

WIN Semiconductors Corp. and Subsidiaries
Condensed Consolidated Financial Statements
March 31, 2015 and 2014
(With Independent Auditors' Review Thereon)

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

Telephone No.: 886-3-397-5999



安侯建業聯合會計師事務所

KPMG

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

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

Independent Auditors' Review Report

The Board of Directors
WIN Semiconductors Corp.

We have reviewed the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of March 31, 2015 and 2014, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2015 and 2014. These condensed consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our review.

Except as discussed in the third paragraph, we conducted our reviews in accordance with the Republic of China Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with the generally accepted auditing standards, the objective of which is the expression of an opinion regarding the condensed consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

The Company and its subsidiaries' investments accounted for using the equity method of NT\$587,223 thousand and NT\$380,247 thousand as of March 31, 2015 and 2014, and the share of loss of associates and joint ventures accounted for using the equity method, net of NT\$14,376 thousand, NT\$5,982 thousand for the three months ended March 31, 2015 and 2014, respectively, were accounted for in accordance with the equity method based on the unreviewed financial statements of the related investees.

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



In accordance with the generally accepted auditing standards and the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” in the Republic of China, we have previously audited the consolidated financial statements of the Company and its subsidiaries, which comprise consolidated financial statements as of and for the year ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 11, 2015, we expressed an unqualified audit opinion on those consolidated financial statements. Based on the opinion dated March 11, 2015, the information set forth in the accompanying consolidated statement of financial position as at December 31, 2014, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

KPMG

Taipei, Taiwan (the Republic of China)
May 6, 2015

Note to Readers

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

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

Reviewed only, not audited in accordance with generally accepted auditing standards as of March 31, 2015, and 2014
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

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

	2015.3.31	2014.12.31	2014.3.31	2015.3.31	2014.12.31	2014.3.31
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 2,897,176	2,677,199	1,693,712	\$ 1,237,778	929,773	636,667
Current financial assets at fair value through profit or loss (note 6(b))	902,835	1,321,271	1,771,971	1,270,015	1,173,860	871,476
Current available-for-sale financial assets (note 6(c))	697,534	677,271	668,189	545,444	545,444	545,444
Notes and accounts receivable, net (note 6(e))	936,162	690,051	616,735	119,256	99,529	86,949
Inventories (note 6(f))	1,915,152	1,499,917	1,047,447	3,172,493	2,748,606	2,140,536
Other current assets (note 6(k))	321,959	259,035	309,931	—	—	—
Total current assets	<u>7,670,818</u>	<u>7,124,744</u>	<u>6,107,985</u>	<u>2,666,102</u>	<u>2,938,331</u>	<u>3,723,575</u>
Non-current assets:						
Non-current available-for-sale financial assets (note 6(c))	1,148,764	1,061,717	556,064	27,850	30,362	20,610
Non-current investments in debt instrument without active market (note 6(d))	159,600	159,600	190,000	159,402	158,959	150,909
Investments accounted for using equity method (note 6(g))	587,223	381,566	380,247	2,853,354	3,127,652	3,895,094
Property, plant and equipment (notes 6(h) and 8)	11,459,122	11,652,510	12,446,953	6,025,847	5,876,258	6,035,630
Investment property (notes 6(i) and 8)	1,089,833	1,091,162	1,095,150	7,433,953	7,422,377	7,401,960
Intangible assets (note 6(j))	51,740	54,422	57,811	3,783,322	3,768,620	3,738,567
Deferred tax assets	81,254	66,135	117,153	5,146,253	4,527,782	3,884,863
Prepayments for business facilities (note 8)	390,299	178,911	285,984	299,289	220,871	219,482
Other non-current assets (notes 6(k) and 8)	50,011	45,141	43,155	16,662,817	15,939,650	15,244,872
Total non-current assets	<u>15,017,846</u>	<u>14,691,164</u>	<u>15,172,517</u>	<u>22,688,664</u>	<u>21,815,908</u>	<u>21,280,502</u>
Total assets	<u>\$ 22,688,664</u>	<u>21,815,908</u>	<u>21,280,502</u>	<u>\$ 22,688,664</u>	<u>21,815,908</u>	<u>21,280,502</u>
Liabilities and Equity						
Current liabilities:						
Accounts payable						
Other payables						
Long-term liabilities, current portion (notes 6(m) and 8)						
Other current liabilities						
Total current liabilities						
Non-current liabilities:						
Long-term borrowings (notes 6(m) and 8)						
Deferred tax liabilities						
Other non-current liabilities						
Total non-current liabilities						
Total liabilities						
Equity (notes 6(p), 6(q) and 6(r)):						
Ordinary share						
Capital surplus						
Retained earnings						
Other equity interest						
Total equity						
Total liabilities and equity						

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2015 and 2014

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

	2015	2014
Operating revenue	\$ 2,806,832	1,667,026
Operating costs (notes 6(f) 、 6(g) 、 6(j) 、 6(n) 、 6(o) 、 6(q) 、 6(r) 、 7 and 12)	<u>(1,743,935)</u>	<u>(1,166,863)</u>
Gross profit from operations	<u>1,062,897</u>	<u>500,163</u>
Operating expenses (notes 6(j) 、 6(n) 、 6(o) 、 6(q) 、 6(r) 、 7 and 12):		
Selling expenses	(33,700)	(34,003)
Administrative expenses	(127,534)	(93,951)
Research and development expenses	<u>(127,194)</u>	<u>(168,673)</u>
Total operating expenses	<u>(288,428)</u>	<u>(296,627)</u>
Net operating income	<u>774,469</u>	<u>203,536</u>
Non-operating income and expenses:		
Other income (notes 6(n) and 6(t))	15,646	11,950
Other gains and losses (note 6(t))	(27,476)	54,363
Finance costs (note 6(t))	(6,920)	(13,892)
Share of loss of associates and joint ventures accounted for using equity method (note 6(g))	<u>(13,607)</u>	<u>(5,982)</u>
Total non-operating income and expenses	<u>(32,357)</u>	<u>46,439</u>
Profit before tax	742,112	249,975
Total tax expense (note 6(p))	<u>(123,641)</u>	<u>(36,595)</u>
Profit	<u>618,471</u>	<u>213,380</u>
Other comprehensive income (loss):		
Components of other comprehensive income that will be reclassified to profit or loss		
Other comprehensive income, before tax, exchange differences on translation	(4,319)	7,268
Other comprehensive income, before tax, available-for-sale financial assets	82,704	113,232
Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(g))	33	-
Income tax expense relating to items that are or may be reclassified subsequently to profit or loss (note 6(p))	<u>-</u>	<u>-</u>
Total Components of other comprehensive income that will be reclassified to profit or loss	<u>78,418</u>	<u>120,500</u>
Other comprehensive income, net	<u>78,418</u>	<u>120,500</u>
Comprehensive income	\$ <u>696,889</u>	\$ <u>333,880</u>
Profit, attributable to:		
Profit, attributable to owners of parent	\$ <u>618,471</u>	\$ <u>213,380</u>
Comprehensive income attributable to:		
Comprehensive income, attributable to owners of parent	\$ <u>696,889</u>	\$ <u>333,880</u>
Earnings per common share (expressed in dollars) (note 6(s))		
Basic earnings per share	\$ <u>0.83</u>	\$ <u>0.29</u>
Diluted earnings per share	\$ <u>0.83</u>	\$ <u>0.29</u>

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Other equity interest			Total equity attributable to owners of parent	Non-controlling interests	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	-	14,891,577
Net income for the three months ended March 31, 2014	-	-	-	-	213,380	213,380	-	-	-	213,380	-	213,380
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	-	7,268	113,232	120,500	120,500	-	120,500
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	-	7,268	113,232	120,500	333,880	-	333,880
Exercise of employee stock options	9,206	9,790	-	-	213,380	213,380	-	-	-	18,996	-	18,996
Compensation cost arising from employee stock options	-	419	-	-	-	-	-	-	-	419	-	419
Balance on March 31, 2014	\$ 7,401,960	3,738,567	423,456	34,015	3,427,392	3,884,863	(10,145)	229,627	219,482	15,244,872	-	15,244,872
Balance on January 1, 2015	\$ 7,422,377	3,768,620	604,607	-	3,923,175	4,527,782	4,909	215,962	220,871	15,939,650	-	15,939,650
Net income for the three months ended March 31, 2015	-	-	-	-	618,471	618,471	-	-	-	618,471	-	618,471
Other comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	-	(4,286)	82,704	78,418	78,418	-	78,418
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	-	(4,286)	82,704	78,418	696,889	-	696,889
Exercise of employee stock options	11,576	14,702	-	-	618,471	618,471	-	-	-	26,278	-	26,278
Balance on March 31, 2015	\$ 7,433,953	3,783,322	604,607	-	4,541,646	5,146,253	623	298,666	299,289	16,662,817	-	16,662,817

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2015 and 2014
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
Cash flows from (used in) operating activities:		
Profit before tax	\$ 742,112	249,975
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	467,765	458,862
Amortization expense	5,087	8,386
Net loss (gain) on financial assets at fair value through profit or loss	11,629	(121,108)
Interest expense	6,920	13,892
Interest income	(6,746)	(3,330)
Dividend income	(897)	(616)
Share-based payments	-	419
Share of loss of associates and joint ventures accounted for using equity method	14,376	5,982
Loss on disposal of investments	<u>(1,434)</u>	<u>54,753</u>
Total adjustments to reconcile profit	<u>496,700</u>	<u>417,240</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Current financial assets at fair value through profit or loss	7,876	-
Notes and accounts receivable, net	(246,111)	33,703
Inventories	(415,235)	79,328
Other current assets	<u>(132,254)</u>	<u>(112,701)</u>
Total changes in operating assets	<u>(785,724)</u>	<u>330</u>
Changes in operating liabilities:		
Accounts payable	308,005	1,548
Other payables	(29,494)	(109,191)
Other current liabilities	19,727	(31,707)
Other non-current liabilities	<u>443</u>	<u>538</u>
Total changes in operating liabilities	<u>298,681</u>	<u>(138,812)</u>
Total changes in operating assets and liabilities	<u>(487,043)</u>	<u>(138,482)</u>
Cash inflow generated from operations	751,769	528,733
Income taxes paid	<u>(619)</u>	<u>(317)</u>
Net cash flows provided from operating activities	<u>751,150</u>	<u>528,416</u>
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(648,882)	(904,256)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,119,399	361,151
Acquisition of current available-for-sale financial assets	-	(45,772)
Acquisition of non-current available-for-sale financial assets	(25,000)	-
Proceeds from disposal of non-current available-for-sale financial assets	-	2,648
Acquisition of investments accounted for using equity method	(220,000)	-
Acquisition of property, plant and equipment	(294,197)	(215,725)
Acquisition of intangible assets	(2,639)	(495)
Decrease (increase) in other non-current assets	(4,870)	102
Increase in prepayments for business facilities	(204,910)	(16,656)
Interest received	5,951	2,938
Dividends received	897	616
Net cash flows used in investing activities	<u>(274,251)</u>	<u>(815,449)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	-	529,000
Repayments of long-term borrowings	(272,722)	(529,722)
Exercise of employee share options	26,278	18,996
Interest paid	<u>(6,553)</u>	<u>(10,935)</u>
Net cash flows (used in) financing activities	<u>(252,997)</u>	<u>7,339</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(3,925)</u>	<u>6,525</u>
Net increase (decrease) in cash and cash equivalents	219,977	(273,169)
Cash and cash equivalents at the beginning of period	<u>2,677,199</u>	<u>1,966,881</u>
Cash and cash equivalents at the end of period	\$ <u>2,897,176</u>	\$ <u>1,693,712</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2015 and 2014**

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

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

The condensed consolidated interim financial statements for the three months ended March 31, 2015 and 2014 was authorized for issued by the Board of Directors as of May 6, 2015.

(3) New standards and interpretations not yet adopted

- (a) The impact of the new release, amendments to standards and interpretations has adopted by the Financial Supervisory Commissions R.O.C. (“FSC”).

According to the No. Financial-Supervisory-Securities-Auditing-1030010325 of the Financial Supervisory Commission on April 3, 2014, listed, OTC and emerging companies will have to prepare the financial reports using the IFRSs 2013 (which does not include IFRS 9) with fully adoption on 2015 Relevant new releases, modifications and amendments to standards and interpretations are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
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

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 12 "Disclosure of interests in other entities"	January 1, 2013
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

Except the following, applying the IFRSs 2013 does not cause any significant changes in the consolidated interim financial statements. The impact of significant changes are described as follows:

1. IAS 1 "Presentation of Financial Statements"

The standard amended the presentation of other comprehensive income, it can be classified as items presented before tax to be shown separately for each of the two groups of OCI items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Group 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 Group disclose the information about associates as the standard requires, please refer to note 6(g).

3. IFRS 13 "Fair Value Measurement"

The standard changes to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Group disclosure fair value measurements as the guidance over the transition period of the standard, and postponed the adoption of fair value measurements, please refer to note 6(u) the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change has no significant impact on the measurements of Group' assets and liabilities.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

- (b) The new released or amended standards and interpretations not yet endorsed by the FSC.

A summary of the new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements not yet endorsed by the FSC:

<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"	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(4) Summary of significant accounting policies

(a) Statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are approved by FSC and do not include all of the information required for annual financial statements.

Except the following information disclosure, the significant accounting policies presented in the condensed consolidated interim financial statements is the same as the consolidated financial statement for the year ended December 31, 2014. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2014. The Group prepares the financial reports using the IFRSs 2013 approved by FSC with fully adoption. For the related changes, please refer to note 3(a).

(b) Basis of consolidation

1. Principles of preparation of the condensed consolidated interim financial statements are the same as the consolidated financial statements for the year ended December 31, 2014. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2014.

2. List of subsidiaries in the condensed consolidated interim financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2015.3.31	2014.12.31	2014.3.31	
The Company	WIN SEMI, USA, INC.	Marketing	100%	100%	100%	-
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%	-
The Company	WIN Venture Capital Corp.	Investment activities	100%	100%	-	Note

Note. The Company invested WIN Venture Capital Corp. which was incorporated in April, 2014.

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements****(c) Income taxes**

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

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

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

(d) Defined benefit plans

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

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

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

The preparation of the condensed consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2014. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2014.

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

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

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

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

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

(6) Significant account disclosure

Except for the following disclosure, the significant account disclosure in the condensed consolidated interim financial statements for the three months ended March 31, 2015, which compare with the consolidated financial statements for the year ended December 31, 2014, was not changed significantly. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2014.

(a) Cash and cash equivalents

	2015.3.31	2014.12.31	2014.3.31
Cash on hand	\$ 226	431	483
Cash in bank	228,064	143,216	140,944
Time deposits	<u>2,668,886</u>	<u>2,533,552</u>	<u>1,552,285</u>
	<u>\$ 2,897,176</u>	<u>2,677,199</u>	<u>1,693,712</u>

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

(Continued)

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

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

	2015.3.31	2014.12.31	2014.3.31
Stocks listed on domestic markets	\$ 100,460	74,620	69,152
Money market funds, future fund, equity fund and bond funds	<u>802,375</u>	<u>1,246,651</u>	<u>1,702,819</u>
	<u>\$ 902,835</u>	<u>1,321,271</u>	<u>1,771,971</u>

Refer to note 6(t) for the amount of remeasurement at fair value through profit or loss.

The above-mentioned financial assets were not pledged.

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

1. Current available-for-sale financial assets:

	2015.3.31	2014.12.31	2014.3.31
Stocks listed on domestic markets	\$ <u>697,534</u>	<u>677,271</u>	<u>668,189</u>

The above-mentioned financial assets were not pledged.

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

	2015.3.31	2014.12.31	2014.3.31
Stocks listed on domestic markets	\$ 17,825	17,825	24,367
Stocks listed on foreign markets	298,086	238,776	147,193
Non-public stocks	534,953	505,716	384,504
Private fund (Note)	<u>297,900</u>	<u>299,400</u>	<u>-</u>
	<u>\$ 1,148,764</u>	<u>1,061,717</u>	<u>556,064</u>

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

Refer to note 6(t) for the gains or loss on disposal of investments.

The above-mentioned financial assets were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(d) Non-current bond investment without active market

	Issue period	Nominal rate (%)	2015.3.31	2014.12.31	2014.3.31
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>159,600</u>	<u>159,600</u>	<u>190,000</u>

The above-mentioned financial assets were not pledged.

(e) Notes and accounts receivable, net

	2015.3.31	2014.12.31	2014.3.31
Notes receivable	\$ -	405	-
Accounts receivable	941,728	695,236	622,242
Less: allowance for doubtful accounts	<u>(5,566)</u>	<u>(5,590)</u>	<u>(5,507)</u>
	\$ <u>936,162</u>	<u>690,051</u>	<u>616,735</u>

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

	2015.3.31	2014.12.31	2014.3.31
Past due 1~60 days	\$ 38,163	52,944	46,358
Past due more than 61 days	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>38,163</u>	<u>52,944</u>	<u>46,358</u>

The movement of allowance for notes and accounts receivable, and other accounts receivable for the three months ended March 31, 2015 and 2014, were as follows:

	2015	2014
Beginning balance	\$ 5,590	5,461
Foreign currency differences	<u>(24)</u>	<u>46</u>
End balance	\$ <u>5,566</u>	<u>5,507</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

Assessment method:

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

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

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

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

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

(f) Inventories

	2015.3.31	2014.12.31	2014.3.31
Raw materials and supplies	\$ 1,133,859	888,130	587,270
Work in process	484,011	333,856	272,097
Finished goods	<u>297,282</u>	<u>277,931</u>	<u>188,080</u>
	\$ <u>1,915,152</u>	<u>1,499,917</u>	<u>1,047,447</u>

Except cost of goods sold and inventories recognized as expense, the remaining gain or losses which were recognized as operating cost of deduction of operating cost for the three months ended March 31, 2015 and 2014, were as follows:

	2015	2014
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>19,236</u>	<u>(37,367)</u>
Revenue from sale of scraps	\$ <u>(5,906)</u>	<u>(3,742)</u>

(Continued)

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

The inventories were not pledged.

(g) Investments accounted for using equity method

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

	2015.3.31	2014.12.31	2014.3.31
Associates	\$ <u>587,223</u>	<u>381,566</u>	<u>380,247</u>

1. Associates:

On January 28, 2015, the Group acquired 42.74% of the shares of Phalanx Biotech Group, Inc. for \$220,000 thousand in cash, and has significant influence on it.

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

	2015.3.31	2014.12.31	2014.3.31
Total equity of the individually insignificant Investments in associates	\$ <u>587,223</u>	<u>381,566</u>	<u>380,247</u>

	2015	2014
Attributable to the Group:		
Net loss	\$ (14,376)	(5,982)
Other comprehensive income	<u>33</u>	<u>-</u>
Comprehensive income	\$ <u>(14,373)</u>	<u>(5,982)</u>

2. Pledge to secure:

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(h) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2015 and 2014 were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Factory and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:							
Balance as of January 1, 2015	\$ 2,546,534	998,111	11,724,452	2,773,866	193,297	1,345,584	19,581,844
Additions	-	130	14,087	8,835	1,867	232,895	257,814
Reclassification (Note)	-	-	15,234	3,247	-	(3,247)	15,234
Disposals	-	-	(690)	-	(37,363)	-	(38,053)
Balance as of March 31, 2015	\$ <u>2,546,534</u>	<u>998,241</u>	<u>11,753,083</u>	<u>2,785,948</u>	<u>157,801</u>	<u>1,575,232</u>	<u>19,816,839</u>
Balance as of January 1, 2014	\$ 2,546,534	982,847	11,319,066	2,642,422	359,898	1,046,925	18,897,692
Additions	-	-	19,861	4,646	3,412	124,497	152,416
Reclassification (Note)	-	-	114,276	1,490	-	-	115,766
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of March 31, 2014	\$ <u>2,546,534</u>	<u>982,847</u>	<u>11,453,203</u>	<u>2,648,558</u>	<u>184,423</u>	<u>1,171,422</u>	<u>18,986,987</u>
Accumulated depreciation:							
Balance as of January 1, 2015	\$ -	370,746	5,934,630	1,449,642	174,316	-	7,929,334
Depreciation	-	14,790	390,142	58,223	3,281	-	466,436
Disposals	-	-	(690)	-	(37,363)	-	(38,053)
Balance as of March 31, 2015	\$ <u>-</u>	<u>385,536</u>	<u>6,324,082</u>	<u>1,507,865</u>	<u>140,234</u>	<u>-</u>	<u>8,357,717</u>
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Depreciation	-	14,624	377,394	57,465	8,050	-	457,533
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of March 31, 2014	\$ <u>-</u>	<u>326,865</u>	<u>4,776,493</u>	<u>1,274,454</u>	<u>162,222</u>	<u>-</u>	<u>6,540,034</u>
Carrying value:							
Balance as of January 1, 2015	\$ <u>2,546,534</u>	<u>627,365</u>	<u>5,789,822</u>	<u>1,324,224</u>	<u>18,981</u>	<u>1,345,584</u>	<u>11,652,510</u>
Balance as of March 31, 2015	\$ <u>2,546,534</u>	<u>612,705</u>	<u>5,429,001</u>	<u>1,278,083</u>	<u>17,567</u>	<u>1,575,232</u>	<u>11,459,122</u>
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>26,839</u>	<u>1,046,925</u>	<u>12,636,304</u>
Balance as of March 31, 2014	\$ <u>2,546,534</u>	<u>655,982</u>	<u>6,676,710</u>	<u>1,374,104</u>	<u>22,201</u>	<u>1,171,422</u>	<u>12,446,953</u>

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

1. Pledge to secure:

As of March 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Property, plant and equipment under construction

In 2012, the Group acquired land, buildings and structures for the construction of a new factory on the site. As of March 31, 2015, the cost of acquisition and construction amounted to \$1,590,903 thousand (which included the borrowing costs of the capitalized interest expenses), was recognized in construction in progress and prepayments for business facilities.

3. For the three months ended March 31, 2015 and 2014, capitalized interest expenses amounted to \$7,443 thousand and \$6,678 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.

(i) 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 March 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 March 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	-	1,329	1,329
Balance as of March 31, 2015	\$ <u>-</u>	<u>11,519</u>	<u>11,519</u>
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	-	1,329	1,329
Balance as of March 31, 2014	\$ <u>-</u>	<u>6,202</u>	<u>6,202</u>
Carrying value:			
Balance as of January 1, 2015	\$ <u>963,127</u>	<u>128,035</u>	<u>1,091,162</u>
Balance as of March 31, 2015	\$ <u>963,127</u>	<u>126,706</u>	<u>1,089,833</u>
Balance as of January 1, 2014	\$ <u>963,127</u>	<u>133,352</u>	<u>1,096,479</u>
Balance as of March 31, 2014	\$ <u>963,127</u>	<u>132,023</u>	<u>1,095,150</u>
Fair value:			
Balance as of March 31, 2015			\$ <u>1,327,317</u>
Balance as of March 31, 2014			\$ <u>1,300,747</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

<u>Location</u>	<u>For the three months ended March 31, 2015</u>
Hsinchu	0.16%

As of March 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.

(j) Intangible assets

1. The movement in intangible assets for the three months ended March 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		<u>-</u>	<u>1,400</u>	<u>1,005</u>	<u>2,405</u>
Balance as of March 31, 2015	\$	<u>46,005</u>	<u>49,444</u>	<u>1,005</u>	<u>96,454</u>
Balance as of January 1, 2014	\$	46,005	82,770	6,122	134,897
Additions		-	610	-	610
Other (Note)		-	<u>1,339</u>	-	<u>1,339</u>
Balance as of March 31, 2014	\$	<u>46,005</u>	<u>84,719</u>	<u>6,122</u>	<u>136,846</u>
Amortisation:					
Balance as of January 1, 2015	\$	15,974	23,653	-	39,627
Amortisation		<u>958</u>	<u>4,073</u>	<u>56</u>	<u>5,087</u>
Balance as of March 31, 2015	\$	<u>16,932</u>	<u>27,726</u>	<u>56</u>	<u>44,714</u>
Balance as of January 1, 2014	\$	12,140	56,128	2,381	70,649
Amortisation		<u>959</u>	<u>6,407</u>	<u>1,020</u>	<u>8,386</u>
Balance as of March 31, 2014	\$	<u>13,099</u>	<u>62,535</u>	<u>3,401</u>	<u>79,035</u>
Carrying value:					
Balance as of January 1, 2015	\$	<u>30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>
Balance as of March 31, 2015	\$	<u>29,073</u>	<u>21,718</u>	<u>949</u>	<u>51,740</u>
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 March 31, 2014	\$	<u>32,906</u>	<u>22,184</u>	<u>2,721</u>	<u>57,811</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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 three months ended March 31, 2015 and 2014, the amortization expenses of intangible assets were as follows:

	2015	2014
Operating costs	\$ 2,060	2,694
Operating expenses	<u>3,027</u>	<u>5,692</u>
	<u>\$ 5,087</u>	<u>8,386</u>

3. Pledge to secure

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

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

	2015.3.31	2014.12.31	2014.3.31
Other receivable from metal reclaiming	\$ 192,929	112,622	152,917
Tax refund receivable	83,753	22,369	34,113
Prepaid expenses	24,650	36,811	27,024
Refundable deposits	26,319	21,480	19,584
Restricted assets	23,692	23,661	23,571
Others	<u>20,627</u>	<u>87,233</u>	<u>95,877</u>
	<u>\$ 371,970</u>	<u>304,176</u>	<u>353,086</u>

(l) Short-term borrowings

	2015.3.31	2014.12.31	2014.3.31
Unused bank credit lines for short-term borrowings	\$ <u>3,357,635</u>	<u>3,297,997</u>	<u>3,212,984</u>
Unused bank credit lines for short-term and long-term borrowing	<u>\$ 350,000</u>	<u>350,000</u>	<u>350,000</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(m) Long-term borrowings

	2015.3.31	2014.12.31	2014.3.31
Unsecured long-term borrowings	\$ -	-	514,000
Secured long-term borrowings	3,211,546	3,483,775	3,755,019
Less: long-term liabilities, current portion	<u>(545,444)</u>	<u>(545,444)</u>	<u>(545,444)</u>
Total	<u>\$ 2,666,102</u>	<u>2,938,331</u>	<u>3,723,575</u>
Unused bank credit lines for long-term borrowings	<u>\$ 908,000</u>	<u>908,000</u>	<u>1,538,000</u>
Annual interest rate	<u>1.61%~1.68%</u>	<u>1.63%~1.68%</u>	<u>1.59%~1.70%</u>

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

Year due	Amount
April 1, 2015~March 31, 2016	\$ 545,444
April 1, 2016~March 31, 2017	940,194
April 1, 2017~March 31, 2018	940,194
April 1, 2018~March 31, 2019	394,750
And after	<u>390,964</u>
	<u>\$ 3,211,546</u>

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

1. The proceeds and repayment of the borrowings

For the three months ended March 31, 2014, The Group proceeded from long-term borrowings amounting to \$529,000 thousand with an interest rate of 1.68%. The long-term borrowings are due in March 1, 2020. There was no such transaction for the three months ended March 31, 2015.

For the three months ended March 31, 2015 and 2014, the repayment amounted to \$272,722 thousand and \$529,722 thousand, respectively.

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

3. In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 thousand and is due in February 2018.

(Continued)

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

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

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

As of December 31, 2014 and 2013, the Company was in compliance with the above financial covenants and restrictions.

(n) Operating lease

1. Lease-lessor

The Group leased its investment property under operating lease, which was disclosed in note 6(i). According to the lease contract, if the lessee wants to terminate the contract in an earlier time, the lessee should inform the lessor in written form two months before the expiry of the lease period. Within the two-month period of notification, the lessee shall continue to pay the rents, whether the lessee has moved out or not. The lessor can also terminate the lease contract by notifying the lessee in written form at any time before two months.

For the three months ended March 31, 2015 and 2014, the rental income recognised in other income both amounted to \$6,906 thousand.

2. Leases-lessee

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

For the three months ended March 31, 2015 and 2014, the rent expense amounted to \$6,370 thousand and \$6,392 thousand, respectively, which were recorded as operating costs and operating expenses.

3. There were no significant additions to lease contracts for the three months ended March 31, 2015 and 2014.

(Continued)

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

(o) Employee benefits

1. Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the condensed consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2014 and 2013.

The Group's expenses recognized in profit or loss for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
Operating Cost	\$ -	-
Operating Expenses	<u>517</u>	<u>609</u>
	<u>\$ 517</u>	<u>609</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
Operating cost	\$ 9,361	8,503
Operating expense	<u>2,581</u>	<u>2,989</u>
	<u>\$ 11,942</u>	<u>11,492</u>

(p) Income tax

1. The amount of income tax expenses for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
Income tax expense	<u>\$ 123,641</u>	<u>36,595</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. The amount of income tax benefit recognised in other comprehensive income for the three months ended March 31, 2015 and 2014 were as follow:

Items that are or may be reclassified subsequently to profit or loss:

	2015	2014
Unrealized valuation gain or losses on available-for-sale financial assets	\$ <u> - </u>	<u> - </u>

3. Examination and approval

The Company's tax returns for the years through 2012 have been examined by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance. There was controversy over the expiration of the loss carryforwards. Therefore, the Company intends to apply for recheck to tax authorities.

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

	2015.3.31	2014.12.31	2014.3.31
Unappropriated earnings after 1997	\$ <u>4,541,646</u>	<u>3,923,175</u>	<u>3,427,392</u>
Balance of imputation credit account (ICA)	\$ <u>325,493</u>	<u>325,425</u>	<u>152,964</u>
		2014 (Estimated)	2013 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings		<u>15.37%</u>	<u>12.08%</u>

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(q) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2015 and 2014. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2014.

1. Ordinary share

For the three months ended March 31, 2015 and 2014, the Company had issued 1,158 thousand shares and 921 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

2. Capital surplus

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

	2015.3.31	2014.12.31	2014.3.31
Additional paid-in capital	\$ 3,752,432	3,727,909	3,684,837
Changes in equity of associates and joint ventures accounted for using equity method	13,698	13,698	13,442
Employee stock options	<u>17,192</u>	<u>27,013</u>	<u>40,288</u>
	<u>\$ 3,783,322</u>	<u>3,768,620</u>	<u>3,738,567</u>

In accordance with amended Company Act in 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the 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;

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

- 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.

(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.

(2) Special reverse

In accordance with Order No. 1010012865 issued by the Financial Supervisory Commission 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. 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. 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 earnings for 2014 and 2013 had been approved in a Board of Directors' meeting held on April 22, 2015 and a shareholders' meeting held on 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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

There was no difference between the appropriation of 2014 and 2013 earnings for employees' bonus and directors' emoluments as been proposed in the meeting of the Board of Directors and approved in the shareholders' meeting, respectively, and those accrued in the financial statements for the years ended December 31, 2014 and 2013. For the three months ended March 31, 2015 and 2014, the Company's accrued and recognised employee's bonus amounted to \$55,600 thousand and \$18,500 thousand, respectively, and directors' and supervisors' remuneration amounted to \$16,700 thousand and \$5,400 thousand, respectively, in accordance with the articles of incorporation. The difference between the actual appropriation of earnings for employees' bonus 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 employees' bonus 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.

(4) Other equity interest

Changes in others 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)	(4,286)	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	82,704
Balance as of March 31, 2015	\$ <u>623</u>	<u>298,666</u>
Balance as of January 1, 2014	\$ (17,413)	116,395
Foreign currency differences (net of tax)	7,268	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	112,734
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	498
Balance as of March 31, 2014	\$ <u>(10,145)</u>	<u>229,627</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(r) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to March 31, 2015 and 2014. For the related information, please refer to note 6(p) of the consolidated financial statement for the year ended December 31, 2014.

1. For the three months ended March 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	22.70	(1,158)	20.63	(921)
Expired	-	-	-	(12)
Outstanding at the end	22.70	<u>1,989</u>	23.34	<u>5,221</u>
Exercisable as of March 31		<u>1,989</u>		<u>5,221</u>

2. Compensation cost for employee stock options

For the three months ended March 31, 2015 and 2014, the compensation cost for employee stock options amounted to \$0 and \$419 thousand, respectively, which had been recorded under operating costs and operating expenses.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(s) Earnings per share ("EPS")

For the three months ended March 31, 2015 and 2014, the Company's earnings per share were calculated as follows:

	<u>2015</u>		
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thous ands)</u>	<u>EPS (in dollars)</u>
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 618,471	742,806	\$ <u>0.83</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	\$ -	5,421	
Employee stock options	<u>-</u>	<u>963</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 618,471</u>	<u>749,190</u>	\$ <u>0.83</u>
	<u>2014</u>		
	<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thous ands)</u>	<u>EPS (in dollars)</u>
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 213,380	739,761	\$ <u>0.29</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonus	-	7,044	
Employee stock options	<u>-</u>	<u>832</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 213,380</u>	<u>747,637</u>	\$ <u>0.29</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(t) Non-operating income and expenses

1. Other income

For the three months ended March 31, 2015 and 2014, the details of other income were as follows:

	2015	2014
Interest income	\$ 6,746	3,330
Dividend income	897	616
Rent income	<u>8,003</u>	<u>8,004</u>
	<u>\$ 15,646</u>	<u>11,950</u>

2. Other gains and losses

For the three months ended March 31, 2015 and 2014, the details of other gains and losses were as follows:

	2015	2014
Foreign exchange gains (losses)	\$ (22,206)	5,756
Gains (losses) on disposals of investments	1,245	(54,753)
Gains on financial assets or liabilities at fair value through profit or loss	2,442	121,108
Other	<u>(8,957)</u>	<u>(17,748)</u>
	<u>\$ (27,476)</u>	<u>54,363</u>

3. Finance cost

For the three months ended March 31, 2015 and 2014, the details of finance cost were as follows:

	2015	2014
Interest expense on bank borrowings	\$ 14,209	20,430
Other interest expense	154	140
Less: capitalized interest expense	<u>(7,443)</u>	<u>(6,678)</u>
	<u>\$ 6,920</u>	<u>13,892</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(u) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2014.

1. Market risk

(1) Currency risk

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

	2015.3.31			2014.12.31			2014.3.31		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
Financial assets									
Monetary items									
USD	\$ 102,436	31.30	3,206,239	56,243	31.65	1,780,088	17,557	30.47	534,969
EUR	1	33.65	10	1	34.87	20	1	41.93	46
JPY	51,781	0.2604	13,482	52,965	0.2646	14,019	2,070	0.2960	612
GBP	1	46.24	11	5	49.27	248	1	50.71	47
HKD	63	4.04	255	64	4.08	259	64	3.93	250
			<u>\$ 3,219,997</u>			<u>1,794,634</u>			<u>535,924</u>
Non-monetary items									
USD	\$ 88	31.30	2,769	87	31.65	2,744	100	30.47	3,047
RMB	29,984	5.04	151,122	29,779	5.09	151,577	-	-	-
			<u>\$ 153,891</u>			<u>154,321</u>			<u>3,047</u>
Financial liabilities									
Monetary items									
USD	\$ 21,701	31.30	679,236	13,253	31.65	419,451	11,784	30.47	359,046
EUR	44	33.65	1,483	191	38.47	7,341	66	41.93	2,778
JPY	614,487	0.2604	160,012	454,888	0.2646	120,369	167,972	0.2960	49,719
GBP	10	46.24	474	9	49.27	464	11	50.71	553
			<u>\$ 841,205</u>			<u>547,625</u>			<u>412,096</u>

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, net, other receivables, financial asset at fair value through profit or loss, 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 three months ended March 31, 2015 and 2014 would have increased (decreased) the net profit after tax by \$106,415 thousand and \$5,291 thousand, respectively, and other comprehensive income would not be affected. The analysis assumes that all other variables remain constant.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2015		2014	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
TWD	\$ <u>(22,125)</u>	<u>-</u>	<u>9,067</u>	<u>-</u>
USD	USDS <u>(3)</u>	<u>31.52</u>	<u>(109)</u>	<u>30.27</u>

(2) Interest rate risk

There was no significant change in the risk exposure to interest rates on the financial liabilities of the Group. For the related information, please refer to note 6(s) of the consolidated financial statements for the year ended December 31, 2014.

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

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have (decreased) increased by \$3,336 thousand and \$4,116 thousand for the three months ended March 31 2015 and 2014, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(3) Other price risk:

For the three months ended March 31, 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>55,389</u>	<u>27,085</u>	<u>36,728</u>	<u>53,159</u>
Decreasing 3%	\$ <u>(55,389)</u>	<u>(27,085)</u>	<u>(36,728)</u>	<u>(53,159)</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Fair value

(1) 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.

	2015.3.31				Total
	Carring value	Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 100,460	100,460	-	-	100,460
Funds and investment	<u>802,375</u>	<u>802,375</u>	-	-	<u>802,375</u>
Subtotal	<u>902,835</u>	<u>902,835</u>	-	-	<u>902,835</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	1,013,445	1,013,445	-	-	1,013,445
Non-public stocks	534,953	-	534,953	-	534,953
Private fund	<u>297,900</u>	-	<u>297,900</u>	-	<u>297,900</u>
Subtotal	<u>1,846,298</u>	<u>1,013,445</u>	<u>832,853</u>	-	<u>1,846,298</u>
Loans and receivables					
Cash and cash equivalents (Note)	2,897,176	-	-	-	-
Debt investment without Active Market(Note)	159,600	-	-	-	-
Notes and accounts receivables (Note)	<u>936,162</u>	-	-	-	-
Subtotal	<u>3,992,938</u>	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	3,211,546	-	-	-	-
Account payables (Note)	1,237,778	-	-	-	-
Other payables (Note)	<u>1,270,015</u>	-	-	-	-
Subtotal	<u>5,719,339</u>	-	-	-	-

(Continued)

WIN Semiconductors Corp. and Subsidiaries**Notes to Condensed Consolidated Financial Statements****(2) Valuation techniques of financial instruments valued at fair value****(2.1) Non-derivative instruments**

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

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

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

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

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

(Continued)

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

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

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

(2.2) 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.

(3) Transfer between level 2 to level 1

For the three month ended March 31, 2015 and 2014, there was no significant change on the fair value hierarchy of level 2 and level 1 financial assets.

(4) Movement of level 3

There were no changes in financial assets with fair value hierarchy level 3 transfers for the three months ended March 31, 2015 and 2014.

(v) Concentration of financial risk

There was no significant change in the Group's objective and policies for the concentration of financial risk of the condensed consolidated interim financial statements for the three months ended March, 31 2015 and 2014 which compared with the consolidated financial statements for the year ended December 31, 2014. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2014.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(w) Capital management

The Group's objective, policies and process of capital management of the condensed consolidated interim financial statements for the three months ended March 31, 2015 and 2014 was the same as the consolidated financial statements for the year ended December 31, 2014 and 2013. There was no significant change on summary of quantitative data of capital management compared with the consolidated financial statements for the year ended December 31, 2014 and 2013. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2014.

(7) Related-parties transactions

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

Leases

For the three months ended March 31, 2014, the Group 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 amount of rental expenses \$28 thousand was collected.

There was no such transaction for the three months ended March 31, 2015.

(c) Transactions with key management personnel

For the three months ended March 31, 2015 and 2014, key management personnel compensation were comprised as below:

	2015	2014
Short-term employee benefits	\$ 48,522	24,771
Post-employment benefits	177	177
Share-based payments	-	47
	<u>\$ 48,699</u>	<u>24,995</u>

(Continued)

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

(8) Pledged assets

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	2015.3.31	2014.12.31	2014.3.31
Other non-current assets	Gas deposits	\$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,692	20,661	20,571
Property, plant and equipment	Long-term borrowings	4,485,217	4,628,927	5,053,661
Investment property	Long-term borrowings	1,089,833	1,091,162	1,095,150
Prepayments for business facilities	Long-term borrowings	-	-	765
		<u>\$ 5,598,742</u>	<u>5,743,750</u>	<u>6,173,147</u>

(9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

	2015.3.31	2014.12.31	2014.3.31
The unrecognized commitment of acquisition of property, plant and equipment	\$ <u>1,456,798</u>	<u>849,166</u>	<u>745,708</u>
The unused letters of credit	\$ <u>365,700</u>	<u>203,684</u>	<u>57,016</u>

(10) Important damage losses: None.

(11) Important subsequent events: None.

(12) Others

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the three months ended March 31, 2015 and 2014:

	Classified as operating costs	2015 Classified as operating expenses	Total	Classified as operating costs	2014 Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 324,173	133,796	457,969	200,926	99,507	300,433
Labor and health insurance	21,059	7,119	28,178	19,842	8,686	28,528
Pension	9,361	3,098	12,459	8,503	3,598	12,101
Others	9,789	1,792	11,581	9,743	2,347	12,090
Depreciation	437,663	30,102	467,765	426,693	32,169	458,862
Amortization	2,060	3,027	5,087	2,694	5,692	8,386

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Seasonality or cyclicity of interim operations:

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

(13) Other disclosure items

(a) Information on significant transaction:

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

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company holding securities	Security type and name	Relationship with the Company	Account	March 31, 2015				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	6,106	96,912	-	96,912	
"	Polaris De-Bao Money Market Fund	"	"	9,201	108,829	-	108,829	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	10,963	135,054	-	135,054	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	10,480	152,749	-	152,749	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	153,134	-	153,134	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,769	-	2,769	
"	Fuh Hwa RMB Money Market Fund	"	"	2,861	151,122	-	151,122	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	412	58,710	0.28	58,710	
"	Inotera Memories, Inc./Stock	"	"	1,000	41,750	0.02	41,750	
"	Mega Diamond Money Market Fund	"	"	147	1,806	-	1,806	
					<u>902,835</u>		<u>902,835</u>	
The Company	TTEQ CORPORATION/Stock	None	Current available-for-sale financial assets	25,032	622,038	7.87	622,038	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	72,349	2.49	72,349	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	3,147	0.03	3,147	
					<u>697,534</u>		<u>697,534</u>	
"	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	355,749	10.51	355,749	
"	Shin Sheng III Venture Capital Investment Corp. /Stock	"	"	4,680	44,488	11.03	44,488	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	March 31, 2015				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	Tainery Tech Co., Ltd./Stock	None	Non-current available-for-sale financial assets	943	17,825	0.34	17,825	
"	CDIB CME Fund Ltd./Stock	"	"	5,000	74,663	3.33	74,663	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	297,900	-	297,900	
"	MagiCap Venture Capital Co., Ltd./Preferred Stock A	"	"	1,000	37,950	1.08	37,950	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd./Stock	Subsidiary's main client	"	75	298,086	0.03	298,086	
WIN Venture Capital Corp.	Nisho Image Technology Inc./Stock	The Company's client	"	3,300	22,103	9.17	22,103	
					<u>1,148,764</u>		<u>1,148,764</u>	
The Company	MagiCap Venture Capital Co., Ltd./Preferred Stock B	None	Non-current debt instrument investment 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 debt instrument investment 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, Unless Specified Otherwise)

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale			Ending (Note)		
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Polaris De-Bao Money Market Fund	Current financial assets at fair value through profit or loss	-	-	12,965	152,995	37,107	438,582	40,871	483,002	482,774	228	9,201	108,829
"	Allianz Global Investors Taiwan Money Market Fund	"	-	-	28,972	355,853	7,813	96,200	25,822	317,838	317,202	636	10,963	135,054

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

5. Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: Note.
6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: Note.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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	(1,225,319)	41%	1-2 Month	-	-	281,450	41%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent Company	Purchase	1,225,319	(100)%	1-2 Month	-	-	(281,450)	(100)%	(Note)

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

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

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Balance as March 31, 2015	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	281,450	25.01	-	-	281,450	-	(Note)

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

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

10. Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 2015:

(Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	1,225,319	Note 3	43.65%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	281,450	"	1.24%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	281,450	"	1.24%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	1,225,319	"	43.65%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	12,294	"	0.44%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	12,294	"	0.44%

Note 1: Company numbering as follows:

Parent company—0

Subsidiary starts from 1

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

Parent company to subsidiary—1

Subsidiary to parent company—2

Subsidiary to subsidiary—3

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Information on investments:

The followings are the information on investees for the three months ended March 31, 2015:

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of March 31, 2015			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				March 31, 2015	March 31, 2014	Shares (in thousands)	Percentage	Carrying value			
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00%	6,096	(367)	(367)	(Note)
"	Win semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	652,544	8,544	8,544	(Note)
"	Invec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	371,464	(28,121)	(10,103)	
"	Win Venture Capital Corp.	Taiwan	Investment activities	200,000	200,000	20,000	100.00%	163,115	(15,605)	(15,605)	(Note)
"	Phalax Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	-	16,400	35.05%	176,922	(14,781)	(3,504)	
WIN Venture capital Corp.	Phalax Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	-	3,600	7.69%	38,837	(14,781)	(769)	

Note: The amount had been offset in the consolidated statements.

(c) Information on investment in Mainland China: None.

(14) Segment financial information

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

Other operating segment which was incorporated in April, 2014 is mainly engaged in investment activities and does not exceed the quantitative thresholds to be reported.

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the three months ended March 31, 2015 and 2014, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in note 4 "significant accounting policies" were as follows:

	<u>Foundry</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Three months ended March 31, 2015				
Revenue from external customers	\$ <u>2,806,643</u>	<u>189</u>	<u>-</u>	<u>2,806,832</u>
Reportable segment profit or loss	\$ <u>790,079</u>	<u>(15,610)</u>	<u>-</u>	<u>774,469</u>
Three months ended March 31, 2014				
Revenue from external customers	\$ <u>1,667,026</u>	<u>-</u>	<u>-</u>	<u>1,667,026</u>
Reportable segment profit or loss	\$ <u>203,536</u>	<u>-</u>	<u>-</u>	<u>203,536</u>

(Continued)

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

	2015	2014
Interest expense	\$ (6,920)	(13,892)
Depreciation and amortization	(472,852)	(467,248)
Share of loss of associates and joint ventures accounted for using equity method	(13,607)	(5,982)
Assets		
Capital expenditures in noncurrent assets	501,746	232,876

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