

WIN Semiconductors Corp. and Subsidiaries
Condensed Consolidated Financial Statements
September 30, 2014 and 2013
(With Independent Auditors' Review Thereon)

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Independent Auditors' Review Report

The Board of Directors
WIN Semiconductors Corp.

We have reviewed the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of September 30, 2014 and 2013, and the related condensed consolidated statements of comprehensive income for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, changes in equity and cash flows for the nine months ended September 30, 2014 and 2013. 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 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 the using equity method of NT\$370,483 thousand and NT\$247,470 thousand as of September 30, 2014 and 2013, and share of loss of associates and joint ventures accounted for using equity method, net of NT\$13,705 thousand, NT\$29,198 thousand, NT\$15,746 thousand and NT\$77,391 thousand for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, 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 "Guidelines 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, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information (not presented herein). In our auditors’ report dated March 7, 2014, we expressed an unqualified audit opinion on those consolidated financial statements. Based on the opinion dated March 7, 2014, the information set forth in the condensed consolidated financial statement mentioned in the first paragraph, which was extracted from the accompanying consolidated statement of financial position as at December 31, 2013, 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)
November 12, 2014

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 September 30, 2014 and 2013
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

September 30, 2014, December 31 and September 30, 2013
 (Expressed in Thousands of New Taiwan Dollars)

	2014.9.30	2013.12.31	2013.9.30	2014.9.30	2013.12.31	2013.9.30
Assets						
Current assets :						
Cash and cash equivalents (note 6(a))	\$ 1,965,197	1,966,881	2,822,770	1,078,151	635,119	652,669
Current financial assets at fair value through profit or loss (note 6(b))	1,168,335	1,162,001	797,611	965,459	1,028,229	1,154,798
Current available-for-sale financial assets (note 6(b))	703,797	584,716	533,611	1,059,444	545,444	1,059,444
Accounts receivable, net (note 6(c))	1,017,400	650,438	692,851	121,660	118,656	92,414
Inventories (note 6(d))	1,642,214	1,126,775	1,642,119	3,224,714	2,327,448	2,959,325
Other current assets (note 6(i))	599,580	198,153	183,867			
Total current assets	7,096,523	5,688,964	6,672,829	2,937,839	3,721,466	3,720,505
Non-current assets :						
Non-current available-for-sale financial assets (note 6(b))	667,988	489,152	520,084	28,381	20,642	19,714
Non-current bond investment without active market (note 6(b))	159,600	190,000	190,000	162,021	150,371	161,534
Investments accounted for using equity method (note 6(e))	370,483	386,229	247,470	3,128,241	3,892,479	3,901,753
Property, plant and equipment (notes 6(f) and 8)	11,906,537	12,636,304	12,253,046	6,352,955	6,219,927	6,861,078
Investment property (notes 6(g) and 8)	1,092,491	1,096,479	1,097,808			
Intangible assets (note 6(h))	58,669	64,248	68,639	7,420,685	7,392,754	7,586,262
Deferred tax assets	72,139	132,425	141,068	3,766,215	3,728,358	3,812,033
Prepayments for business facilities (note 8)	181,988	384,446	752,269	3,968,010	3,671,483	3,751,970
Other non-current assets (notes 6(i) and 8)	43,137	43,257	43,023	141,690	98,982	(25,107)
Total non-current assets	14,553,032	15,422,540	15,313,407	15,296,600	14,891,577	15,125,158
Total assets	\$ 21,649,555	21,111,504	21,986,236	\$ 21,649,555	21,111,504	21,986,236
Liabilities and Equity						
Current liabilities :						
Accounts payable						
Other payables						
Long-term liabilities, current portion (notes 6(k) and 8)						
Other current liabilities						
Total current liabilities						
Non-current liabilities :						
Long-term borrowings (notes 6(k) and 8)						
Deferred tax liabilities						
Other non-current liabilities						
Total non-current liabilities						
Total liabilities						
Equity (notes 6(n), 6(o) and 6(p)) :						
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 periods from July 1 to September 30, 2014 and 2013,
and for the nine months ended September 30, 2014 and 2013**
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating revenue	\$ 3,068,956	2,523,129	7,197,148	8,554,913
Operating costs (notes 6(d), 6(h), 6(m), 6(o), 7 and 12)	<u>(1,932,004)</u>	<u>(1,764,944)</u>	<u>(4,698,293)</u>	<u>(5,835,265)</u>
Gross profit from operations	<u>1,136,952</u>	<u>758,185</u>	<u>2,498,855</u>	<u>2,719,648</u>
Operating expenses (notes 6(h), 6(m), 6(o), 7 and 12) :				
Selling expenses	(38,138)	(31,966)	(101,629)	(97,503)
Administrative expenses	(133,343)	(108,624)	(333,143)	(378,828)
Research and development expenses	<u>(99,997)</u>	<u>(132,699)</u>	<u>(426,043)</u>	<u>(378,003)</u>
Total operating expenses	<u>(271,478)</u>	<u>(273,289)</u>	<u>(860,815)</u>	<u>(854,334)</u>
Net operating income	<u>865,474</u>	<u>484,896</u>	<u>1,638,040</u>	<u>1,865,314</u>
Non-operating income and expenses :				
Other income (note 6(r))	57,173	43,409	81,828	69,261
Other gains and losses (note 6(r))	(7,647)	(26,485)	48,593	315,487
Finance costs (note 6(r))	(12,068)	(19,188)	(38,371)	(67,231)
Share of loss of associates and joint ventures accounted for using equity method	<u>(13,705)</u>	<u>(29,198)</u>	<u>(15,746)</u>	<u>(77,391)</u>
Total non-operating income and expenses	<u>23,753</u>	<u>(31,462)</u>	<u>76,304</u>	<u>240,126</u>
Profit before tax	889,227	453,434	1,714,344	2,105,440
Total tax expense (note 6(n))	<u>(136,158)</u>	<u>(104,758)</u>	<u>(308,019)</u>	<u>(419,989)</u>
Profit	<u>753,069</u>	<u>348,676</u>	<u>1,406,325</u>	<u>1,685,451</u>
Other comprehensive income (loss) :				
Other comprehensive income, before tax, exchange differences on translation	6,632	(4,680)	7,118	4,652
Other comprehensive income, before tax, available-for-sale financial assets	(80,200)	(45,005)	35,590	123,283
Income tax benefit relating to components of other comprehensive income (note 6(n))	<u>-</u>	<u>1,093</u>	<u>-</u>	<u>1,096</u>
Other comprehensive income, net	<u>(73,568)</u>	<u>(48,592)</u>	<u>42,708</u>	<u>129,031</u>
Comprehensive income	<u>\$ 679,501</u>	<u>300,084</u>	<u>1,449,033</u>	<u>1,814,482</u>
Profit, attributable to :				
Profit, attributable to owners of parent	<u>\$ 753,069</u>	<u>348,676</u>	<u>1,406,325</u>	<u>1,685,451</u>
Comprehensive income attributable to :				
Comprehensive income, attributable to owners of parent	<u>\$ 679,501</u>	<u>300,084</u>	<u>1,449,033</u>	<u>1,814,482</u>
Earnings per common share (expressed in dollars) (note 6(q))				
Basic earnings per share	<u>\$ 1.02</u>	<u>0.46</u>	<u>1.90</u>	<u>2.23</u>
Diluted earnings per share	<u>\$ 1.01</u>	<u>0.46</u>	<u>1.88</u>	<u>2.19</u>

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Changes in Equity

**For the nine months ended September 30, 2014 and 2013
(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	Exchanges on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets			
Balance on January 1, 2013	\$ 7,541,877	3,763,045	258,703	221,662	2,722,399	(24,741)	(129,397)	(154,138)	14,353,548	14,353,548
Appropriation of 2012 earnings approved by stockholders during their meeting in 2013	-	-	-	-	(164,753)	-	-	-	-	-
Legal reserve	-	-	164,753	-	(1,136,245)	-	-	-	(1,136,245)	(1,136,245)
Cash dividends	-	-	-	(187,647)	187,647	-	-	-	-	-
Reversal of special reserve	-	-	-	(187,647)	(1,136,245)	-	-	-	(1,136,245)	(1,136,245)
Net income for the nine months ended September 30, 2013	-	-	-	-	1,685,451	-	-	-	1,685,451	1,685,451
Other comprehensive income for the nine months ended September 30, 2013	-	-	-	-	-	4,652	124,379	129,031	129,031	129,031
Total comprehensive income for the nine months ended September 30, 2013	-	-	-	-	1,685,451	4,652	124,379	129,031	1,814,482	1,814,482
Exercise of employee stock options	44,385	45,364	-	-	1,685,451	-	-	-	89,749	89,749
Compensation cost arising from employee stock options	-	3,624	-	-	-	-	-	-	3,624	3,624
Balance on September 30, 2013	\$ 7,586,262	3,812,033	423,456	34,015	3,294,499	(70,089)	(5,018)	(75,107)	15,125,158	15,125,158
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	(17,413)	116,395	98,982	14,891,577	14,891,577
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014	-	-	-	-	(181,151)	-	-	-	-	-
Legal reserve	-	-	181,151	-	(1,109,798)	-	-	-	(1,109,798)	(1,109,798)
Cash dividends	-	-	-	(34,015)	34,015	-	-	-	-	-
Reversal of special reserve	-	-	-	(34,015)	(1,256,934)	-	-	-	(1,109,798)	(1,109,798)
Net income for the nine months ended September 30, 2014	-	-	-	-	1,406,325	-	-	-	1,406,325	1,406,325
Other comprehensive income for the nine months ended September 30, 2014	-	-	-	-	-	7,118	35,590	42,708	42,708	42,708
Total comprehensive income for the nine months ended September 30, 2014	-	-	-	-	1,406,325	7,118	35,590	42,708	1,449,033	1,449,033
Exercise of employee stock options	27,931	32,234	-	-	1,406,325	-	-	-	60,165	60,165
Compensation cost arising from employee stock options	-	5,623	-	-	-	-	-	-	5,623	5,623
Balance on September 30, 2014	\$ 7,420,685	3,766,215	604,607	-	3,563,403	(10,295)	151,985	141,690	15,296,600	15,296,600

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Cash Flows

For the nine months ended September 30, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars)

	2014	2013
Cash flows from (used in) operating activities :		
Profit before tax	\$ 1,714,344	2,105,440
Adjustments :		
Adjustments to reconcile profit (loss) :		
Depreciation expense	1,386,049	1,337,350
Amortization expense	23,050	29,506
Net gain on financial assets or liabilities at fair value through profit or loss	(90,792)	(392,624)
Interest expense	38,371	67,231
Interest income	(12,190)	(11,690)
Dividend income	(46,020)	(33,847)
Share-based payments	5,623	3,624
Share of loss of associates and joint ventures accounted for using equity method	15,746	77,391
Loss (gain) on disposal of property, plant and equipment	17	(306,531)
Loss on disposal of investments	44,306	377,187
Property, plant and equipment transferred to expense	-	20,691
Total adjustments to reconcile profit (loss)	<u>1,364,160</u>	<u>1,168,288</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Current financial assets at fair value through profit or loss	(166,770)	-
Accounts receivable, net	(366,962)	356,504
Inventories	(436,683)	462,734
Other current assets	(137,174)	171,001
Total changes in operating assets	<u>(1,107,589)</u>	<u>990,239</u>
Changes in operating liabilities :		
Accounts payable	443,032	(469,198)
Other payables	(3,672)	207,039
Other current liabilities	3,004	14,075
Other non-current liabilities	1,650	1,295
Total changes in operating liabilities	<u>444,014</u>	<u>(246,789)</u>
Total changes in operating assets and liabilities	<u>(663,575)</u>	<u>743,450</u>
Cash inflow generated from operations	2,414,929	4,017,178
Dividends received	375	-
Income taxes paid	<u>(288,988)</u>	<u>(128,916)</u>
Net cash flows from operating activities	<u>2,126,316</u>	<u>3,888,262</u>
Cash flows from (used in) investing activities :		
Acquisition of current financial assets at fair value through profit or loss	(2,962,756)	(1,340,000)
Proceeds from disposal of current financial assets at fair value through profit or loss	2,823,248	2,103,554
Acquisition of current available-for-sale financial assets	(265,935)	(184,535)
Proceeds from disposal of current available for sale financial assets	4,928	150,049
Acquisition of non-current available-for-sale financial assets	(12,000)	(25,000)
Proceeds from disposal of non-current available-for-sale financial assets	5,170	88,046
Proceeds from disposal of non-current bond investments without active market	30,400	344,783
Proceeds from disposal of investments accounted for using equity method	-	21,626
Acquisition of property, plant and equipment	(393,290)	(2,101,972)
Proceeds from disposal of property, plant and equipment	-	511,286
Acquisition of intangible assets	(11,852)	(11,363)
Decrease (increase) in other non-current assets	120	(156)
Increase in prepayments for business facilities	(61,867)	(250,752)
Interest received	11,533	10,773
Dividends received	<u>45,645</u>	<u>33,847</u>
Net cash flows used in investing activities	<u>(786,656)</u>	<u>(649,814)</u>
Cash flows from (used in) financing activities :		
Proceeds from long-term borrowings	529,000	1,050,000
Repayments of long-term borrowings	(802,444)	(3,481,840)
Increase in other non-current liabilities	10,000	110,000
Payment of cash dividends	(1,109,798)	(1,136,245)
Transaction costs of issuance of common stock	-	(10,989)
Exercise of employee stock options	60,165	89,749
Interest paid	<u>(34,699)</u>	<u>(66,066)</u>
Net cash flows used in financing activities	<u>(1,347,776)</u>	<u>(3,445,391)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6,432</u>	<u>4,056</u>
Net decrease in cash and cash equivalents	<u>(1,684)</u>	<u>(202,887)</u>
Cash and cash equivalents at the beginning of period	<u>1,966,881</u>	<u>3,025,657</u>
Cash and cash equivalents at the end of period	<u>\$ 1,965,197</u>	<u>2,822,770</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of September 30, 2014 and 2013**

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

September 30, 2014 and 2013

**(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 Hsiang, Taoyuan Shien, 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 nine months ended September 30, 2014 and 2013 was authorized for issued by the Board of Directors as of November 12, 2014.

(3) New standards and interpretations not yet adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. (“FSC”) but not yet in effect.

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>
Amended IFSR 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amended IFSR 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amended IFSR 1 “Government Loans”	January 1, 2013
Amended IFSR 7 “Disclosures—Transfers of Financial Assets”	July 1, 2011
Amend IFSR 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
Amended to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amended 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
Amended 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 Group believes that applying the IFRSs 2013 will not cause any significant changes in the consolidated financial statements, except for the following:

1. IAS 1 "Presentation of Financial Statements"

The standard amended the presentation of other comprehensive income. Stated below are the other comprehensive income ("OCI") sections, classified by nature into two categories, that present the line items for the amounts of OCI:

- (a) Will not be reclassified subsequently to profit or loss; and
- (b) Will be reclassified subsequently to profit or loss when specific conditions are met.

The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Group has to change the presentation of OCI according to that standard.

2. IFRS 12 "Disclosure of Interests in Other Entities"

It's a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Disclosures are presented as a series of objectives, with detailed guidance on satisfying those objectives. The Group will disclose the information of the consolidated entities and unconsolidated entities as the standard requires.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

3. IFRS 13 “Fair Value Measurement ”

The standard applies 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. There is no significant impact on the Group’s financial position and results of operations after the evaluation. And the Group will disclose the fair value measurement as the standard requires.

- (b) The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements not yet approved by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 “Financial instruments”	January 1, 2018
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
IAS 36 “Recoverable amount disclosures for non-financial assets”	January 1, 2014
IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

The Group is currently evaluating the impact from the abovementioned standards and amendments to the Groups’ financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

(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.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated 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, 2013. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2013.

(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, 2013. For the related information, please refer to note 4(c) of the consolidated financial statements for the year ended December 31, 2013.
2. List of subsidiaries in the condensed consolidated interim financial statements:

Name of investor	Name of subsidiary	Principal activity	<u>Shareholding</u>			Note
			2014.9.30	2013.12.31	2013.9.30	
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	100%	-
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%	-
The Company	WIN Venture Capital Corp.	Investment activities	100%	100%	-	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.

(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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(d) Defined benefit plans

The pension cost in the condensed consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year. The pension cost shall be adjusted when the volatility of the market, reimbursement and settlement, or an one-time events is significant since the last annual reporting period.

(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, 2013. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2013.

(6) Significant account disclosure

Except for the following disclosure, the significant account disclosure in the condensed consolidated interim financial statements for the nine months ended September 30, 2014, which compare with the consolidated financial statements for the year ended December 31, 2013, was not changed significantly. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2013.

(a) Cash and cash equivalents

	2014.9.30	2013.12.31	2013.9.30
Cash on hand	\$ 441	495	493
Cash in bank	593,989	372,206	1,531,628
Time deposits	<u>1,370,767</u>	<u>1,594,180</u>	<u>1,290,649</u>
	<u>\$ 1,965,197</u>	<u>1,966,881</u>	<u>2,822,770</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Financial instruments

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

	2014.9.30	2013.12.31	2013.9.30
Stocks listed on domestic markets	\$ 125,592	227,131	237,104
Money market funds, future funds, equity funds and bond funds	<u>1,042,743</u>	<u>934,870</u>	<u>560,507</u>
	\$ <u>1,168,335</u>	<u>1,162,001</u>	<u>797,611</u>

2. Current available-for-sale financial assets :

	2014.9.30	2013.12.31	2013.9.30
Stocks listed on domestic markets	\$ <u>703,797</u>	<u>584,716</u>	<u>533,611</u>

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

	2014.9.30	2013.12.31	2013.9.30
Stocks listed on domestic markets	\$ 18,863	31,832	51,840
Stocks listed on foreign markets	198,490	118,224	95,541
Non-public stocks	<u>450,635</u>	<u>339,096</u>	<u>372,703</u>
	\$ <u>667,988</u>	<u>489,152</u>	<u>520,084</u>

4. Non-current bond investment without active market:

	Issue period	Nominal rate (%)	2014.9.30	2013.12.31	2013.9.30
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>159,600</u>	<u>190,000</u>	<u>190,000</u>

5. As of September 30, 2014, December 31 and September 30, 2013, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(s).

(Continued)

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

(c) Accounts receivable, net

	2014.9.30	2013.12.31	2013.9.30
Accounts receivable	\$ 1,022,904	655,899	698,295
Less : allowance for doubtful accounts	<u>(5,504)</u>	<u>(5,461)</u>	<u>(5,444)</u>
	\$ <u>1,017,400</u>	<u>650,438</u>	<u>692,851</u>

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

	2014.9.30	2013.12.31	2013.9.30
Past due 1~60 days	\$ 41,590	27,470	71,132
Past due 61~180 days	-	31,473	-
Past due more than 181 days	-	-	-
	\$ <u>41,590</u>	<u>58,943</u>	<u>71,132</u>

The movement of allowance for accounts receivable, and other accounts receivable for the nine months ended September 30, 2014 and 2013, were as follows:

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Beginning balance	\$ 5,461	5,407
Effect of exchange rate changes	<u>43</u>	<u>37</u>
End balance	\$ <u>5,504</u>	<u>5,444</u>

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

Assessment method:

1. At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.
2. The Group may recognise 100% allowance of doubtful accounts 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

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

As of September 30, 2014, December 31 and September 30, 2013, the accounts receivable, net were not pledged.

(d) Inventories

	2014.9.30	2013.12.31	2013.9.30
Raw materials, supplies and spare parts	\$ 986,357	713,325	1,029,736
Work in process	423,578	196,179	331,233
Finished goods	<u>232,279</u>	<u>217,271</u>	<u>281,150</u>
	\$ <u>1,642,214</u>	<u>1,126,775</u>	<u>1,642,119</u>

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the write-down of inventories to net realizable value were loss on valuation of inventories and obsolescence (reversal of inventories write-downs) which were recognised as operating cost were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>6,144</u>	<u>24,531</u>	<u>(17,616)</u>	<u>153,020</u>

As of September 30, 2014, December 31 and September 30, 2013, the inventories were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(e) Investments accounted for using equity method

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

	2014.9.30	2013.12.31	2013.9.30
Associates	\$ <u>370,483</u>	<u>386,229</u>	<u>247,470</u>

As of September 30, 2014, December 31 and September 30, 2013, the investments accounted for using equity method were not pledged.

(f) Property, plant and equipment

1. The cost and accumulated depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2014 and 2013 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Unfinished construction	Total
Cost :							
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	-	640	77,273	16,774	8,837	286,349	389,873
Reclassification (Note)	-	-	228,986	43,514	-	(10,062)	262,438
Disposals	-	-	-	-	(178,960)	-	(178,960)
Balance as of September 30, 2014	\$ <u>2,546,534</u>	<u>983,487</u>	<u>11,625,325</u>	<u>2,702,710</u>	<u>189,775</u>	<u>1,323,212</u>	<u>19,371,043</u>
Balance as of January 1, 2013	\$ 1,765,464	970,208	10,381,768	2,506,214	344,871	136,615	16,105,140
Additions	1,439,534	12,458	241,320	33,752	14,490	455,794	2,197,348
Reclassification to investment property	(963,127)	(138,225)	-	-	-	-	(1,101,352)
Reclassification (Note)	509,371	137,646	317,654	74,919	-	58,941	1,098,531
Disposals	(204,708)	-	(24,914)	-	(70)	-	(229,692)
Balance as of September 30, 2013	\$ <u>2,546,534</u>	<u>982,087</u>	<u>10,915,828</u>	<u>2,614,885</u>	<u>359,291</u>	<u>651,350</u>	<u>18,069,925</u>
Accumulated depreciation :							
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Depreciation	-	43,861	1,146,555	175,268	16,377	-	1,382,061
Disposals	-	-	-	-	(178,943)	-	(178,943)
Balance as of September 30, 2014	\$ -	<u>356,102</u>	<u>5,545,654</u>	<u>1,392,257</u>	<u>170,493</u>	-	<u>7,464,506</u>
Balance as of January 1, 2013	\$ -	257,540	2,993,277	978,274	258,278	-	4,487,369
Depreciation	-	41,892	1,050,511	181,131	61,158	-	1,334,692
Reclassification to investment property	-	(886)	-	-	-	-	(886)
Reclassification	-	(865)	-	865	-	-	-
Disposals	-	-	(4,176)	-	(70)	-	(4,246)
Balance as of September 30, 2013	\$ -	<u>297,681</u>	<u>4,039,612</u>	<u>1,160,270</u>	<u>319,366</u>	-	<u>5,816,929</u>
Carrying value :							
Balance as of September 30, 2014	\$ <u>2,546,534</u>	<u>627,385</u>	<u>6,079,671</u>	<u>1,310,453</u>	<u>19,282</u>	<u>1,323,212</u>	<u>11,906,537</u>
Balance as of September 30, 2013	\$ <u>2,546,534</u>	<u>684,406</u>	<u>6,876,216</u>	<u>1,454,615</u>	<u>39,925</u>	<u>651,350</u>	<u>12,253,046</u>

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Pledge to secure:

As of September 30, 2014, December 31 and September 30 2013, 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.

(g) Investment property

	Land	Buildings and structures	Total
Cost :			
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of September 30, 2014	\$ <u><u>963,127</u></u>	<u><u>138,225</u></u>	<u><u>1,101,352</u></u>
Balance as of January 1, 2013	\$ -	-	-
Reclassification from property, plant and equipment	<u>963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of September 30, 2013	\$ <u><u>963,127</u></u>	<u><u>138,225</u></u>	<u><u>1,101,352</u></u>
Accumulated depreciation :			
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	<u>-</u>	<u>3,988</u>	<u>3,988</u>
Balance as of September 30, 2014	\$ <u><u>-</u></u>	<u><u>8,861</u></u>	<u><u>8,861</u></u>
Balance as of January 1, 2013	\$ -	-	-
Depreciation	<u>-</u>	<u>2,658</u>	<u>2,658</u>
Reclassification from property, plant and equipment	<u>-</u>	<u>886</u>	<u>886</u>
Balance as of September 30, 2013	\$ <u><u>-</u></u>	<u><u>3,544</u></u>	<u><u>3,544</u></u>
Carrying value :			
Balance as of September 30, 2014	\$ <u><u>963,127</u></u>	<u><u>129,364</u></u>	<u><u>1,092,491</u></u>
Balance as of September 30, 2013	\$ <u><u>963,127</u></u>	<u><u>134,681</u></u>	<u><u>1,097,808</u></u>

As of September 30, 2014, there was no significant difference between the fair values of investment property was adopted the income approach. For the related information, please refer to note 6(g) of the consolidated financial statements for the year ended December 31, 2013.

Land, buildings and structures have been transferred from property, plant and equipment to investment property, since the land, buildings and structures were leased to a third party.

As of September 30, 2014, December 31 and September 30, 2013, investment property 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

(h) Intangible assets

1. The movement in intangible assets for the nine months ended September 30, 2014 and 2013 were as follows:

	Technical know-how	Computer software and information systems	Others	Total
Costs :				
Balance as of January 1, 2014	\$ 46,005	82,770	6,122	134,897
Additions	-	15,909	-	15,909
Other (Note)	-	1,562	-	1,562
Balance as of September 30, 2014	<u>\$ 46,005</u>	<u>100,241</u>	<u>6,122</u>	<u>152,368</u>
Balance as of January 1, 2013	\$ 46,005	122,614	1,920	170,539
Additions	-	8,310	6,121	14,431
Other (Note)	-	1,006	-	1,006
Balance as of September 30, 2013	<u>\$ 46,005</u>	<u>131,930</u>	<u>8,041</u>	<u>185,976</u>
Amortisation :				
Balance as of January 1, 2014	\$ 12,140	56,128	2,381	70,649
Amortisation	2,875	17,114	3,061	23,050
Balance as of September 30, 2014	<u>\$ 15,015</u>	<u>73,242</u>	<u>5,442</u>	<u>93,699</u>
Balance as of January 1, 2013	\$ 8,307	78,212	1,312	87,831
Amortisation	2,875	24,728	1,903	29,506
Balance as of September 30, 2013	<u>\$ 11,182</u>	<u>102,940</u>	<u>3,215</u>	<u>117,337</u>
Carrying value :				
Balance as of September 30, 2014	<u>\$ 30,990</u>	<u>26,999</u>	<u>680</u>	<u>58,669</u>
Balance as of September 30, 2013	<u>\$ 34,823</u>	<u>28,990</u>	<u>4,826</u>	<u>68,639</u>

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Amortization expense recognized in profit or loss

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the amortization expenses of intangible assets were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating costs	\$ 2,537	3,452	7,594	11,302
Operating expenses	<u>4,240</u>	<u>5,847</u>	<u>15,456</u>	<u>18,204</u>
	<u>\$ 6,777</u>	<u>9,299</u>	<u>23,050</u>	<u>29,506</u>

3. Pledge to secure

As of September 30, 2014, December 31 and September 30, 2013, the intangible assets were not pledged.

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

	2014.9.30	2013.12.31	2013.9.30
Other receivable from metal recycling	\$ 187,090	41,410	47,245
Tax refund receivable	33,156	19,402	19,310
Restricted assets	23,631	23,541	23,511
Refundable deposits	19,506	19,716	19,512
Prepaid expenses	14,150	40,715	14,940
Other receivable from disposal of mutual funds	346,422	-	-
Others	<u>18,762</u>	<u>96,626</u>	<u>102,372</u>
	<u>\$ 642,717</u>	<u>241,410</u>	<u>226,890</u>

(j) Short-term borrowings

	2014.9.30	2013.12.31	2013.9.30
Unused bank credit lines for short-term borrowings	\$ <u>3,400,311</u>	<u>3,157,153</u>	<u>2,371,998</u>
Unused bank credit lines for short-term and long-term borrowing	<u>\$ 350,000</u>	<u>-</u>	<u>-</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(k) Long-term borrowings

	2014.9.30	2013.12.31	2013.9.30
Unsecured long-term borrowings	\$ 514,000	771,000	1,285,000
Secured long-term borrowings	3,483,283	3,495,910	3,494,949
Less : long-term liabilities, current portion	<u>(1,059,444)</u>	<u>(545,444)</u>	<u>(1,059,444)</u>
Total	<u>\$ 2,937,839</u>	<u>3,721,466</u>	<u>3,720,505</u>
Unused bank credit lines for long-term borrowings	<u>\$ 908,000</u>	<u>2,594,000</u>	<u>2,594,000</u>
Annual interest rate	<u>1.61%~1.72%</u>	<u>1.62%~1.73%</u>	<u>1.63%~1.79%</u>

As of September 30, 2014, the remaining balances of the borrowing due were as follows:

Year due	Amount
October 1, 2014~ September 30, 2015	\$ 1,059,444
October 1, 2015~ September 30, 2016	742,819
October 1, 2016~ September 30, 2017	940,194
October 1, 2017~ September 30, 2018	667,472
And after	<u>587,354</u>
	<u>\$ 3,997,283</u>

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 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.

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

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(l) Operating lease

1. Lease-lessor

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

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.

There were no such significant lease contracts for the period from January 1 to September 30, 2014.

For the related information, please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2013.

(m) 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, 2013 and 2012.

The Group's expenses recognised in profit or loss for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013 were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating cost	\$ -	-	-	-
Operating expense	<u>610</u>	<u>640</u>	<u>1,829</u>	<u>1,919</u>
	<u>\$ 610</u>	<u>640</u>	<u>1,829</u>	<u>1,919</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013 were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operating cost	\$ 9,754	8,325	26,778	24,273
Operating expense	<u>1,919</u>	<u>2,895</u>	<u>7,975</u>	<u>8,548</u>
	<u>\$ 11,673</u>	<u>11,220</u>	<u>34,753</u>	<u>32,821</u>

(n) Income tax

Tax expense in the condensed consolidated interim financial statements was measured and disclosed in accordance with the estimated average annual effective income tax applied to the pre-tax income of the interim period.

1. The amount of income tax expense for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013 were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Income tax expense	\$ <u>136,158</u>	<u>104,758</u>	<u>308,019</u>	<u>419,989</u>

2. The amount of income tax expense (benefit) recognised in other comprehensive income for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013 were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Unrealized gains (losses) on available-for-sale financial assets	\$ <u>-</u>	<u>(1,093)</u>	<u>-</u>	<u>(1,096)</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

3. Reconciliation of income tax expenses (benefit) and profit before tax for the nine months ended September 30, 2014 and 2013 were as follow:

	2014	2013
Profit	\$ 1,406,325	1,685,451
Income tax expenses	<u>308,019</u>	<u>419,989</u>
Profit before tax	<u>1,714,344</u>	<u>2,105,440</u>
Income tax using the Group domestic tax rate	291,438	357,925
Tax-exempt income	126	6,580
10% surtax on unappropriate earnings	55,458	53,418
Others	<u>(39,003)</u>	<u>2,066</u>
	\$ <u>308,019</u>	<u>419,989</u>

4. Examination and approval

The Company's tax returns have been examined by the tax authorities through 2011.

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

	2014.9.30	2013.12.31	2013.9.30
Unappropriated earnings after 1997	\$ <u>3,363,403</u>	<u>3,214,012</u>	<u>3,294,499</u>
Balance of imputation credit account (ICA)	\$ <u>305,525</u>	<u>152,641</u>	<u>174,418</u>
		2013 (Actual)	2012 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings		<u>11.15%</u>	<u>10.34%</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.

- (o) Capital and other equity

Except for the following disclosure, there was no significantly change for capital and other equity for the periods from January 1 to September 30, 2014 and 2013. For the related information, please refer to note 6(o) of the consolidated financial statements for the year ended December 31, 2013.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

1. Ordinary share

For the nine months ended September 30, 2014 and 2013, the Company had issued 2,793 thousand shares and 4,438 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:

	2014.9.30	2013.12.31	2013.9.30
Additional paid-in capital	\$ 3,724,326	3,666,256	3,755,238
Changes in equity of associates accounted for using equity method	13,442	13,442	-
Employee stock options	<u>28,447</u>	<u>48,660</u>	<u>56,795</u>
	<u>\$ 3,766,215</u>	<u>3,728,358</u>	<u>3,812,033</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;
- 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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 Ruling No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity. 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 earning for 2013 and 2012 had been approved in a shareholders' meeting held on June 20, 2014 and June 10, 2013, respectively. The appropriations and dividends were as follows:

	2013	2012
Cash dividends	\$ 1,109,798	1,136,245
Bonuses to employees	166,400	167,000
Remuneration to directors and supervisors	49,900	50,100

The above-mentioned appropriations of earning for 2013 and 2012 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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the Company's accrued and recognised employee's bonus amounted to \$66,500, \$29,500, \$125,900 and \$152,000, respectively, and directors' and supervisors' remuneration amounted to \$20,000, \$9,000, \$37,700 and \$45,700, respectively. There was no difference between the appropriation of 2013 and 2012 earnings for employees' bonus and directors' emoluments as been approved in the shareholders' meeting, respectively, and those accrued in the financial statements for the years ended December 31, 2013 and 2012. 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, 2014	\$ (17,413)	116,395
Foreign currency exchange differences (net of tax)	7,118	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	35,642
Other comprehensive income reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	(52)
Balance as of September 30, 2014	<u>\$ (10,295)</u>	<u>151,985</u>
Balance as of January 1, 2013	\$ (24,741)	(129,397)
Foreign currency exchange differences (net of tax)	4,652	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	80,249
Other comprehensive income reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	44,130
Balance as of September 30, 2013	<u>\$ (20,089)</u>	<u>(5,018)</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(p) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to September 30, 2014 and 2013. For the related information, please refer to note 6(p) of the consolidated financial statement for the year ended December 31, 2013.

For the nine months ended September 30, 2014 and 2013, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	Nine months ended September 30, 2014		Nine months ended September 30, 2013	
	Weighted- average exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ 22.94	6,154	21.76	11,385
Granted	-	-	-	-
Exercised	21.54	(2,793)	20.22	(4,438)
Expired	-	(45)	-	(135)
Outstanding at the end	22.70	<u>3,316</u>	21.66	<u>6,812</u>
Exercisable as of September 30		<u>3,316</u>		<u>3,359</u>

(q) Earnings per share ("EPS")

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the Company's earnings per share were calculated as follows:

	Three months ended September 30, 2014		
	Profit	Weighted- average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS — retroactively adjusted:			
Profit belonging to common shareholders	\$ 753,069	741,798	\$ <u>1.02</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	4,319	
Employee stock options	-	884	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>753,069</u>	<u>747,001</u>	\$ <u>1.01</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

<u>Three months ended September 30, 2013</u>			
<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>	
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 348,676	758,202	\$ <u>0.46</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	5,458	
Employee stock options	-	2,169	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>348,676</u>	<u>765,829</u>	\$ <u>0.46</u>
<u>Nine months ended September 30, 2014</u>			
<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>	
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,406,325	740,732	\$ <u>1.90</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	7,923	
Employee stock options	-	999	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>1,406,325</u>	<u>749,654</u>	\$ <u>1.88</u>
<u>Nine months ended September 30, 2013</u>			
<u>Profit</u>	<u>Weighted- average number of outstanding shares of common stock (in thousands)</u>	<u>EPS (in dollars)</u>	
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,685,451	757,341	\$ <u>2.23</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	8,353	
Employee stock options	-	2,500	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>1,685,451</u>	<u>768,194</u>	\$ <u>2.19</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(r) Non-operating income and expenses

1. Other income

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the details of other income were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest income	\$ 4,802	2,957	12,190	11,690
Dividend income	44,377	32,451	45,645	33,847
Rent income	7,994	8,001	23,993	23,724
	<u>\$ 57,173</u>	<u>43,409</u>	<u>81,828</u>	<u>69,261</u>

2. Other gains and losses

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the details of other gains and losses were as follows:

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Foreign exchange gains (losses)	\$ 21,135	(12,506)	22,426	103,503
Gains (losses) on disposals of investments	8,906	27,310	(44,393)	(377,187)
Gains (losses) on financial assets or liabilities at fair value through profit	(30,483)	7,227	102,720	392,624
Gains (losses) on disposal of property, plant and equipment	-	-	(17)	306,531
Other	(7,205)	(48,516)	(32,143)	(109,984)
	<u>\$ (7,647)</u>	<u>(26,485)</u>	<u>48,593</u>	<u>315,487</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

3. Finance costs

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, the details of finance costs were as follows:

		Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest expense	\$	17,860	24,163	56,559	82,667
Less: capitalized interest expense		<u>(5,792)</u>	<u>(4,975)</u>	<u>(18,188)</u>	<u>(15,436)</u>
	\$	<u><u>12,068</u></u>	<u><u>19,188</u></u>	<u><u>38,371</u></u>	<u><u>67,231</u></u>

(s) Financial instruments

Except for the contention mentioned below, there is 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, 2013.

1. Currency risk

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

	2014.9.30			2013.12.31			2013.9.30		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
Financial assets									
Monetary items									
USD	\$ 44,772	30.42	1,361,959	28,836	29.81	859,613	\$ 48,845	29.57	1,444,356
EUR	5	38.59	199	73	41.09	3,003	-	39.92	1
JPY	52,334	0.2780	14,545	169,390	0.2839	48,088	154,436	0.3021	46,652
GBP	17	49.50	848	8	49.28	417	13	47.72	628
HKD	64	3.92	249	64	3.84	245	64	3.81	243
			<u>\$ 1,377,800</u>			<u>911,366</u>			<u>1,491,880</u>
Non-monetary items									
USD	91	30.42	<u>\$ 2,774</u>	-	-	<u>-</u>	-	-	<u>-</u>
Financial liabilities									
Monetary items									
USD	17,462	30.42	531,203	9,655	29.81	287,809	9,717	29.57	287,341
EUR	131	38.59	5,068	118	41.09	4,842	159	39.92	6,360
JPY	471,682	0.2780	131,123	281,294	0.2839	79,856	251,874	0.3021	76,091
GBP	11	49.50	556	8	49.28	370	7	47.72	350
AUD	-	-	-	37	26.59	979	8	27.52	221
			<u>\$ 667,950</u>			<u>373,856</u>			<u>370,363</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(2) Sensitivity analysis

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, accounts receivable, net, other receivables, financial asset at fair value through profit or loss, 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 nine months ended September 30, 2014 and 2013 would have increased (decreased) the net profit after tax by \$29,597 and \$46,404, respectively, and other comprehensive income would not be affected. The analysis assumes that all other variables remain constant.

2. Fair value

(1) Fair value and carrying amount

The Group's management believes the carrying amounts of its financial assets and financial liabilities amortised cost are agreed to its fair value approximately.

(2) Fair value hierarchy

The table below analyses the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy were as follows:

-Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

-Level 2: inputs other than quoted prices included within 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 assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
As of September 30, 2014				
Financial assets at fair value through profit or loss	\$ 1,168,335	-	-	1,168,335
Available-for-sale financial assets	<u>921,150</u>	<u>415,635</u>	<u>35,000</u>	<u>1,371,785</u>
	<u>\$ 2,089,485</u>	<u>415,635</u>	<u>35,000</u>	<u>2,540,120</u>
As of December 31, 2013				
Financial assets at fair value through profit or loss	\$ 1,162,001	-	-	1,162,001
Available-for-sale financial assets	<u>734,772</u>	<u>304,096</u>	<u>35,000</u>	<u>1,073,868</u>
	<u>\$ 1,896,773</u>	<u>304,096</u>	<u>35,000</u>	<u>2,235,869</u>
As of September 30, 2013				
Financial assets at fair value through profit or loss	\$ 797,611	-	-	797,611
Available-for-sale financial assets	<u>680,992</u>	<u>337,703</u>	<u>35,000</u>	<u>1,053,695</u>
	<u>\$ 1,478,603</u>	<u>337,703</u>	<u>35,000</u>	<u>1,851,306</u>

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of December 31, 2013, the carrying amount of available-for-sale financial assets was \$2,102 because the shares of stocks were listed on the market in July, 2013, and the fair value were acquired from the active market periodically. Therefore, it was reclassified from Level 2 to Level 1.

There were no financial assets fair value level transfers for the nine months ended September 30, 2014.

(t) 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 nine months ended September 30, 2014 and 2013 which compared with the consolidated financial statements for the year ended December 31, 2013. For the related information, please refer to note 6(t) of the consolidated financial statements for the year ended December 31, 2013.

(u) Capital management

The Group's objective, policies and process of capital management of the condensed consolidated interim financial statements for the nine months ended September 30, 2014 and 2013 was the same as the consolidated financial statements for the years ended December 31, 2013 and 2012. There was no significant change on summary of quantitative date of capital management compared with the consolidated financial statements for the years ended December 31, 2013 and 2012. For the related information, please refer to note 6(u) of the consolidated financial statements for the year ended December 31, 2013.

(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

1. Leases

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, 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 amounts of rental expense and outstanding balance between the Group and related parties were as follows:

	Rental expense				Other payable		
	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013	2014.9.30	2013.12.31	2013.9.30
Key management of the Group	\$ -	36	28	108	-	-	-

(Continued)

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

2. Services expenses

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2013, the related parties provided medical service to the Group. The amounts of service expense and outstanding balance between the consolidated entity and related parties were as follows:

	<u>Service expense</u>		<u>Other payable</u>	
	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2013</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Other related-parties	\$ <u>-</u>	<u>150</u>	<u>-</u>	<u>-</u>

There were no such transactions for the nine months ended September 30, 2014.

(c) Transactions with key management personnel

For the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, key management personnel compensation were comprised as below:

	<u>Three months ended September 30, 2014</u>	<u>Three months ended September 30, 2013</u>	<u>Nine months ended September 30, 2014</u>	<u>Nine months ended September 30, 2013</u>
Short-term employee benefits	\$ 88,842	24,558	152,848	90,725
Post-employment benefits	177	177	531	540
Share-based payments	<u>403</u>	<u>(253)</u>	<u>504</u>	<u>713</u>
	<u>\$ 89,422</u>	<u>24,482</u>	<u>153,883</u>	<u>91,978</u>

(8) Pledged assets

The carrying amounts of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>2014.9.30</u>	<u>2013.12.31</u>	<u>2013.9.30</u>
Other non-current assets	Gas deposits	\$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,631	20,541	20,511
Property, plant and equipment	Long-term borrowings	4,805,384	5,113,371	4,695,037
Investment property	Long-term borrowings	1,092,491	1,096,479	1,096,239
Prepayments for business facilities	Long-term borrowings	-	765	156,274
		<u>\$ 5,921,506</u>	<u>6,234,156</u>	<u>5,971,061</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

	2014.9.30	2013.12.31	2013.9.30
The unrecognized commitment of acquisition of property, plant and equipment	\$ <u>591,570</u>	<u>851,593</u>	<u>1,116,000</u>
The unused letters of credit	\$ <u>69,689</u>	<u>52,847</u>	<u>159,318</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 periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013:

	<u>Three months ended September 30, 2014</u>			<u>Three months ended September 30, 2013</u>		
	<u>Classified as operating costs</u>	<u>Classified as operating expenses</u>	<u>Total</u>	<u>Classified as operating costs</u>	<u>Classified as operating expenses</u>	<u>Total</u>
Employee benefits						
Salaries	\$ 292,882	123,244	416,126	213,858	110,356	324,214
Labor and health insurance	19,879	6,757	26,636	16,877	7,435	24,312
Pension	9,754	2,529	12,283	8,325	3,535	11,860
Others	11,236	4,688	15,924	9,905	1,832	11,737
Depreciation	449,564	15,836	465,400	429,216	20,294	449,510
Amortization	2,537	4,240	6,777	3,452	5,847	9,299

	<u>Nine months ended September 30, 2014</u>			<u>Nine months ended September 30, 2013</u>		
	<u>Classified as operating costs</u>	<u>Classified as operating expenses</u>	<u>Total</u>	<u>Classified as operating costs</u>	<u>Classified as operating expenses</u>	<u>Total</u>
Employee benefits						
Salaries	\$ 725,857	330,948	1,056,805	787,129	358,689	1,145,818
Labor and health insurance	56,716	22,386	79,102	50,214	20,420	70,634
Pension	26,778	9,804	36,582	24,273	10,467	34,740
Others	30,591	9,552	40,143	30,785	10,971	41,756
Depreciation	1,304,356	81,693	1,386,049	1,264,484	72,866	1,337,350
Amortization	7,594	15,456	23,050	11,302	18,204	29,506

(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 nine months ended September 30, 2014:

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held as of September 30, 2014 (subsidiaries, associates and joint ventures not included):

Company holding securities	Security type and name	Relationship with the Company	Account	September 30, 2014			Market value (or net value)	Note
				Shares (in thousands)	Carrying value	Percentage of ownership (%)		
The Company	EPISTAR Corporation/Stock	None	Current financial assets at fair value through profit or loss	946	53,827	0.10	53,827	
"	Capital Money Market Fund	"	"	11,501	182,030	-	182,030	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	9,165	112,569	-	112,569	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	12,517	178,742	-	178,742	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	14,177	162,914	-	162,914	
"	Union Money Market Fund	"	"	12,348	160,042	-	160,042	
"	Mega Diamond Money Market Fund	"	"	8,259	101,490	-	101,490	
"	Concord Dream Futures Trust Fund	"	"	2,978	29,643	-	29,643	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,774	-	2,774	
"	Fuh Hwa Strategic High Income Fund of Funds	"	"	2,313	29,375	-	29,375	
WIN Venture Capital Corp.	Green Seal Holding Limited /Stock	"	"	165	26,565	0.11	26,565	
"	Inotera Memories, Inc. /Stock	"	"	1,000	45,200	0.02	45,200	
"	Mega Diamond Money Market Fund	"	"	6,768	83,164	-	83,164	
					<u>1,168,335</u>		<u>1,168,335</u>	
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	24,382	625,391	7.45	625,391	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	72,455	2.55	72,455	
"	Solar Applied Materials Technology Corp./Stock	"	"	228	5,951	0.06	5,951	
					<u>703,797</u>		<u>703,797</u>	
The Company	Invetec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	329,378	10.51	329,378	
"	Shin Sheng III Venture Capital Investment Corp. /Stock	"	"	9,000	86,257	11.03	86,257	
"	Tainergy Tech Co., Ltd./Stock	"	"	943	18,863	0.34	18,863	
"	CDIB CME Fund Ltd. /Stock	"	"	2,500	25,000	3.33	25,000	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	10,000	0.91	10,000	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	"	75	198,490	0.03	198,490	
					<u>667,988</u>		<u>667,988</u>	
The Company	MagiCap Venture Capital Co., Ltd. / Preferred Stock B	None	Non-current bond investment without active market	15,960	<u>159,600</u>	17.37	(Note 1)	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Note 1 : The redeemable preferred stock was the nature of bond, which was recognised as non-current bond investment without active market.

4. Information regarding purchase or sale of securities for the nine months ended September 30, 2014 exceeding 300 million or 20% of the Company's paid-in capital:

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	January 1, 2014		Purchase		Sale				September 30, 2014 (Note)	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain on disposal	Shares (in thousands)	Amount
The Company	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss	-	-	5,138	62,800	80,971	993,000	77,850	955,394	954,359	1,035	8,259	101,490
"	Capital Money Market Fund	"	-	-	5,587	88,000	27,575	436,000	21,661	342,393	342,000	393	11,501	182,030

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.
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:

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Item	Amount	Percentage of the purchases (sales) (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd	Subsidiary	Sales	(3,337,225)	(47)%	1-2 Month	-	-	285,441	37%	(Note)
Win Semiconductors Cayman Islands Co., Ltd	The Company	Parent Company	Purchase	3,337,225	100%	1-2 Month	-	-	(285,441)	(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:

Company name	Related party	Nature of relationships	September 30, 2014	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts	Note
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	285,441	23.15	-	-	285,441	-	(Note)

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

10. Significant transactions and business relationship between the parent company and its subsidiaries for the nine months ended September 30, 2014:

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			Percentage of total consolidated net sales or assets
				Account	Amount	Terms (Note 3)	
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	3,337,225	-	46.37%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable – related parties	285,441	-	1.32%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable – related parties	285,441	-	1.32%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	3,337,225	-	46.37%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	32,537	-	0.45%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	32,537	-	0.45%

Note 1 : Company numbering as follows :

Parent company – 0

Subsidiary starts from 1

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

Parent company to subsidiary – 1

Subsidiary to parent company – 2

Subsidiary to subsidiary – 3

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

(b) Information on investments:

The followings are the information on investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of September 30, 2014			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Note
				September 30, 2014	December 31, 2013	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%	6,056	(1,326)	(1,326)	(Note)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	535,840	37,129	37,129	(Note)
"	WIN Venture Capital Corp.	Taiwan	Investment activities	200,000	-	20,000	100.00%	187,608	(12,392)	(12,392)	(Note)
"	Invetec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	370,483	(45,607)	(15,746)	-

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

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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. For the nine months ended September 30, 2014, the above segment does not exceed the quantitative thresholds to be reportable.

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the periods from July 1 to September 30, 2014 and 2013, and for the nine months ended September 30, 2014 and 2013, were as follows:

	<u>Foundry</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Three months ended September 30, 2014				
Revenue from external customers	\$ <u>3,068,624</u>	<u>332</u>	<u>-</u>	<u>3,068,956</u>
Reportable segment profit or loss	\$ <u>878,047</u>	<u>(12,573)</u>	<u>-</u>	<u>865,474</u>
Three months ended September 30, 2013				
Revenue from external customers	\$ <u>2,523,129</u>	<u>-</u>	<u>-</u>	<u>2,523,129</u>
Reportable segment profit or loss	\$ <u>484,896</u>	<u>-</u>	<u>-</u>	<u>484,896</u>
Nine months ended September 30, 2014				
Revenue from external customers	\$ <u>7,196,686</u>	<u>462</u>	<u>-</u>	<u>7,197,148</u>
Reportable segment profit or loss	\$ <u>1,650,571</u>	<u>(12,531)</u>	<u>-</u>	<u>1,638,040</u>
Nine months ended September 30, 2013				
Revenue from external customers	\$ <u>8,554,913</u>	<u>-</u>	<u>-</u>	<u>8,554,913</u>
Reportable segment profit or loss	\$ <u>1,865,314</u>	<u>-</u>	<u>-</u>	<u>1,865,314</u>
	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Interest expense	\$ (12,068)	(19,188)	(38,371)	(67,231)
Depreciation and amortization	(472,177)	(458,809)	(1,409,099)	(1,366,856)
Share of loss of associates and joint ventures accounted for using equity method	(13,705)	(29,198)	(15,746)	(77,391)
Assets				
Capital expenditures in noncurrent assets	99,440	1,281,431	467,009	2,364,087

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.