

WIN Semiconductors Corp.
Parent-company-only Financial Statements
December 31, 2015 and 2014
(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
WIN Semiconductors Corp.

We have audited the accompanying balance sheets of WIN Semiconductors Corp. (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the parent-company-only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent-company-only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent-company-only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)
March 17, 2016

Note to Readers

The accompanying parent-company-only 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". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying 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.

WIN Semiconductors Corp.

Balance Sheets

December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31		2015.12.31	2014.12.31
Assets			Liabilities and Equity		
Current assets:			Current liabilities:		
Cash and cash equivalents (note 6(a))	\$ 1,742,988	2,536,853	Short-term borrowings (notes 6(j))	\$ 23,656	-
Current financial assets at fair value through profit or loss (note 6(b))	948,291	1,197,247	Accounts payable	1,309,867	929,773
Current available-for-sale financial assets (note 6(b))	629,823	677,271	Other payables	1,789,058	1,151,526
Notes and accounts receivable, net (note 6(c))	300,134	306,879	Long-term liabilities, current portion (notes 6(k) and 8)	841,507	545,444
Accounts receivable due from related parties, net (note 7)	375,716	110,530	Other current liabilities	<u>606,806</u>	<u>97,267</u>
Inventories (note 6(d))	2,471,370	1,499,917	Total current liabilities	<u>4,570,894</u>	<u>2,724,010</u>
Other current assets (note 6(i))	<u>294,091</u>	<u>258,757</u>	Non-current liabilities:		
Total current assets	<u>6,762,413</u>	<u>6,587,454</u>	Long-term borrowings (notes 6(k) and 8)	2,098,796	2,938,331
Non-current assets:			Deferred tax liabilities (note 6(n))	28,159	30,362
Non-current available-for-sale financial assets (note 6(b))	865,828	797,168	Other non-current liabilities (note 6(m))	<u>169,814</u>	<u>158,959</u>
Non-current investments in debt instrument without active market (note 6(b))	159,600	159,600	Total non-current liabilities	<u>2,296,769</u>	<u>3,127,652</u>
Investments accounted for using equity method (note 6(e))	1,248,153	1,159,029	Total liabilities	<u>6,867,663</u>	<u>5,851,662</u>
Property, plant and equipment (notes 6(f) and 8)	11,622,870	11,652,290	Equity (notes 6(n), 6(o) and 6(p)):		
Investment property (notes 6(g) and 8)	1,085,846	1,091,162	Ordinary share	5,965,641	7,422,377
Intangible assets (note 6(h))	62,370	54,422	Capital surplus	3,815,017	3,768,620
Deferred tax assets (note 6(n))	85,104	66,135	Retained earnings	7,045,498	4,527,782
Prepayments for business facilities (note 6(f))	2,135,838	178,911	Other equity interest	<u>382,944</u>	<u>220,871</u>
Other non-current assets (notes 6(i) and 8)	<u>48,741</u>	<u>45,141</u>	Total equity	17,209,100	15,939,650
Total non-current assets	<u>17,314,350</u>	<u>15,203,858</u>			
Total assets	<u>\$ 24,076,763</u>	<u>21,791,312</u>	Total liabilities and equity	<u>\$ 24,076,763</u>	<u>21,791,312</u>

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

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

	2015	2014
Operating revenue (note 7)	\$ 11,904,017	9,776,226
Operating costs (notes 6(d) 、 6(h) 、 6(l) 、 6(m) 、 6(o) 、 6(p) 、 6(r) 、 7 and 12)	<u>(7,191,668)</u>	<u>(6,391,337)</u>
Gross profit from operations	<u>4,712,349</u>	<u>3,384,889</u>
Operating expenses (notes 6(h) 、 6(l) 、 6(m) 、 6(o) 、 6(p) 、 6(r) 、 7 and 12):		
Selling expenses	(69,803)	(84,529)
Administrative expenses	(514,021)	(461,044)
Research and development expenses	<u>(572,485)</u>	<u>(561,783)</u>
Total operating expenses	<u>(1,156,309)</u>	<u>(1,107,356)</u>
Net operating income	<u>3,556,040</u>	<u>2,277,533</u>
Non-operating income and expenses:		
Other income (notes 6(l) and 6(s))	98,413	92,587
Other gains and losses (notes 6(e) and 6(s))	(48,306)	87,505
Finance costs (note 6(s))	(13,852)	(48,304)
Share of income (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	<u>(158,912)</u>	<u>19,573</u>
Total non-operating income and expenses	<u>(122,657)</u>	<u>151,361</u>
Profit before tax	3,433,383	2,428,894
Total tax expense (note 6(n))	<u>(761,756)</u>	<u>(465,425)</u>
Profit	<u>2,671,627</u>	<u>1,963,469</u>
Other comprehensive income (loss):		
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans (note 6(m))	(6,304)	3,166
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(n))	<u>1,072</u>	<u>(538)</u>
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(5,232)</u>	<u>2,628</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	15,177	22,322
Unrealized gains (losses) on valuation of available-for-sale financial assets	43,012	(11,687)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	103,884	111,254
Income tax related to comprehensive of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>
Total components of the components that will be reclassified to profit or loss	<u>162,073</u>	<u>121,889</u>
Other comprehensive income, net	<u>156,841</u>	<u>124,517</u>
Comprehensive income	<u>\$ 2,828,468</u>	<u>2,087,986</u>
Earnings per common share (expressed in dollars) (note 6(q))		
Basic earnings per share	<u>\$ 3.97</u>	<u>2.65</u>
Diluted earnings per share	<u>\$ 3.94</u>	<u>2.62</u>

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity interest			Total equity	
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets		Total
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	3,671,483	(17,413)	116,395	98,982	14,891,577
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014 (Note 1)										
Legal reserve	-	-	181,151	-	(181,151)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,109,798)	(1,109,798)	-	-	-	(1,109,798)
Reversal of special reserve	-	-	-	(34,015)	34,015	-	-	-	-	-
	-	-	181,151	(34,015)	(1,256,934)	(1,109,798)	-	-	-	(1,109,798)
Net income for the year ended December 31, 2014	-	-	-	-	1,963,469	1,963,469	-	-	-	1,963,469
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	2,628	2,628	22,322	99,567	121,889	124,517
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,966,097	1,966,097	22,322	99,567	121,889	2,087,986
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,576	-	-	-	-	-	-	-	1,576
Exercise of employee stock options	29,623	34,383	-	-	-	-	-	-	-	64,006
Compensation cost arising from employee stock options	-	4,303	-	-	-	-	-	-	-	4,303
Balance on December 31, 2014	7,422,377	3,768,620	604,607	-	3,923,175	4,527,782	4,909	215,962	220,871	15,939,650
Appropriation of 2014 earnings approved by stockholders during their meeting in 2015 (Note 2)										
Legal reserve	-	-	196,347	-	(196,347)	-	-	-	-	-
Cash dividends	-	-	-	-	(148,679)	(148,679)	-	-	-	(148,679)
	-	-	196,347	-	(345,026)	(148,679)	-	-	-	(148,679)
Net income for the year ended December 31, 2015	-	-	-	-	2,671,627	2,671,627	-	-	-	2,671,627
Other comprehensive income for the year ended December 31, 2015	-	-	-	-	(5,232)	(5,232)	14,874	147,199	162,073	156,841
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	2,666,395	2,666,395	14,874	147,199	162,073	2,828,468
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,916	-	-	-	-	-	-	-	1,916
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	-	(1,486,790)
Exercise of employee stock options	30,054	44,481	-	-	-	-	-	-	-	74,535
Balance on December 31, 2015	\$ 5,965,641	3,815,017	800,954	-	6,244,544	7,045,498	19,783	363,161	382,944	17,209,100

Note 1: The appropriations for 2013 employee's bonus, directors' and supervisors' remuneration amounting to NT\$166,400 and NT\$49,900, respectively, were recognized and accrued in the 2013 earnings.

Note 2: The appropriations for 2014 employee's bonus, directors' and supervisors' remuneration amounting to NT\$176,700 and NT\$53,000, respectively, were recognized and accrued in the 2014 earnings.

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>3,433,383</u>	<u>2,428,894</u>
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,899,244	1,852,199
Amortization expense	23,781	29,498
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,356	(130,285)
Interest expense	13,852	48,304
Interest income	(20,188)	(16,934)
Dividend income	(32,938)	(43,654)
Share-based payments	-	4,303
Share of loss (income) of subsidiaries, associates and joint ventures accounted for using equity method	158,912	(19,573)
Gain on disposal of property, plant and equipment	(1,824)	-
Loss on disposal of investments	13,285	64,501
Impairment loss on financial assets	53,341	-
Prepayments for business facilities transferred to other losses	-	7,936
Total adjustments to reconcile profit	<u>2,109,821</u>	<u>1,796,295</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	6,745	16,349
Accounts receivable due from related parties, net	(265,186)	(11,489)
Inventories	(1,023,336)	(294,386)
Other current assets	(104,752)	(72,429)
Total changes in operating assets	<u>(1,386,529)</u>	<u>(361,955)</u>
Changes in operating liabilities:		
Accounts payable	380,094	294,654
Other payables	88,878	112,702
Other current liabilities	509,539	(20,338)
Other non-current liabilities	1,248	1,754
Total changes in operating liabilities	<u>979,759</u>	<u>388,772</u>
Total changes in operating assets and liabilities	<u>(406,770)</u>	<u>26,817</u>
Cash inflow generated from operations	5,136,434	4,252,006
Income taxes paid	(514,611)	(289,376)
Net cash flows from operating activities	<u>4,621,823</u>	<u>3,962,630</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(5,127,443)	(4,329,787)
Proceeds from disposal of current financial assets at fair value through profit or loss	5,447,999	4,291,586
Acquisition of current available-for-sale financial assets	-	(282,148)
Proceeds from disposal of current available-for-sale financial assets	-	7,679
Acquisition of non-current available-for-sale financial assets	(25,000)	(312,000)
Proceeds from disposal of non-current available-for-sale financial assets	29,711	5,170
Proceeds from capital reduction of non-current available-for-sale financial assets	-	43,200
Proceeds from disposal of non-current investments in debt instrument without active market	-	30,400
Acquisition of investments accounted for using equity method	(180,400)	(200,000)
Acquisition of property, plant and equipment	(1,522,594)	(610,999)
Proceeds from disposal of property, plant and equipment	7,560	-
Acquisition of intangible assets	(32,403)	(16,323)
Increase in other non-current assets	(3,600)	(1,884)
Increase in prepayments for business facilities	(1,970,361)	(126,386)
Interest received	19,454	15,645
Dividends received	32,938	43,654
Net cash flows used in investing activities	<u>(3,324,139)</u>	<u>(1,442,193)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	23,656	-
Proceeds from long-term borrowings	-	529,000
Repayments of long-term borrowings	(545,444)	(1,316,444)
Increase in other non-current liabilities	3,303	10,000
Cash dividends paid	(148,679)	(1,109,798)
Capital reduction payments to shareholders	(1,486,790)	-
Exercise of employee share options	74,535	64,006
Interest paid	(12,130)	(44,205)
Net cash flows used in financing activities	<u>(2,091,549)</u>	<u>(1,867,441)</u>
Net increase (decrease) in cash and cash equivalents	(793,865)	652,996
Cash and cash equivalents at the beginning of period	<u>2,536,853</u>	<u>1,883,857</u>
Cash and cash equivalents at the end of period	<u>\$ <u>1,742,988</u></u>	<u><u>2,536,853</u></u>

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

December 31, 2015 and 2014

(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 engages in the researching, developing, manufacturing, and selling of GaAs wafers. Please see note 14.

(2) Approval date and procedures of the financial statements

The parent-company-only financial statements for the years ended December 31, 2015 and 2014 was authorized for issued by the Board of Directors as of March 17, 2016.

(3) Application of new and revised standards and interpretations

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”).

The Company prepared the parent-company-only financial reports using the IFRSs 2013 (which does not include IFRS 9 Financial Instruments) with fully adoption starting 2015. Relevant new releases, modifications and amendments to standards and interpretations are as following:

New, Revised or Amended Standards and Interpretations	Effective date prescribed by International Accounting Standards Board
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosures—Transfers of Financial Assets”	July 1, 2011
Amendment to IFRS 7 “Disclosures—derecognition of financial assets and financial liabilities”	January 1, 2013
IFRS 10 “Consolidated Financial Statements”	January 1, 2013 (effective date for investment entity will be January 1,2014)
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date prescribed by International Accounting Standards Board
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2012
Amendment to IAS 19 “Employee Benefits”	January 1, 2013
Amendment to IAS 27 “Separate financial statement”	January 1, 2013
Amendment to IAS 32 “Financial assets and liabilities offsetting”	January 1, 2014
IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	January 1, 2013

After the evaluation, the Company believes that applying the IFRSs 2013 will not cause any significant changes in the parent-company-only financial statements, except for the following:

1. IAS 1 “Presentation of Financial Statements”

The standard amended the presentation of other comprehensive income. To classify other comprehensive income items as “Components of other comprehensive income that will not be reclassified to profit or loss,” or “Components of other comprehensive income that will be reclassified to profit or loss.” The items should be presented before tax to be shown separately for each of the two groups of other comprehensive income (“OCI”) items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Company has changed the presentation of OCI according to that standard and comparative period have been made a retrospective restatement.

2. IFRS 12 “Disclosure of Interests in Other Entities”

The Company disclosed the information about subsidiaries and associates as the standard required. Please refer to note 6(e).

3. IFRS 13 “Fair Value Measurement ”

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Company disclosure fair value measurements as the guidance. Please refer to note 6(t). The Company has applied the new fair value measurement guidance prospectively. According to the new measurement requirements, comparative information is not required. Notwithstanding the above, the change has no significant impact on the fair value measurements of Company’s assets and liabilities.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

- (b) The new standards and amendments issued by the International Accounting Standards Board (“IASB”) but not endorsed by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB 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
Amendments 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
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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 IAS16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS16 and IAS 41 “Bearer Plants”	January 1, 2016
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

The Company 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 Company completes its evaluation.

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WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements****(4) Summary of significant accounting policies**

The parent-company-only 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 parent-company-only financial statements, the Chinese version shall prevail.

The significant accountings policies have been applied consistently to all periods presented in these parent-company-only financial statements.

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

(b) Basis of preparation

1. Basis of measurement

The parent-company-only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;
- (2) Available-for-sale financial assets are measured at fair value;
- (3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, and the effect of the plan assets ceiling disclosed in note 6(m) less plan assets.

2. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

(c) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates of the end of each reporting period (“the reporting date”). Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income that arises from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the Company’s parent-company-only financial statements at the exchange rates of the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the reporting currency of the Company’s parent-company-only financial statements at average rate. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

1. It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. If the asset is cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

An entity shall classify all other liabilities as non-current.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

(e) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instruments.

1. Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable using trade date accounting.

a. Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, (which takes into account any dividend and interest income), are recognised in profit or loss, and it is included in other gains and losses, and other income, respectively.

b. Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss, and it is included in other gains and losses.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

c. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non-current debt instrument investment without active market. Such assets are recognised initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. Interest income is recognised in profit or loss, and it is included in other income.

d. Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset stand that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognised in profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost before the impairment was recognised at the reversal date.

Impairment losses recognised on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Impairment losses and recoveries in respect of accounts receivable are recognized in operating expenses. Impairment losses and recoveries in respect of the financial assets other than accounts receivables are recognised in profit or loss, and it is included in other gains and losses.

e. Derecognition of financial assets

The Company derecognises financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognised in other comprehensive income and presented in other equity interest – unrealised gains (losses) on available-for-sale financial assets is recognised in profit or loss, and included in other gains and losses.

The Company allocates between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the transfer.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income shall be recognised in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts.

2. Financial liabilities**a. Financial liabilities at fair value through profit or loss**

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognised in profit or loss, and are included in other gains and losses, and finance costs, respectively.

b. Other financial liabilities

Financial liabilities comprise of short and long borrowings, and trade and other payables, are not classified as held-for-trading, or designated as at fair value through profit or loss shall be measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortised cost calculated using the effective interest method. Interest expense not capitalised as capital cost is recognised in profit or loss, and is included in finance costs.

c. Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss, and is included in other gains and losses.

d. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

3. Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control over their financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which arises from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investments in subsidiaries which are controlled by the Company, are accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost both on initial recognition and at subsequent period. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements****(k) Property, plant and equipment****1. Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost are eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognised as other gains and losses.

2. Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

3. Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

4. Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a systematic basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (1) Buildings and structures: 3 to 25 years
- (2) Machinery and equipment: 2 to 10 years
- (3) Factory and equipment: 2 to 10 years
- (4) Other equipment: 2 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(l) Leases

1. Lesser

Lease income from operating lease is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognised as income in the period when the lease adjustments are confirmed.

2. Lessee

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value with the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognised in the Company's statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognised as expense in the periods in which they are incurred.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements****(m) Intangible assets**

Subsequent to the initial recognition, an intangible asset is measured at cost, plus, the revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual values. Intangible assets are amortized from the date that they are available for use, the estimated useful lives for the current and comparative periods are as follows:

- (1) Technical know-how: 12 years
- (2) Computer software and information systems: 2 to 5 years
- (3) Others: 1.5 years

(n) Impairment of non financial assets

To ensure the following assets are carried at no more than their recoverable amount, and to define how recoverable amount is determined, they applied to the following assets:

- (1) Inventories
- (2) Deferred tax assets
- (3) Assets arising from employee benefits

If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for the individual asset or the cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognised immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognised if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Revenue

1. Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognized.

2. Rent income

Lease income from investment property is recognized in income on a straight-line basis over the lease term. An incentive granted to the lessee is to be recognized as part of the lease income and it is spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Income from sublease is recognized in profit or loss, and is included in other gains and losses.

(p) Employee benefits

1. Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss immediately.

The remeasurements of the net defined benefit liability (asset) comprise the following:

- (1) actuarial gains and losses;
- (2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

The remeasurements of the net defined benefit liability (asset) were recognised in other comprehensive income.

The amount recognised in other comprehensive income can be recorded under either retained earnings or other equity interest. If it is recorded under other equity interest, further reclassifications into profit or loss or retained earnings are forbidden. It should be recorded consistently thereafter. The Company recognised its remeasurements of the net defined benefit liability (asset) under retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

3. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognised as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

(r) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

1. Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

3. Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - (1) levied by the same taxing authority; or
 - (2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(s) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee remuneration.

(t) Operating segment

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements****(5) Major sources of accounting assumptions, judgments and estimation uncertain**

The preparation of the parent-company-only financial statements based on “Regulations Governing the Preparation of Financial Reports by Securities Issuers” 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.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

There was no information involving critical judgments in applying the accounting policies in the parent-company-only financial statements.

There was no information about assumptions and estimation uncertainties with a significant risk resulting in a material adjustment within the next year.

The accounting policy and disclosure of the Company include that measuring the financial assets and financial liabilities at fair value. The accounting department of the Company 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 Company regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results are reasonable. The accounting department of the Company regularly evaluates investment property using the evaluation methods and related parametric assumptions announced by FSC.

When measuring the fair value of an asset or a liability, the Company 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 Company 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(g)-Investment property.
2. Note 6(t)-Financial instruments.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(6) Significant account disclosure

(a) Cash and cash equivalents

	2015.12.31	2014.12.31
Cash on hand	\$ 200	431
Cash in bank	524,117	34,917
Time deposits	<u>1,218,671</u>	<u>2,501,505</u>
	<u>\$ 1,742,988</u>	<u>2,536,853</u>

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

(b) Financial instruments

1. Current financial assets at fair value through profit or loss:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 59,500	-
Money market funds, future funds, equity funds and bond funds	<u>888,791</u>	<u>1,197,247</u>
	<u>\$ 948,291</u>	<u>1,197,247</u>

2. Current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	<u>\$ 629,823</u>	<u>677,271</u>

3. Non-current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 20,560	17,825
Non-public stocks	504,318	479,943
Private fund (Note)	<u>340,950</u>	<u>299,400</u>
	<u>\$ 865,828</u>	<u>797,168</u>

Note: As of December 31, 2015, the private fund is during the lock-up period.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

4. Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	2015.12.31	2014.12.31
Preferred stock B	2012.11.23~2019.11.22	-	<u>159,600</u>	<u>159,600</u>

5. Sensitivity analysis in the equity price risk:

For the years ended 2015 and 2014, 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	2015		2014	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ <u>44,870</u>	<u>28,449</u>	<u>44,233</u>	<u>35,917</u>
Decreasing 3%	\$ <u>(44,870)</u>	<u>(28,449)</u>	<u>(44,233)</u>	<u>(35,917)</u>

6. As of December 31, 2015 and 2014, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(t).

(c) Notes and accounts receivable, net

	2015.12.31	2014.12.31
Notes receivable	\$ 100	405
Accounts receivable	303,405	309,845
Less: allowance for doubtful accounts	<u>(3,371)</u>	<u>(3,371)</u>
	<u>\$ 300,134</u>	<u>306,879</u>

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

	2015.12.31	2014.12.31
Past due 1~60 days	\$ 10,368	12,801
Past due 61~180 days	1,882	-
Past due more than 181days	-	-
	<u>\$ 12,250</u>	<u>12,801</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

The movement of allowance for notes and accounts receivable for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Beginning balance	\$ 3,371	3,371
Impairment loss recognized	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 3,371</u>	<u>3,371</u>

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

Assessment method:

1. At the balance sheet date, the Company evaluates the probability of collection regarding the receivable in accordance with each customer.
2. The Company 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 recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Company also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

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

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

As of December 31, 2015 and 2014, the notes and accounts receivable, net were not pledged.

(d) Inventories

	2015.12.31	2014.12.31
Raw materials, supplies and spare parts	\$ 1,505,390	888,130
Work in process	732,353	333,856
Finished goods	<u>233,627</u>	<u>277,931</u>
	<u>\$ 2,471,370</u>	<u>1,499,917</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

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

	2015	2014
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>27,454</u>	<u>(29,918)</u>
Revenue from sale of scraps	\$ <u>(21,445)</u>	<u>(21,071)</u>

The inventories were not pledged.

(e) Investments accounted for using equity method

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

	2015.12.31	2014.12.31
Subsidiaries	\$ 840,058	777,463
Associates	<u>408,095</u>	<u>381,566</u>
	\$ <u>1,248,153</u>	<u>1,159,029</u>

1. Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2015.

2. Associates

On January 28, 2015, the Company acquired 35.04% of the shares of Phalanx Biotech Group, Inc. for \$180,400 thousand in cash, and has significant influence on it. In April 2015, Phalanx Biotech Group, Inc. approved a cash subscription, the Company did not subscribe any new shares. Therefore, the percentage of the Company's ownership declined to 31.06%. The Company still has significant influence on Phalanx Biotech Group, Inc.

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 parent-company-only financial statements of the Company.

	2015.12.31	2014.12.31
Total equity of the individually insignificant investments in associates	\$ <u>408,095</u>	<u>381,566</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

	2015	2014
Attributable to the Company:		
Net loss	\$ (106,605)	(4,919)
Other comprehensive income	28	-
Total comprehensive income	<u>\$ (106,577)</u>	<u>(4,919)</u>

For the year ended December 31, 2015, the Company accrued impairment loss amounting to \$53,341 thousand due to the impaired securities. The impairment loss was recorded under other gains and losses.

3. As of December 31, 2015 and 2014, the investments accounted for using equity method were not pledged.

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2015 and 2014 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, 2015	\$ 2,546,534	998,111	11,724,452	2,773,866	192,652	1,345,584	19,581,199
Additions	-	2,006	690,919	43,657	72,710	915,073	1,724,365
Reclassification (Note)	-	-	145,879	3,247	-	(3,247)	145,879
Disposals	-	-	(9,432)	-	(37,364)	-	(46,796)
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>1,000,117</u>	<u>12,551,818</u>	<u>2,820,770</u>	<u>227,998</u>	<u>2,257,410</u>	<u>21,404,647</u>
Balance as of January 1, 2014	\$ 2,546,534	982,847	11,319,066	2,642,422	359,307	1,046,925	18,897,101
Additions	-	3,617	165,229	36,611	12,232	322,346	540,035
Reclassification (Note)	-	11,647	240,157	94,833	-	(23,687)	322,950
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>998,111</u>	<u>11,724,452</u>	<u>2,773,866</u>	<u>192,652</u>	<u>1,345,584</u>	<u>19,581,199</u>
Accumulated depreciation:							
Balance as of January 1, 2015	\$ -	370,746	5,934,630	1,449,642	173,891	-	7,928,909
Depreciation	-	58,545	1,583,067	232,128	20,188	-	1,893,928
Disposals	-	-	(3,696)	-	(37,364)	-	(41,060)
Balance as of December 31, 2015	<u>\$ -</u>	<u>429,291</u>	<u>7,514,001</u>	<u>1,681,770</u>	<u>156,715</u>	<u>-</u>	<u>9,781,777</u>
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	332,585	-	6,260,914
Depreciation	-	58,505	1,535,531	232,653	20,193	-	1,846,882
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of December 31, 2014	<u>\$ -</u>	<u>370,746</u>	<u>5,934,630</u>	<u>1,449,642</u>	<u>173,891</u>	<u>-</u>	<u>7,928,909</u>
Carrying value:							
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>570,826</u>	<u>5,037,817</u>	<u>1,139,000</u>	<u>71,283</u>	<u>2,257,410</u>	<u>11,622,870</u>
Balance as of January 1, 2014	<u>\$ 2,546,534</u>	<u>670,606</u>	<u>6,919,967</u>	<u>1,425,433</u>	<u>26,722</u>	<u>1,046,925</u>	<u>12,636,187</u>
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>627,365</u>	<u>5,789,822</u>	<u>1,324,224</u>	<u>18,761</u>	<u>1,345,584</u>	<u>11,652,290</u>

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

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

1. Pledge to secure:

As of December 31, 2015 and 2014, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

2. Property, plant and equipment under construction

In 2012, the Company acquired land, buildings and structures for the construction a new factory in Kueishan Dist., Taoyuan City. As of December 31, 2015, the Company recognized related construction in progress and prepayments for business facilities amounted to \$2,502,900 thousand (which included the borrowing costs of the capitalized interest expense).

3. For the years ended December 31, 2015 and 2014, capitalized interest expenses amounted to \$40,623 thousand and \$23,833 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.55%~1.79% and 1.58%~2.27%, respectively.

(g) Investment property

	Land	Buildings and structures	Total
Cost:			
Balance as of January 1, 2015	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Accumulated depreciation:			
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	-	5,316	5,316
Balance as of December 31, 2015	<u>\$ -</u>	<u>15,506</u>	<u>15,506</u>
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	-	5,317	5,317
Balance as of December 31, 2014	<u>\$ -</u>	<u>10,190</u>	<u>10,190</u>
Carrying value:			
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>122,719</u>	<u>1,085,846</u>
Balance as of January 1, 2014	<u>\$ 963,127</u>	<u>133,352</u>	<u>1,096,479</u>
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
Fair value:			
Balance as of December 31, 2015			\$ <u>1,232,437</u>
Balance as of December 31, 2014			\$ <u>1,321,067</u>

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

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

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

<u>Location</u>	<u>For the year ended December 31, 2015</u>
Hsinchu	0.31%

As of December 31, 2015 and 2014, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(h) Intangible assets

1. The movement in intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	Technical know-how	Computer software and information systems	Others	Total
Costs:				
Balance as of January 1, 2015	\$ 46,005	48,044	-	94,049
Additions	-	29,886	1,843	31,729
Disposals	-	(20,228)	-	(20,228)
Balance as of December 31, 2015	<u>\$ 46,005</u>	<u>57,702</u>	<u>1,843</u>	<u>105,550</u>
Balance as of January 1, 2014	\$ 46,005	82,770	6,122	134,897
Additions	-	18,109	-	18,109
Disposals	-	(54,398)	(6,122)	(60,520)
Other (Note)	-	1,563	-	1,563
Balance as of December 31, 2014	<u>\$ 46,005</u>	<u>48,044</u>	<u>-</u>	<u>94,049</u>
Amortisation:				
Balance as of January 1, 2015	\$ 15,974	23,653	-	39,627
Amortisation	3,834	19,342	605	23,781
Disposals	-	(20,228)	-	(20,228)
Balance as of December 31, 2015	<u>\$ 19,808</u>	<u>22,767</u>	<u>605</u>	<u>43,180</u>
Balance as of January 1, 2014	\$ 12,140	56,128	2,381	70,649
Amortisation	3,834	21,923	3,741	29,498
Disposals	-	(54,398)	(6,122)	(60,520)
Balance as of December 31, 2014	<u>\$ 15,974</u>	<u>23,653</u>	<u>-</u>	<u>39,627</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

	Technical know-how	Computer software and information systems	Others	Total
Carrying value:				
Balance as of December 31, 2015	\$ <u>26,197</u>	<u>34,935</u>	<u>1,238</u>	<u>62,370</u>
Balance as of January 1, 2014	\$ <u>33,865</u>	<u>26,642</u>	<u>3,741</u>	<u>64,248</u>
Balance as of December 31, 2014	\$ <u>30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>

Note: Other current assets consisting of prepayments for computer software and information systems were reclassified as intangible assets.

2. Amortization expense recognized in profit or loss

For the years ended December 31, 2015 and 2014, the amortization expenses of intangible assets were as follows:

	2015	2014
Operating costs	\$ 7,686	9,731
Operating expenses	<u>16,095</u>	<u>19,767</u>
	\$ <u>23,781</u>	<u>29,498</u>

3. As of December 31, 2015 and 2014, the intangible assets were not pledged.

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

	2015.12.31	2014.12.31
Other receivable from metal recycling	\$ 123,648	112,622
Tax refund receivable	116,165	22,369
Prepaid expenses	39,154	36,552
Refundable deposits	23,260	21,480
Restricted assets	25,481	23,661
Others	<u>15,124</u>	<u>87,214</u>
	\$ <u>342,832</u>	<u>303,898</u>

(j) Short-term borrowings

	2015.12.31	2014.12.31
Unsecured short-term borrowings	\$ <u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>3,402,960</u>	<u>3,297,997</u>
Annual interest rate	<u>0.79%</u>	<u>-</u>
Unused bank credit lines for short-term and long-term borrowings	\$ <u>1,694,367</u>	<u>350,000</u>

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(k) Long-term borrowings

	2015.12.31	2014.12.31
Secured long-term borrowings	\$ 2,940,303	3,483,775
Less: long-term liabilities, current portion	<u>(841,507)</u>	<u>(545,444)</u>
Total	<u>2,098,796</u>	<u>2,938,331</u>
Unused bank credit lines for long-term borrowings	<u>\$ 1,458,000</u>	<u>908,000</u>
Annual interest rate	<u>1.54%~1.64%</u>	<u>1.63%~1.68%</u>

As of December 31, 2015, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2016~December 31, 2016	\$ 841,507
January 1, 2017~December 31, 2017	940,194
January 1, 2018~December 31, 2018	667,472
January 1, 2019~December 31, 2019	394,750
And after	<u>96,380</u>
	<u>\$ 2,940,303</u>

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

1. The collateral for these long-term borrowings was disclosed in note 8.
2. In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 thousand and is due in February 2018.

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

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

As of December 31, 2015 and 2014, the Company was in compliance with the above financial covenants and restrictions.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(l) Operating lease

1. Lease-lessor

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

For the years ended December 31, 2015 and 2014, the rental income recognised in other income both amounted to \$27,625 thousand.

2. Lease-lessee

The Company leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 4 years.

For the years ended December 31, 2015 and 2014, the rent expense amounted to \$25,905 thousand and \$23,754 thousand, respectively, which were recorded as operating costs and operating expenses.

(m) Employee benefits

1. Defined benefit plans

The movement in the present value of the defined benefit obligations and fair value of plan assets was as follows:

	2015.12.31	2014.12.31
Total present value of obligations	\$ 84,407	75,211
Fair value of plan assets	<u>(37,896)</u>	<u>(36,252)</u>
Recognised liabilities for defined benefit obligations (Note)	<u>\$ 46,511</u>	<u>38,959</u>

(Note) Recognised liabilities for defined benefit obligations were recognised as other non-current liabilities.

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary prior to six months of retirement.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(4) The movement in effect of plan asset ceiling

For the years ended December 31, 2015 and 2014, there were no changes in the effect of plan asset ceiling.

(5) The expenses recognised in profit or losses

For the years ended December 31, 2015 and 2014, the expenses recognised in profit or losses for the Company were as follows:

	2015	2014
Current Service cost	\$ 1,330	1,731
Net interest expense of defined benefit plan	738	707
Prior service cost and settlement of defined benefit plan	<u>(140)</u>	<u>-</u>
	<u>\$ 1,928</u>	<u>2,438</u>
	2015	2014
Operating expenses	<u>\$ 1,928</u>	<u>2,438</u>

(6) The remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income

For the years ended December 31, 2015 and 2014, the remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income were as follows:

	2015	2014
Balance as of January 1	\$ 11,291	14,457
Recognised in the current period	<u>6,304</u>	<u>(3,166)</u>
Balance as of December 31	<u>\$ 17,595</u>	<u>11,291</u>

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(7) Actuarial assumptions

At the end of the reporting date, the principal actuarial assumptions were as follows:

As of December 31, 2015 and 2014, the rate applied in calculating the present value of the defined benefit obligation:

	2015.12.31	2014.12.31
Discount rate	1.875%	2.000%
Future salary rate increases	3.000%	3.000%

For the years ended December 31, 2015 and 2014, the rate applied in calculating the defined benefit pension costs:

	2015	2014
Discount rate	2.00%	2.00%
Future salary rate increases	3.00%	3.00%

The Company expects to make contributions of \$231 thousand to the defined benefit plans in the next year starting from December 31, 2015. The weighted average duration of the defined benefit obligation is 18.54 years.

(8) Sensitivity analysis

The Company analyses and estimates the discount rate of its employee turnover and future salary increase rate to determine the actuarial assumptions as the reporting date to calculate the present value of the defined benefit obligation.

As of December 31, 2015 and 2014, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	Effects to the defined benefit obligation	
	Increase by 0.25%	Decrease by 0.25%
Balance as of December 31, 2015		
Discount rate	(2,834)	2,960
Future salary rate increases	2,870	(2,778)
Balance as of December 31, 2014		
Discount rate	(2,482)	2,599
Future salary rate increases	2,537	(2,441)

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

2. Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$48,959 thousand and \$46,554 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2015 and 2014.

(n) Income tax

1. Income tax expense

The amount of income tax expenses for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Current tax expense	\$ 766,034	362,314
Current period	<u>15,822</u>	<u>27,639</u>
Adjustment for prior periods	<u>781,856</u>	<u>389,953</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(20,100)</u>	<u>75,472</u>
Income tax expense	<u>\$ 761,756</u>	<u>465,425</u>

The amount of income tax (expenses) benefit recognised in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Components of other comprehensive income that will not be reclassified to profit or loss:		
The remeasurements of defined benefit plans	\$ <u>1,072</u>	<u>(538)</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

Reconciliation of income tax expenses (benefit) and profit before tax were as follows:

	2015	2014
Profit before tax	\$ <u>3,433,383</u>	<u>2,428,894</u>
Income tax using the Company's domestic tax rate	\$ 583,675	412,912
Tax-exempt income	(3,341)	3,834
10% surtax on unappropriated earnings	162,107	56,434
Others	<u>19,315</u>	<u>(7,755)</u>
	\$ <u><u>761,756</u></u>	<u><u>465,425</u></u>

2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Investment tax credit	Others	Total
Deferred tax assets:					
Balance as of January 1, 2015	\$ 28,016	10,681	-	27,438	66,135
Recognised in profit or loss	2,363	2,160	-	13,374	17,897
Recognised in other comprehensive income	-	-	-	1,072	1,072
Balance as of December 31, 2015	\$ <u>30,379</u>	<u>12,841</u>	<u>-</u>	<u>41,884</u>	<u>85,104</u>
Balance as of January 1, 2014	\$ 38,143	8,714	62,352	23,216	132,425
Recognised in profit or loss	(10,127)	1,967	(62,352)	4,760	(65,752)
Recognised in other comprehensive income	-	-	-	(538)	(538)
Balance as of December 31, 2014	\$ <u>28,016</u>	<u>10,681</u>	<u>-</u>	<u>27,438</u>	<u>66,135</u>
	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total	
Deferred tax liabilities:					
Balance as of January 1, 2015	\$ 25,993	4,369	-	30,362	
Recognised in profit or loss	<u>2,166</u>	<u>(4,369)</u>	<u>-</u>	<u>(2,203)</u>	
Balance as of December 31, 2015	\$ <u>28,159</u>	<u>-</u>	<u>-</u>	<u>28,159</u>	
Balance as of January 1, 2014	\$ 19,907	735	-	20,642	
Recognised in profit or loss	<u>6,086</u>	<u>3,634</u>	<u>-</u>	<u>9,720</u>	
Balance as of December 31, 2014	\$ <u>25,993</u>	<u>4,369</u>	<u>-</u>	<u>30,362</u>	

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

3. Examination and approval

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

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

	2015.12.31	2014.12.31
Unappropriated earnings after 1997	\$ <u>6,244,544</u>	<u>3,923,175</u>
Balance of imputation credit account (ICA)	\$ <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 Decree 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 R.O.C. was calculated by 50% of its 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.

(o) Capital and other equity

1. Ordinary share

As of December 31, 2015 and 2014, the Company's authorised share capital consisted of 1,000,000 thousand shares of ordinary share, with \$10 dollars par value per share, of which 596,564 thousand shares, and 742,238 thousand shares, respectively, were issued and outstanding. The Company has reserved \$1,000,000 thousand for employee stock options.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

Reconciliations of shares outstanding for the years ended December 31, 2015 and 2014:

	Ordinary share (in thousands)	
	2015	2014
Balance as of January 1	742,238	739,276
Exercise of employee stock options	3,005	2,962
Capital reduction	<u>(148,679)</u>	<u>-</u>
Balance as of December 31	<u>596,564</u>	<u>742,238</u>

For the years ended December 31, 2015 and 2014, the Company had issued 3,005 thousand shares and 2,962 thousand shares resulting from the exercise of employee stock options, respectively. The record dates were agreed on the end of each calendar quarter. All issued shares were paid up upon issuances. The aforementioned stock issuance, which was authorized by and registered with the government authorities, was included in ordinary share.

The Company resolved a capital reduction of \$1,486,790 thousand, representing 148,679 thousand shares of outstanding shares as proposed in the Board of Directors' meeting held on April 22, 2015 and approved in the shareholders' meeting on June 3, 2015. On July 2, 2015, the authority had already approved the application and the Company's Board of Directors resolved the record date as July 9, 2015. The related registration process had been completed on July 24, 2015.

As of December 31, 2015, the Company issued 16,004 thousand units of Global Depositary Receipts (GDRs), representing 80,020 thousand ordinary shares of stock of the Company. These GDRs were offered for trading on the MTF Market of the Luxembourg Stock Exchange.

2. Capital surplus

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

	2015.12.31	2014.12.31
Additional paid-in capital	\$ 3,797,820	3,727,909
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	15,614	13,698
Employee stock options	<u>1,583</u>	<u>27,013</u>
	<u>\$ 3,815,017</u>	<u>3,768,620</u>

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

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:

- A. 5% to 10% as employees bonuses;
- B. 1% to 3% as directors' and supervisors' remuneration;
- C. the remaining balance, excluding (A) and (B), 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 directors' and supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its articles of incorporation before the deadline specified by the authorities.

(1) Legal reserve

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

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(2) Special reverse

In accordance with Permit No. 1010012865 issued by the FSC on 6 April 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.

(3) Appropriations of earnings

The appropriations of earning for 2014 and 2013 had been approved in a shareholders' meeting held on June 3, 2015 and June 20, 2014, respectively. The appropriations and dividends were as follows:

	2014	2013
Cash dividends	\$ 148,679	1,109,798
Bonuses to employees	176,700	166,400
Remuneration to directors and supervisors	53,000	49,900

The above-mentioned appropriations of earning for 2014 and 2013 were consistent with the resolutions of the meeting of the Board of Directors. The related information can be found on websites such as the Market Observation Post System.

For the year ended December 31, 2014 the Company's accrued and recognised employee bonuses and directors' and supervisors' remuneration amounted to \$176,700 thousand and \$53,000 thousand, respectively. The employee bonuses and directors' remuneration were estimated based on the net income for the difference between the actual appropriation of earnings for employee bonuses and directors' emoluments as been approved in the meeting of the Board of Directors, and those recognised in the financial statements, if any, is accounted for as a change in accounting estimates and recognised in profit or loss of the following year when the shareholders approved the appropriations of those earnings. In addition, the number of shares distributed to employees as employee bonuses is calculated based on the closing price of the Company's shares of stock being traded in the listed market on the day before the approval of shareholders' meeting.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(4) 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, 2015	\$ 4,909	215,962
Foreign currency differences (net of tax):		
Subsidiaries	14,846	-
Associates	28	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	34,154
Subsidiaries	-	104,187
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	8,858
Balance as of December 31, 2015	<u>\$ 19,783</u>	<u>363,161</u>
Balance as of January 1, 2014	\$ (17,413)	116,395
Foreign currency differences (net of tax)-Subsidiary	22,322	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	(13,042)
Subsidiaries	-	111,254
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	1,355
Balance as of December 31, 2014	<u>\$ 4,909</u>	<u>215,962</u>

(p) Share-based payment

The details of share-based payment were as follows:

Item	Date of approval by Board of Directors	Date of approval by authority	Issue date	Duration	Estimated issued shares	Actual issue shares	Price of each share (expressed in dollars)
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	\$ 9.0
2010	2010.07.05	2010.09.28	2011.01.26	"	10,000,000	10,000,000	28.4

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

The details of exercisable percentage of employee stock options were as follows:

	Issued in 2009	Issued in 2010
Over one year	-	-
Over two years	60%	60%
Over three years	100%	100%
Over four years	100%	100%
Over five years	100%	100%

1. Fair value of those options at the measurement date and information on how that fair value was measured.

Had the Company used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates would have been as follows:

	2010 employee stock options exercise in the 2nd year	2010 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	\$ 4.30	5.30
Share price at grant date (dollars)	\$ 27.02	27.02
Exercise price (dollars)	\$ 27.10	27.10
Expected volatility	31.25%	31.25%
Expected life	2 years	3 years
Risk-free interest rate	0.73%	0.86%

Expected volatility is based on the weighted-average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. The Company determined the risk-free rate during the life of the option. These rates are determined based on the government bonds, and they are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

2. For the years ended December 31, 2015 and 2014, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2015		2014	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ 22.70	3,147	22.94	6,154
Granted	-	-	-	-
Exercised	24.80	(3,005)	21.61	(2,962)
Expired	-	-	-	(45)
Outstanding at the end	28.40	<u>142</u>	22.70	<u>3,147</u>
Exercisable as of December 31		<u>142</u>		<u>3,147</u>

As of December 31, 2015 and 2014, the Company's compensatory outstanding employee stock options were as follows:

	2015.12.31				
	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
Issue date					
2011.01.26	\$ 28.4	142	0.07	142	\$ 28.4

	2014.12.31				
	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
Issue date					
2011.01.26	\$ 22.7	3,147	1.07	3,147	\$ 22.7

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

3. Compensation cost for employee stock options

For the years ended December 31, 2015 and 2014, the compensation cost for employee stock options amounted to \$0 thousand and \$4,303 thousand, respectively, which had been recorded under operating costs and operating expenses.

(q) Earnings per share ("EPS")

For the years ended December 31, 2015 and 2014, the Company's earnings per share were calculated as follows:

	2015		
	Profit	Weighted- average average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 2,671,627	672,148	\$ <u><u>3.97</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	6,213	
Employee stock options	<u>-</u>	<u>502</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 2,671,627</u>	<u>678,863</u>	<u>\$ 3.94</u>
	2014		
	Profit	Weighted- average average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,963,469	741,095	\$ <u><u>2.65</u></u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	8,665	
Employee stock options	<u>-</u>	<u>938</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 1,963,469</u>	<u>750,698</u>	<u>\$ 2.62</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(r) 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 supervisors' remuneration. The pervading target given via shares includes dependent employees of the Company's subsidiaries under certain requirements.

For the year ended December 31, 2015, the Company accrued and recognised its employee bonuses amounting to \$231,300 thousand, and directors' and supervisors' remuneration amounting \$67,100 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 2015. 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.

(s) Non-operating income and expenses

1. Other income

For the years ended December 31, 2015 and 2014, the details of other income were as follows:

	2015	2014
Interest income	\$ 20,188	16,934
Dividend income	32,938	43,654
Rent income	45,287	31,999
	<u>\$ 98,413</u>	<u>92,587</u>

2. Other gains and losses

For the years ended December 31, 2015 and 2014, the details of other gains and losses were as follows:

	2015	2014
Foreign exchange gains	\$ 77,363	83,718
Impairment loss on financial assets	(53,341)	-
Losses on disposals of investments	(13,285)	(64,501)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(2,356)	130,285
Gains on disposal of property, plant and equipment	1,824	-
Other	(58,511)	(61,997)
	<u>\$ (48,306)</u>	<u>87,505</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

3. Finance costs

For the years ended December 31, 2015 and 2014, the details of finance costs were as follows:

	2015	2014
Interest expense on bank borrowings	\$ 53,445	71,536
Other interest expenses	1,030	601
Less: capitalized interest expense	<u>(40,623)</u>	<u>(23,833)</u>
	<u>\$ 13,852</u>	<u>48,304</u>

(t) Financial instruments

1. Credit risk

(1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2015 and 2014, the maximum exposure to credit risk amounted to \$5,209,893 thousand and \$6,030,525 thousand, respectively.

Cash and cash equivalents is deposited in different financial institutions to control the credit risk exposed to single financial institution. The Company owns securities by purchasing traded stocks and money market fund issued by high-credit-quality financial institutions. The Company owns debt instrument investments etc issued by high-credit-quality company. However, the credit risk involving securities is not expected to be significant.

(2) Disclosures about concentrations of risk

As of December 31, 2015 and 2014, the Company's notes and account receivables (included the related parties) were concentrated on 3 and 6 customers, whose accounts represented 72% and 73% of the total notes and account receivables, respectively. In order to reduce the credit risk on these account receivables, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the collectability of account receivables periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

2. Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2015						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,940,303	3,019,321	880,470	962,248	1,176,603	-
Unsecured bank loans	23,656	23,674	23,674	-	-	-
Accounts payable	1,309,867	1,309,867	1,309,867	-	-	-
Other payables	<u>1,215,254</u>	<u>1,215,254</u>	<u>1,215,254</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,489,080</u>	<u>5,568,116</u>	<u>3,429,265</u>	<u>962,248</u>	<u>1,176,603</u>	<u>-</u>
As of December 31, 2014						
Non-derivative financial liabilities						
Secured bank loans	\$ 3,483,775	3,616,213	596,897	880,952	2,039,575	98,789
Accounts payable	929,773	929,773	929,773	-	-	-
Other payables	<u>844,967</u>	<u>844,967</u>	<u>844,967</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,258,515</u>	<u>5,390,953</u>	<u>2,371,637</u>	<u>880,952</u>	<u>2,039,575</u>	<u>98,789</u>

The Company did not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

3. Currency risk

(1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	2015.12.31			2014.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets						
Monetary items						
USD	\$ 71,251	32.83	2,339,164	55,918	31.65	1,769,801
EUR	1	35.88	19	1	38.47	20
JPY	130,957	0.2727	35,712	49,487	0.2646	13,094
GBP	-	48.67	-	1	49.27	29
RMB	9	5.00	47	-	-	-
			<u>\$ 2,374,942</u>			<u>1,782,944</u>
Non-monetary items						
USD	21,968	32.83	721,215	18,684	31.65	591,359
RMB	-	-	-	29,779	5.09	151,577
			<u>\$ 721,215</u>			<u>742,936</u>

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

	2015.12.31			2014.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial liabilities						
Monetary items						
USD	19,503	32.83	640,276	13,125	31.65	415,407
EUR	112	35.88	4,022	191	38.47	7,341
JPY	653,154	0.2727	<u>178,115</u>	450,741	0.2646	<u>119,266</u>
			<u>\$ 822,413</u>			<u>542,014</u>

(2) Sensitivity analysis

The Company'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 (included the related parties), other receivables, current financial assets at fair value through profit or loss, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc. for the years ended December 31, 2015 and 2014 would have increased (decreased) the net profit after tax by \$64,566 thousand and \$59,215 thousand, respectively, and other comprehensive income by \$35,925 thousand and \$29,431 thousand, respectively. The analysis assumes that all other variables remain constant.

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

	Years ended December 31, 2015		Years ended December 31, 2014	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
NTD	\$ <u>77,363</u>	<u>-</u>	<u>83,718</u>	<u>-</u>

4. Interest rate risk

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

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

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

If the interest rate increases (decreases) by 0.5%, the Company's net profit after tax would have (decreased) increased by \$12,226 thousand and \$14,164 thousand for the years ended December 31, 2015 and 2014, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

5. 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.

	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	\$ 59,500	59,500	-	-	59,500
Funds and investment	<u>888,791</u>	<u>888,791</u>	-	-	<u>888,791</u>
Subtotal	<u>948,291</u>	<u>948,291</u>	-	-	<u>948,291</u>
Available-for-sale financial assets					
Stocks listed on domestic markets	650,383	650,383	-	-	650,383
Non-public stocks	504,318	-	504,318	-	504,318
Private fund	<u>340,950</u>	-	<u>340,950</u>	-	<u>340,950</u>
Subtotal	<u>1,495,651</u>	<u>650,383</u>	<u>845,268</u>	-	<u>1,495,651</u>
Loans and receivables					
Cash and cash equivalents (Note)	1,742,988	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Notes and accounts receivable (Note)	675,850	-	-	-	-
Other receivables (Note)	<u>254,937</u>	-	-	-	-
Subtotal	<u>2,833,375</u>	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	2,963,959	-	-	-	-
Accounts payable (Note)	1,309,867	-	-	-	-
Other payables (Note)	<u>1,215,254</u>	-	-	-	-
Subtotal	<u>5,489,080</u>	-	-	-	-

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

	2014.12.31			
	Carrying value	Fair value		
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Stocks listed on domestic markets	\$ -	-	-	-
Funds and investment	<u>1,197,247</u>	<u>1,197,247</u>	-	<u>1,197,247</u>
Subtotal	<u>1,197,247</u>	<u>1,197,247</u>	-	<u>1,197,247</u>
Available-for-sale financial assets				
Stocks listed on domestic markets	695,096	695,096	-	695,096
Non-public stocks	479,943	-	479,943	479,943
Private fund	<u>299,400</u>	-	<u>299,400</u>	<u>299,400</u>
Subtotal	<u>1,474,439</u>	<u>695,096</u>	<u>779,343</u>	<u>1,474,439</u>
Loans and receivables				
Cash and cash equivalents (Note)	2,536,853	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-
Notes and accounts receivable (Note)	417,409	-	-	-
Other receivables (Note)	<u>222,205</u>	-	-	-
Subtotal	<u>3,336,067</u>	-	-	-
Amortized cost of financial liability				
Bank loan (Note)	3,483,775	-	-	-
Accounts payable (Note)	929,773	-	-	-
Other payables (Note)	<u>844,967</u>	-	-	-
Subtotal	<u>5,258,515</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.

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.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

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

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

B. Derivative instruments

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

(iii) Transfer between level 2 and level 1

For the years ended December 31, 2015 and 2014, there was no significant change on the fair value hierarchy of level 2 and level 1 financial asset.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(iv) Movement of level 3

The movement in fair value measurements of financial assets in Level 3 was as follows:

	Available-for-sale financial assets
	<u>Unquoted equity instruments</u>
Balance as of January 1, 2014	\$ 35,000
Transfers out of Level 3	(35,000)
Balance as of December 31, 2014	\$ <u><u>-</u></u>

For the year ended December 31, 2014, available-for-sale financial assets with a carrying amount of \$35,000 thousand were transferred from Level 3 to Level 2 because the Company can acquire evaluation report of the assets periodically in which all significant inputs were based on observable market data.

There were no changes in financial assets with fair value hierarchy level 3 transfers for the year ended December 31, 2015.

(u) Management of financial risk

1. The Company is exposed to the extent of the risks arising from financial instruments as below:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

Detailed information about exposure risk arising from the aforementioned risk was listed below. The Company's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments.

2. Risk management framework

The Board of Directors is responsible for overseeing the Company's risk management framework. The Company's internal auditor is responsible to identify and analyse the risks faced by the Company. The management of each division sets appropriate risk limits and controls, and monitor risks that follow the adherence to limits. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

The Company's Supervisor oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Supervisor is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and the procedures, and the result of which are reported to the Supervisors.

3. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arises principally from the Company's accounts receivable, investments in securities and investments in bond.

(1) Notes and accounts receivable

According to the credit policy, the Company analyses each new customer individually for their credit worthiness before granting the new customer standard payment terms and delivery terms. The Company's review includes external ratings of customers' financial information and bank references. Credit lines are established for each customer and reviewed periodically.

The Company oversees the customer's credit risk based on the aging, due date and financial information.

The allowance for doubtful accounts of the Company is estimated to reflect the loss in notes and accounts receivable for those customers graded as "high risk". The major component of the allowance account contains individually significant exposure related to the specific loss.

(2) Investments

The credit risk exposure in the bank deposits, fixed income investments and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

(3) Guarantees

As of December 31, 2015 and 2014, the Company did not provide guarantee.

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WIN Semiconductors Corp.**Notes to Parent-company-only Financial Statements**

4. Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2015, the Company has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused bank credit lines for short-term borrowings and long-term borrowings amounted to \$3,402,960 thousand, \$1,694,367 thousand and \$1,458,000 thousand, respectively.

5. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD) and US Dollars (USD).

The policy of response to currency risk:

- i) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.
- ii) The Company uses foreign currency borrowings and forward exchange contracts to hedge the remaining nature of currency risk arising from the netting of foreign currency accounts receivable and accounts payable.
- iii) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also reports to the foreign currency department to control the foreign currency trend and market information.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(v) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors and market, and to sustain future development of the business. For the goal of business sustainability, the Company monitors the expansion plan as well as the level of dividends to ordinary shareholders.

For the years ended December 31, 2015 and 2014, the Company's return on common equity was 16.12% and 12.74%, respectively. The Company's debt ratio at the reporting date was as follows:

	2015.12.31	2014.12.31
Debt ratio	<u>28.52%</u>	<u>26.85%</u>

As of December 31, 2015, there were no changes in the Company's approach to capital management.

(7) Related-parties transactions

(a) Relationship with the parent company and its subsidiaries:

	<u>Area</u>	<u>Owners (Shareholding %)</u>	
		<u>2015.12.31</u>	<u>2014.12.31</u>
WIN SEMI. USA, INC.	California, U.S.A.	100.00%	100.00%
Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	100.00%	100.00%
WIN Venture Capital Corp.	Taiwan	100.00%	100.00%

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Significant transactions with related parties

1. Operating revenue

The amounts of significant transaction with related - parties for the years ended December 31, 2015 and 2014 were as follow:

	2015	2014
Subsidiary	\$ <u>4,679,319</u>	<u>4,561,837</u>

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

The prices for sales from related parties are not materially different from those of third-party customers. Receivables from related parties were not secured with collateral and did not require provisions for bad debt expenses.

2. Receivable from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follow:

Account	Categories	2015.12.31	2014.12.31
Accounts receivable	Subsidiary	\$ <u>357,716</u>	<u>110,530</u>

3. Leases

For the year ended December 31 2014, the Company rented the staff dormitory from the related parties. A lease contract was signed in which the rental fee is determined based on the nearby dormitory rental rates, which were billed monthly. The amounts of rental expense \$28 thousand was paid.

There were no such transactions for the year ended December 31, 2015.

(d) Transactions with key management personnel

For the years ended December 31, 2015 and 2014, key management personnel compensation were comprised as below:

	2015	2014
Short-term employee benefits	\$ 303,334	187,361
Post-employment benefits	709	709
Share-based payments	-	504
	\$ <u>304,043</u>	<u>188,574</u>

(8) Pledged assets

The carrying amount of pledged assets was as follows:

Pledged assets	Pledged to secure	2015.12.31	2014.12.31
Other non-current assets	Gas deposits	\$ 4,700	3,000
Other non-current assets	Customs guarantee	20,781	20,661
Property, plant and equipment	Long-term borrowings	3,985,080	4,628,927
Investment property	Long-term borrowings	<u>1,085,846</u>	<u>1,091,162</u>
		\$ <u>5,096,407</u>	<u>5,743,750</u>

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

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

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

	2015.12.31	2014.12.31
The unrecognized amount	\$ <u>2,100,360</u>	<u>849,166</u>
	2015.12.31	2014.12.31
3. The unused letters of credit	\$ <u>105,610</u>	<u>203,684</u>

(10) Important damage losses: None.**(11) Important subsequent events: None.****(12) Others**

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2015 and 2014:

	2015		Total	2014		Total
	Classified as operating costs	Classified as operating expenses		Classified as operating costs	Classified as operating expenses	
Employee benefits						
Salaries	\$ 1,152,890	478,539	1,631,429	959,353	434,397	1,393,750
Labor and health insurance	83,012	25,706	108,718	76,253	22,929	99,182
Pension	37,750	13,137	50,887	36,099	12,893	48,992
Others	43,370	8,494	51,864	40,262	9,785	50,047
Depreciation	1,767,223	132,021	1,899,244	1,740,315	111,884	1,852,199
Amortization	7,686	16,095	23,781	9,731	19,767	29,498

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

As of December 31, 2015 and 2014, the Company had 1,801 and 1,521 employees, respectively.

(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 Company:

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	Period-end				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Capital Money Market Fund	None	Current financial assets at fair value through profit or loss	4,820	76,806	-	76,806	
"	Yuanta De-Bao Money Market Fund	"	"	7,538	89,500	-	89,500	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	19,868	245,761	-	245,761	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	10,480	149,587	-	149,587	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	149,684	-	149,684	
"	Mega Diamond Money Market Fund	"	"	8,816	109,120	-	109,120	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,711	-	2,711	
"	Nomura Taiwan Money Market Fund	"	"	4,072	65,622	-	65,622	
"	Green Seal Holding Limited/Stock	"	"	500	59,500	0.34	59,500	
					<u>948,291</u>		<u>948,291</u>	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	66,283	0.38	66,283	
"	Mega Diamond Money Market Fund	"	"	9	114	-	114	
					<u>66,397</u>		<u>66,397</u>	
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	25,032	553,201	8.13	553,201	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	74,367	2.49	74,367	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	2,255	0.03	2,255	
					<u>629,823</u>		<u>629,823</u>	

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	363,022	10.51	363,022	
"	Tainergy Tech Co., Ltd./Stock	None	Non-current available-for-sale financial assets	943	20,560	0.30	20,560	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	92,206	3.33	92,206	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	340,950	-	340,950	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	None	Non-current available-for-sale financial assets	1,000	49,090	1.08	49,090	
					<u>865,828</u>		<u>865,828</u>	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	"	75	357,396	0.03	357,396	
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	23,392	14.37	23,392	
					<u>380,788</u>		<u>380,788</u>	
WIN Venture Capital Corp.	Nisho Image Technology Inc./Stock	The Company's client	"	3,300	<u>22,105</u>	7.33	<u>22,105</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	

Note: The redeemable preferred stock was the nature of bond, which was recognised as non-current investments 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				End (Note)	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	-	8,021	126,929	69,204	1,099,989	72,405	1,150,868	1,150,118	750	4,820	76,806
"	Yuanta De-Bao Money Market Fund	"	-	-	12,965	152,995	127,977	1,515,164	133,404	1,579,353	1,578,659	694	7,538	89,500
"	Allianz Global Investors Taiwan Money Market Fund	"	-	-	28,972	355,853	130,141	1,606,935	139,245	1,718,914	1,717,050	1,864	19,868	245,761

Note: End 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.

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

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	(4,679,319)	(39) %	1-2 Month	-	-	375,716	56%	
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	4,679,319	100 %	1-2 Month	-	-	(375,716)	(100%)	

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 December 31, 2015	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	375,716	19.25	-	-	375,716	-

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

(b) Information on investments:

The followings are the information on investees:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2015			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				December 31, 2015	December 31, 2014	Shares (in thousands)	Percentage	Carrying value			
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	8,203	8,203	1,000	100.00%	7,456	993	993	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	718,504	12,742	12,742	
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	291,794	(258,847)	(89,366)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	200,000	200,000	20,000	100.00%	114,098	(66,041)	(66,041)	
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	-	16,400	31.06%	116,301	(59,170)	(17,240)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	(111,081)	-	

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WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2015			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				December 31, 2015	December 31, 2014	Shares (in thousands)	Percentage	Carrying value			
WIN Venture Capital Corp. Win Semiconductors Cayman Islands Co., Ltd.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing investment activities	39,600	-	3,600	6.82%	25,529	(59,170)	(3,784)	
	Rainbow Star Group Limited	British Virgin Islands		32,590	-	20	40.00%	32,589	(583)	(241)	
	Merit Biotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	195,540	-	3,000	28.63%	191,747	17,616	652	

(c) Information on investment in Mainland China:

1. Information of 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, 2015	Investment		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income (losses) of the investee Company (Note 2)	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2015 (Note 3)	Accumulated inward remittance of earnings as of December 31, 2015
					Outflow	Inflow						
JIANGSU KANG YUAN MERIT AGRICULTURAL DEVELOPMENT CO., LTD.	Hog farming and technology development	223,108 (RMB 42,943)	(Note 1)	-	-	-	-	27,854 (USD 878)	28.63%	571 (USD 18)	170,732 (USD 5,200)	-
YURUN MERIT BIOTECH (LIANYUNGANG) CO., LTD.	Produce, import and export trade, and whole sale of animal feed additives	102,220 (RMB 22,222)	(Note 1)	-	-	-	-	(11,258) (USD (355))	-	(363) (USD (11))	-	-

2. Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of December 31, 2015	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
-	196,980 (USD 6,000)	10,325,460

Note 1: The Company 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 audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2015 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 year ended December 31, 2015. 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.

3. Significant transactions: None.

(14) Segment financial information

Please refer to the consolidated financial statements for the year ended December 31, 2015.