	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	\$ 133,182	133,182	-	-	133,182
Funds and investment	<u>640,319</u>	<u>640,319</u>	-	-	<u>640,319</u>
Subtotal	<u>773,501</u>	<u>773,501</u>	-	-	<u>773,501</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,231,718	1,231,718	-	-	1,231,718
Non-public stocks	632,276	-	632,276	-	632,276
Private fund	<u>362,420</u>	-	<u>362,420</u>	-	<u>362,420</u>
Subtotal	<u>2,226,414</u>	<u>1,231,718</u>	<u>994,696</u>	-	<u>2,226,414</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,717,761	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Notes and accounts receivables (Note)	911,195	-	-	-	-
Other receivables (Note)	<u>179,132</u>	-	-	-	-
Subtotal	<u>2,967,688</u>	-	-	-	-
Total	<u>\$ 5,967,603</u>	<u>2,005,219</u>	<u>994,696</u>	-	<u>2,999,915</u>
Amortized cost of financial liability					
Bank loan (Note)	2,917,924	-	-	-	-
Accounts payable (Note)	1,117,697	-	-	-	-
Other payables (Note)	<u>1,041,786</u>	-	-	-	-
Total	<u>\$ 5,077,407</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>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	2015.12.31				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Amortized cost of financial liability					
Bank loan (Note)	2,963,959	-	-	-	-
Accounts payable (Note)	1,309,867	-	-	-	-
Other payables (Note)	1,236,205	-	-	-	-
Total	\$ <u>5,510,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2015.3.31				
	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	\$ 100,460	100,460	-	-	100,460
Funds and investment	802,375	802,375	-	-	802,375
Subtotal	902,835	902,835	-	-	902,835
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,013,445	1,013,445	-	-	1,013,445
Non-public stocks	534,953	-	534,953	-	534,953
Private fund	297,900	-	297,900	-	297,900
Subtotal	1,846,298	1,013,445	832,853	-	1,846,298
Loans and receivables					
Cash and cash equivalents (Note)	2,897,176	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Accounts receivable (Note)	936,162	-	-	-	-
Other receivables (Note)	296,148	-	-	-	-
Subtotal	4,289,086	-	-	-	-
Total	\$ <u>7,038,219</u>	<u>1,916,280</u>	<u>832,853</u>	<u>-</u>	<u>2,749,133</u>
Amortized cost of financial liability					
Bank loan (Note)	3,211,546	-	-	-	-
Accounts payable (Note)	1,237,778	-	-	-	-
Other payables (Note)	822,760	-	-	-	-
Total	\$ <u>5,272,084</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 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.

(iii) Transfer between level 2 and level 1

For the three months ended March 31, 2016 and 2015, there was no change.

(iv) Movement of level 3

There were no financial assets with fair value hierarchy level 3 for the three months ended March 31, 2016 and 2015.

(w) Concentration of financial risk

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

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

The Company is the ultimate controlling party of the Group.

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

(b) Significant transactions with related parties: None.

(c) Transactions with key management personnel

For the three months ended March 31, 2016 and 2015, key management personnel compensation were comprised as below:

	Three months ended March 31, 2016	Three months ended March 31, 2015
Short-term employee benefits	\$ 65,919	48,522
Post-employment benefits	<u>177</u>	<u>177</u>
	<u>\$ 66,096</u>	<u>48,699</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	2016.3.31	2015.12.31	2015.3.31
Other non-current assets	Gas deposits	\$ 4,700	4,700	3,000
Other non-current assets	Customs guarantee	20,806	20,781	20,692
Property, plant and equipment	Long-term borrowings	3,884,921	3,985,080	4,485,217
Investment property	Long-term borrowings	<u>1,084,517</u>	<u>1,085,846</u>	<u>1,089,833</u>
		<u>\$ 4,994,944</u>	<u>5,096,407</u>	<u>5,598,742</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.

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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:

	2016.3.31	2015.12.31	2015.3.31
The unrecognized amount	\$ <u>2,293,431</u>	<u>2,100,360</u>	<u>1,456,798</u>

3. The unused letters of credit

	2016.3.31	2015.12.31	2015.3.31
The unused letters of credit	\$ <u>291,332</u>	<u>105,610</u>	<u>365,700</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 for the three months ended March 31, 2016 and 2015:

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 341,756	164,149	505,905	324,173	133,796	457,969
Labor and health insurance	23,710	9,247	32,957	21,059	7,119	28,178
Pension	10,526	3,608	14,134	9,361	3,098	12,459
Others	12,891	3,970	16,861	9,789	1,792	11,581
Depreciation	470,735	33,658	504,393	437,663	30,102	467,765
Amortization	2,173	4,596	6,769	2,060	3,027	5,087

- (b) Seasonality or cyclicity of interim operations

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(13) Other disclosure items

(a) Information on significant transaction:

The followings were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2015:

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	March 31, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Polaris De-Bao Money Market Fund	None	Current financial assets at fair value through profit or loss	1,908	22,673	-	22,673	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	16,543	204,826	-	204,826	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	10,480	152,004	-	152,004	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	152,099	-	152,099	
"	Mega Diamond Money Market Fund	"	"	4,565	56,553	-	56,553	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,543	-	2,543	
"	Green Seal Holding Limited/Stock	"	"	500	63,000	0.34	63,000	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	70,182	0.38	70,182	
"	Mega Diamond Money Market Fund	"	"	9	107	-	107	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	3,961	49,044	-	49,044	
"	Capital Money Market Fund	"	"	29	470	-	470	
					<u>773,501</u>		<u>773,501</u>	
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	25,968	749,168	8.57	749,168	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	87,116	2.49	87,116	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	2,249	0.03	2,249	
					<u>838,533</u>		<u>838,533</u>	
"	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	346,767	10.51	346,767	
"	Tainery Tech Co., Ltd./Stock	"	"	943	20,183	0.30	20,183	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	91,436	3.33	91,436	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	345,300	-	345,300	
"	MegiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	52,440	1.08	52,440	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	100,000	15.87	100,000	
"	MegiCapital Fund II, L.P.	"	"	-	17,120	5.81	17,120	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	March 31, 2016				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. /Stock	Subsidiary's main client	Non-current available-for-sale financial assets	75	373,002	0.02	373,002	(Note 1)
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	23,234	14.37	23,234	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	18,399	7.33	18,399	
					<u>1,387,881</u>		<u>1,387,881</u>	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	15,960	<u>159,600</u>	17.20	(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 (Note)		
					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	72,534	897,580	75,859	938,727	938,515	212	16,543	204,826

Note: Ending amount including unrealized gain (loss) on financial instruments.

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	995,060	30%	1-2 Month	-	-	274,878	33%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	995,060	100%	1-2 Month	-	-	(274,878)	100%	(Note)

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

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated 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 March 31, 2016	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	274,878	12.24	-	-	274,878	-	(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.

10. Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 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	995,060	Note 3	30.23%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable--related parties	274,878	"	1.12%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable--related parties	274,878	"	1.12%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	995,060	"	30.23%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	18,892	"	0.57%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	18,892	"	0.57%

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.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Information on investments:

The followings are the information on investees for the three months ended March 31, 2016:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of March 31, 2016			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				March 31, 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%	5,790	(1,666)	(1,666)	(Note 1)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	427,796	227,636	13,000	100.00%	919,493	(3,961)	(3,961)	(Note 1)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	680,029	789,455	32,828	34.52%	182,849	1,394	481	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	200,000	25,000	100.00%	161,690	1,334	1,334	(Note 1)
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06%	108,753	(23,797)	(7,382)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	(5,334)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82%	23,873	(23,797)	(1,621)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	32,590	20	40.00%	31,784	(435)	(172)	
"	Merit Biotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	388,680 (Note 2)	195,540	6,000 (Note 2)	22.22%	193,549	11,661	2,767	

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

Note 2: Prepayments for investments amounting to \$193,140 thousand (3,000 thousand shares acquired) was included due to the investee company has not yet completed the process of the subscription.

(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 March 31, 2016	Net income (losses) of the investee company (Note 2)	Percentage of ownership	Investment income (loss) recognized	Carrying value as of March 31, 2016 (Note 3)	Accumulated inward remittance of earnings as of March 31, 2016
					Outflow	Inflow						
JIANGSU KANG YUAN MERIT AGRICULTURAL DEVELOPMENT CO., LTD.	Hog farming and technology development	213,426 (RMB 42,943)	(Note 1)	-	-	-	-	14,246 (USD 430)	22.22%	3,197 (USD 96)	181,376 (USD 5,635)	-
JIANGSU CM MERIT AGRICULTURE DEVELOPMENT CO., LTD.	Hog farming and technology development	193,140 (USD 6,000)	(Note 1)	-	115,884 (USD 3,600)	-	115,884 (USD 3,600)	(1,706) (USD 51)	13.33%	(138) (USD 4)	114,880 (USD 3,569)	-

(Continued)

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

(d) Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of March 31, 2016	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
115,884 (USD 3,600)	386,280 (USD 12,000)	10,937,792

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 March 31, 2016 was with reference to the amount recognized by the associates of the subsidiaries established in a third region.

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollar at the average exchange rate for the three months ended March 31, 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 three months ended March 31, 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 March 31, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>3,288,139</u>	<u>3,943</u>	-	<u>3,292,082</u>
Interest expense	\$ <u>95</u>	-	-	<u>95</u>
Depreciation and amortization	\$ <u>511,162</u>	-	-	<u>511,162</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(4,306)</u>	-	-	<u>(4,306)</u>
Reportable segment profit or loss	\$ <u>1,004,797</u>	<u>1,334</u>	-	<u>1,006,131</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>879,353</u>	-	-	<u>879,353</u>

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Three months ended March 31, 2015	Foundry	Other	Reconciliation and elimination	Total
Revenue:				
Revenue from external customers	\$ <u>2,806,643</u>	<u>189</u>	<u>-</u>	<u>2,806,832</u>
Interest expense	\$ <u>6,920</u>	<u>-</u>	<u>-</u>	<u>6,920</u>
Depreciation and amortization	\$ <u>472,852</u>	<u>-</u>	<u>-</u>	<u>472,852</u>
Share of loss of associates and joint ventures accounted for using equity method	\$ <u>(13,607)</u>	<u>-</u>	<u>-</u>	<u>(13,607)</u>
Reportable segment profit or loss	\$ <u>790,079</u>	<u>(15,610)</u>	<u>-</u>	<u>774,469</u>
Assets:				
Capital expenditures in noncurrent assets	\$ <u>501,746</u>	<u>-</u>	<u>-</u>	<u>501,746</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.

