

**WIN Semiconductors Corp. and Subsidiaries**  
**Condensed Consolidated Financial Statements**  
**June 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 June 30, 2014 and 2013, and the related condensed consolidated statements of comprehensive income for the periods from April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, changes in equity and cash flows for the six months ended June 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 using equity method of NT\$384,188 thousand and NT\$276,668 thousand as of June 30, 2014 and 2013, and share of profit (loss) of associates and joint ventures accounted for using equity method, net of NT\$3,941 thousand, NT\$(30,277) thousand, NT\$(2,041) thousand and NT\$(48,193) thousand for the periods from April 1 to June 30, 2014 and 2013, and for the six months ended June 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 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 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)  
August 6, 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 June 30, 2014 and 2013.  
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

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

	2014.6.30	2013.12.31	2013.6.30	2014.6.30	2013.12.31	2013.6.30
<b>Assets</b>						
<b>Current assets :</b>						
Cash and cash equivalents (note 6(a))	\$ 1,842,123	1,966,881	3,792,514			122,597
Current financial assets at fair value through profit or loss (note 6(b))	2,141,584	1,162,001	2,174,812			1,275,875
Current available-for-sale financial assets (note 6(b))	703,714	584,716	665,337			2,304,089
Notes and accounts receivable, net (note 6(c))	856,133	650,438	1,036,817			1,059,444
Inventories (note 6(d))	1,562,698	1,126,775	2,068,908			97,899
Other current assets (note 6(i))	370,442	198,153	369,682			4,859,904
<b>Total current assets</b>	<b>7,476,694</b>	<b>5,688,964</b>	<b>10,108,070</b>			
<b>Non-current assets :</b>						
Non-current available-for-sale financial assets (note 6(b))	593,287	489,152	490,617			4,699,266
Non-current bond investment without active market (note 6(b))	190,000	190,000	190,000			24,021
Investments accounted for using equity method (note 6(e))	384,188	386,229	276,668			160,949
Property, plant and equipment (notes 6(f) and 8)	12,144,236	12,636,304	11,339,777			4,884,236
Investment property (notes 6(g) and 8)	1,093,821	1,096,479	1,099,137			9,744,140
Intangible assets (note 6(i))	61,176	64,248	73,513			7,578,548
Deferred tax assets	63,341	132,425	193,359			3,810,913
Prepayments for business facilities (note 8)	224,258	384,446	746,523			3,403,294
Non-current prepayments for investments (notes 6(b))	12,000	-	-			23,485
Other non-current assets (notes 6(i) and 8)	43,580	43,257	42,716			14,816,240
<b>Total non-current assets</b>	<b>14,809,887</b>	<b>15,422,540</b>	<b>14,452,310</b>			
<b>Total assets</b>	<b>\$ 22,286,581</b>	<b>21,111,504</b>	<b>24,560,380</b>			
<b>Liabilities and Equity</b>						
<b>Current liabilities :</b>						
Short-term borrowings (note 6(j))						122,597
Accounts payable	1,180,000	635,119	1,275,875			1,275,875
Other payables (note 7)	1,967,416	1,028,229	1,967,416			2,304,089
Long-term liabilities, current portion (notes 6(k) and 8)	545,444	545,444	545,444			1,059,444
Other current liabilities	103,337	118,656	97,899			97,899
<b>Total current liabilities</b>	<b>3,796,197</b>	<b>2,327,448</b>	<b>4,859,904</b>			
<b>Non-current liabilities :</b>						
Long-term borrowings (notes 6(k) and 8)	3,724,068	3,721,466	4,699,266			4,699,266
Deferred tax liabilities	23,482	20,642	24,021			24,021
Other non-current liabilities	161,465	150,371	160,949			160,949
<b>Total non-current liabilities</b>	<b>3,909,015</b>	<b>3,892,479</b>	<b>4,884,236</b>			
<b>Total liabilities</b>	<b>7,705,212</b>	<b>6,219,927</b>	<b>9,744,140</b>			
<b>Equity (notes 6(b), 6(o) and 6(p)) :</b>						
Ordinary share	7,406,379	7,392,754	7,578,548			7,578,548
Capital surplus	3,744,791	3,728,358	3,810,913			3,810,913
Retained earnings	3,214,941	3,671,483	3,403,294			3,403,294
Other equity interest	215,258	98,982	23,485			23,485
<b>Total equity</b>	<b>14,581,369</b>	<b>14,891,577</b>	<b>14,816,240</b>			
<b>Total liabilities and equity</b>	<b>\$ 22,286,581</b>	<b>21,111,504</b>	<b>24,560,380</b>			

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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating revenue	\$ 2,461,166	3,183,734	4,128,192	6,031,784
Operating costs (notes 6(d), 6(h), 6(m), 6(o), 7 and 12)	<u>(1,599,426)</u>	<u>(2,138,332)</u>	<u>(2,766,289)</u>	<u>(4,070,321)</u>
Gross profit from operations	<u>861,740</u>	<u>1,045,402</u>	<u>1,361,903</u>	<u>1,961,463</u>
Operating expenses (notes 6(h), 6(m), 6(o), 7 and 12) :				
Selling expenses	(29,488)	(32,330)	(63,491)	(65,537)
Administrative expenses	(105,849)	(137,520)	(199,800)	(270,204)
Research and development expenses	<u>(157,373)</u>	<u>(111,053)</u>	<u>(326,046)</u>	<u>(245,304)</u>
Total operating expenses	<u>(292,710)</u>	<u>(280,903)</u>	<u>(589,337)</u>	<u>(581,045)</u>
Net operating income	<u>569,030</u>	<u>764,499</u>	<u>772,566</u>	<u>1,380,418</u>
Non-operating income and expenses :				
Other income (note 6(r))	12,705	13,523	24,655	25,852
Other gains and losses (note 6(r))	1,877	(58,354)	56,240	341,972
Finance costs (note 6(r))	(12,411)	(22,231)	(26,303)	(48,043)
Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>3,941</u>	<u>(30,277)</u>	<u>(2,041)</u>	<u>(48,193)</u>
Total non-operating income and expenses	<u>6,112</u>	<u>(97,339)</u>	<u>52,551</u>	<u>271,588</u>
Profit before tax	575,142	667,160	825,117	1,652,006
Total tax expense (note 6(n))	<u>(135,266)</u>	<u>(120,376)</u>	<u>(171,861)</u>	<u>(315,231)</u>
Profit	<u>439,876</u>	<u>546,784</u>	<u>653,256</u>	<u>1,336,775</u>
Other comprehensive income (loss) :				
Other comprehensive income, before tax, exchange differences on translation	(6,782)	1,787	486	9,332
Other comprehensive income, before tax, available-for-sale financial assets	2,558	59,832	115,790	168,288
Income tax benefit (expense) relating to components of other comprehensive income (note 6(n))	<u>-</u>	<u>(56)</u>	<u>-</u>	<u>3</u>
Other comprehensive income, net	<u>(4,224)</u>	<u>61,563</u>	<u>116,276</u>	<u>177,623</u>
Comprehensive income	<u>\$ 435,652</u>	<u>608,347</u>	<u>769,532</u>	<u>1,514,398</u>
Profit, attributable to :				
Profit, attributable to owners of parent	<u>\$ 439,876</u>	<u>546,784</u>	<u>653,256</u>	<u>1,336,775</u>
Comprehensive income attributable to :				
Comprehensive income, attributable to owners of parent	<u>\$ 435,652</u>	<u>608,347</u>	<u>769,532</u>	<u>1,514,398</u>
Earnings per common share (expressed in dollars) (note 6(q))				
Basic earnings per share	<u>\$ 0.59</u>	<u>0.72</u>	<u>0.88</u>	<u>1.77</u>
Diluted earnings per share	<u>\$ 0.59</u>	<u>0.71</u>	<u>0.87</u>	<u>1.74</u>

See accompanying notes to financial statements.

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

**Condensed Consolidated Statements of Changes in Equity**

**For the six months ended June 30, 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	Total	Exchange differences on translation of foreign financial statements			
<b>Balance on January 1, 2013</b>	\$ 7,541,877	3,763,045	258,703	221,662	2,722,399	3,202,764	(24,741)	(129,397)	(154,138)	14,353,548
Appropriation of 2012 earnings approved by stockholders during their meeting in 2013	-	-	-	-	(164,753)	(1,136,245)	-	-	-	(1,136,245)
Legal reserve	-	-	164,753	-	(1,136,245)	-	-	-	-	(1,136,245)
Cash dividends	-	-	-	(187,647)	187,647	-	-	-	-	-
Reversal of special reserve	-	-	-	(187,647)	(1,113,351)	(1,136,245)	-	-	-	(1,136,245)
Net income for the six months ended June 30, 2013	-	-	-	-	1,336,775	1,336,775	-	168,291	177,623	1,336,775
Other comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	-	9,332	168,291	177,623	177,623
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	1,336,775	1,336,775	9,332	168,291	177,623	1,514,398
Exercise of employee stock options	36,671	-	-	-	-	-	-	-	-	36,671
Compensation cost arising from employee stock options	-	43,271	-	-	-	-	-	-	-	43,271
Balance on June 30, 2013	\$ 7,578,548	3,810,913	423,456	34,015	2,945,823	3,403,294	(15,409)	38,894	23,485	14,816,240
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	3,671,483	(17,413)	116,395	98,982	14,891,577
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014	-	-	181,151	-	(1,109,798)	(1,109,798)	-	-	-	(1,109,798)
Legal reserve	-	-	-	-	(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 six months ended June 30, 2014	-	-	-	-	653,256	653,256	-	115,790	116,276	653,256
Other comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	-	486	115,790	116,276	116,276
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	653,256	653,256	486	115,790	116,276	769,532
Exercise of employee stock options	13,625	15,339	-	-	-	-	-	-	-	28,964
Compensation cost arising from employee stock options	-	1,094	-	-	-	-	-	-	-	1,094
Balance on June 30, 2014	\$ 7,406,379	3,744,791	604,607	-	2,610,334	3,214,941	(16,922)	232,185	215,258	14,581,369

Balance on January 1, 2013  
Appropriation of 2012 earnings approved by stockholders during their meeting in 2013

Legal reserve  
Cash dividends  
Reversal of special reserve  
Net income for the six months ended June 30, 2013  
Other comprehensive income for the six months ended June 30, 2013  
Total comprehensive income for the six months ended June 30, 2013  
Exercise of employee stock options  
Compensation cost arising from employee stock options  
Balance on June 30, 2013

Balance on January 1, 2014  
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014  
Legal reserve  
Cash dividends  
Reversal of special reserve

Net income for the six months ended June 30, 2014  
Other comprehensive income for the six months ended June 30, 2014  
Total comprehensive income for the six months ended June 30, 2014  
Exercise of employee stock options  
Compensation cost arising from employee stock options  
Balance on June 30, 2014

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Cash Flows

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

	2014	2013
<b>Cash flows from (used in) operating activities :</b>		
Profit before tax	\$ 825,117	1,652,006
Adjustments :		
Adjustments to reconcile profit (loss) :		
Depreciation expense	920,649	887,840
Amortization expense	16,273	20,207
Net gain on financial assets or liabilities at fair value through profit or loss	(133,333)	(385,397)
Interest expense	26,303	48,043
Interest income	(7,388)	(8,733)
Dividend income	(1,268)	(1,396)
Share-based payments	1,094	4,597
Share of loss of associates and joint ventures accounted for using equity method	2,041	48,193
Loss (gain) on disposal of property, plant and equipment	17	(306,531)
Loss on disposal of investments	53,299	404,497
Property, plant and equipment transferred to expense	-	20,691
Total adjustments to reconcile profit (loss)	<u>877,687</u>	<u>732,011</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Current financial assets at fair value through profit or loss	(159,000)	-
Notes and accounts receivable, net	(205,695)	12,538
Inventories	(435,923)	52,139
Other current assets	(173,132)	(14,336)
Total changes in operating assets	<u>(973,750)</u>	<u>50,341</u>
Changes in operating liabilities :		
Accounts payable	544,881	154,008
Other payables	31,208	343,686
Other current liabilities	(15,319)	19,560
Other non-current liabilities	1,094	710
Total changes in operating liabilities	<u>561,864</u>	<u>517,964</u>
Total changes in operating assets and liabilities	<u>(411,886)</u>	<u>568,305</u>
Cash inflow generated from operations	1,290,918	2,952,322
Income taxes paid	(205,363)	(128,636)
<b>Net cash flows from operating activities</b>	<u>1,085,555</u>	<u>2,823,686</u>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of current financial assets at fair value through profit or loss	(1,899,256)	(1,340,000)
Proceeds from disposal of current financial assets at fair value through profit or loss	1,159,217	712,710
Acquisition of current available-for-sale financial assets	(116,637)	(78,568)
Acquisition of non-current available-for-sale financial assets	-	(25,000)
Proceeds from disposal of non-current available-for-sale financial assets	2,648	54,465
Proceeds from disposal of non-current bond investments without active market	-	344,783
Proceeds from disposal of investments accounted for using equity method	-	21,626
Increase in non-current prepayments for investments	(12,000)	-
Acquisition of property, plant and equipment	(316,511)	(831,685)
Proceeds from disposal of property, plant and equipment	-	511,286
Acquisition of intangible assets	(4,465)	(6,546)
Decrease (increase) in other non-current assets	(323)	151
Increase in prepayments for business facilities	(46,593)	(244,425)
Interest received	6,697	7,973
Dividends received	1,268	1,396
<b>Net cash flows used in investing activities</b>	<u>(1,225,955)</u>	<u>(871,834)</u>
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	-	122,597
Proceeds from long-term borrowings	529,000	1,050,000
Repayments of long-term borrowings	(529,722)	(2,502,118)
Increase in other non-current liabilities	10,000	110,000
Transaction costs of issuance of common stock	-	(6,740)
Exercise of employee stock options	28,964	79,942
Interest paid	(23,018)	(46,929)
<b>Net cash flows from (used in) financing activities</b>	<u>15,224</u>	<u>(1,193,248)</u>
Effect of exchange rate changes on cash and cash equivalents	418	8,253
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(124,758)</u>	<u>766,857</u>
<b>Cash and cash equivalents at the beginning of period</b>	<u>1,966,881</u>	<u>3,025,657</u>
<b>Cash and cash equivalents at the end of period</b>	<u>\$ 1,842,123</u>	<u>3,792,514</u>

See accompanying notes to financial statements.

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

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

**June 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 six months ended June 30, 2014 and 2013 was authorized for issued by the Board of Directors as of August 6, 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
IAS 10 "Consolidated Financial Statements"	January 1, 2013 (effective date for investment entity will be January 1,2014)
IAS 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>
IAS 12 "Disclosure of interests in other entities"	January 1, 2013
IAS 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 Company 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, 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 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.

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.

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

- (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 " <i>Defined Benefit Plans: Employee Contributions</i> "	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.

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**

- 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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Note
			2014.6.30	2013.12.31	2013.6.30	
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	100%	-
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%	-
The Company	WIN Venture Capital Corp.	Investment activities	100%	-	-	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.

(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.

In the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events.

(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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Condensed Consolidated Financial Statements

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 six months ended June 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

	2014.6.30	2013.12.31	2013.6.30
Cash on hand	\$ 432	495	492
Cash in bank	535,426	372,206	1,688,410
Time deposits	<u>1,306,265</u>	<u>1,594,180</u>	<u>2,103,612</u>
	<b><u>\$ 1,842,123</u></b>	<b><u>1,966,881</u></b>	<b><u>3,792,514</u></b>

##### (b) Financial instruments

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

	2014.6.30	2013.12.31	2013.6.30
Stocks listed on domestic markets	\$ 70,003	227,131	229,643
Money market funds, future fund, equity fund and bond funds	<u>2,071,581</u>	<u>934,870</u>	<u>1,945,169</u>
	<b><u>\$ 2,141,584</u></b>	<b><u>1,162,001</u></b>	<b><u>2,174,812</u></b>

###### 2. Current available-for-sale financial assets :

	2014.6.30	2013.12.31	2013.6.30
Stocks listed on domestic markets	\$ 703,714	584,716	473,255
Stock listed on domestic markets privately (Note)	<u>-</u>	<u>-</u>	<u>192,082</u>
	<b><u>\$ 703,714</u></b>	<b><u>584,716</u></b>	<b><u>665,337</u></b>

Note: As of October 30, 2012, the restriction period of private placement of the stock listed on domestic markets privately was ended.

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

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

	2014.6.30	2013.12.31	2013.6.30
Stocks listed on domestic markets (Note)	\$ 26,165	31,832	44,656
Stocks listed on foreign markets	161,455	118,224	84,105
Non-public stocks	<u>405,667</u>	<u>339,096</u>	<u>361,856</u>
	\$ <u><b>593,287</b></u>	<u><b>489,152</b></u>	<u><b>490,617</b></u>

Note: The shares of stock of IntelliEPI Inc. (Cayman) have been officially listed in the public market on July 24, 2013. Therefore, the Group reclassified its investments from non-public stocks to stocks listed on domestic markets as of September 30, 2013.

4. Non-current bond investment without active market:

	Issue period	Nominal rate (%)	2014.6.30	2013.12.31	2013.6.30
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u><b>190,000</b></u>	<u><b>190,000</b></u>	<u><b>190,000</b></u>

5. Non-current prepayment for investment :

The Group invested in Inventec Solar Energy Corporation with a prepaid amount of \$12,000 in June, 2014, which was recognized as non-current prepayment for investment, because the issuance date has not yet been approved by the Ministry of Economic Affairs.

There were no such transactions as of December 31, and June 30, 2013.

6. As of June 30, 2014, December 31 and June 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).

(c) Notes and accounts receivable, net

	2014.6.30	2013.12.31	2013.6.30
Notes receivable	\$ 458	-	11,002
Accounts receivable	861,140	655,899	1,031,290
Less : allowance for doubtful accounts	<u>(5,465)</u>	<u>(5,461)</u>	<u>(5,475)</u>
	\$ <u><b>856,133</b></u>	<u><b>650,438</b></u>	<u><b>1,036,817</b></u>

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

At the balance sheet 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:

	2014.6.30	2013.12.31	2013.6.30
Past due 1~60 days	\$ 25,153	27,470	25,096
Past due 61~180 days	-	31,473	-
Past due more than 181 days	-	-	-
	<u>\$ 25,153</u>	<u>58,943</u>	<u>25,096</u>

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

	Six months ended June 30, 2014	Six months ended June 30, 2013
Beginning balance	\$ 5,461	5,407
Foreign currency differences	<u>4</u>	<u>68</u>
End balance	<u>\$ 5,465</u>	<u>5,475</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 remainder of the impairment loss at the reporting date relates to the changed economic circumstances and the customers' historical payment behaviour.

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

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

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

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

(d) Inventories

	2014.6.30	2013.12.31	2013.6.30
Raw materials and supplies	\$ 910,058	713,325	1,083,579
Work in process	391,943	196,179	542,866
Finished goods	<u>260,697</u>	<u>217,271</u>	<u>442,463</u>
	<b>\$ <u>1,562,698</u></b>	<b><u>1,126,775</u></b>	<b><u>2,068,908</u></b>

For the periods from April to June 30, 2014 and 2013, and for the six months ended June 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>13,607</u>	<u>102,849</u>	<u>(23,760)</u>	<u>128,489</u>

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

(e) Investments accounted for using equity method

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

	2014.6.30	2013.12.31	2013.6.30
<b>Associates</b>	<b>\$ <u>384,188</u></b>	<b><u>386,229</u></b>	<b><u>276,668</u></b>

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

(Continued)

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

## (f) Property, plant and equipment

1. The cost and accumulated depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2014 and 2013 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>Unfinished construction</u>	<u>Total</u>
<b>Cost :</b>							
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	-	175	45,194	11,981	5,878	158,828	222,056
Reclassification (Note)	-	-	176,281	37,665	-	(10,062)	203,884
Disposals	-	-	-	-	(178,960)	-	(178,960)
Balance as of June 30, 2014	\$ <u>2,546,534</u>	<u>983,022</u>	<u>11,540,541</u>	<u>2,692,068</u>	<u>186,816</u>	<u>1,195,691</u>	<u>19,144,672</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	397,784	2,897	144,501	27,624	11,464	262,652	846,922
Reclassification to investment property	(963,127)	(138,225)	-	-	-	-	(1,101,352)
Reclassification (Note)	509,372	137,646	306,629	74,919	-	58,941	1,087,507
Disposals	(204,708)	-	(24,914)	-	(8)	-	(229,630)
Balance as of June 30, 2013	\$ <u>1,504,785</u>	<u>972,526</u>	<u>10,807,984</u>	<u>2,608,757</u>	<u>356,327</u>	<u>458,208</u>	<u>16,708,587</u>
<b>Accumulated depreciation :</b>							
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Depreciation	-	29,245	760,196	116,039	12,511	-	917,991
Disposals	-	-	-	-	(178,943)	-	(178,943)
Balance as of June 30, 2014	\$ <u>-</u>	<u>341,486</u>	<u>5,159,295</u>	<u>1,333,028</u>	<u>166,627</u>	<u>-</u>	<u>7,000,436</u>
Balance as of January 1, 2013	\$ -	257,540	2,993,277	978,274	258,278	-	4,487,369
Depreciation	-	27,858	692,836	122,711	43,106	-	886,511
Reclassification to investment property	-	(886)	-	-	-	-	(886)
Reclassification	-	(865)	-	865	-	-	-
Disposals	-	-	(4,176)	-	(8)	-	(4,184)
Balance as of June 30, 2013	\$ <u>-</u>	<u>283,647</u>	<u>3,681,937</u>	<u>1,101,850</u>	<u>301,376</u>	<u>-</u>	<u>5,368,810</u>
<b>Carrying value :</b>							
Balance as of June 30, 2014	\$ <u>2,546,534</u>	<u>641,536</u>	<u>6,381,246</u>	<u>1,359,040</u>	<u>20,189</u>	<u>1,195,691</u>	<u>12,144,236</u>
Balance as of June 30, 2013	\$ <u>1,504,785</u>	<u>688,879</u>	<u>7,126,047</u>	<u>1,506,907</u>	<u>54,951</u>	<u>458,208</u>	<u>11,339,777</u>

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

## 2. Pledge to secure:

As of June 30, 2014, December 31, and June 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.

(Continued)



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

## (g) Investment property

	Land	Buildings and structures	Total
<b>Cost :</b>			
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of June 30, 2014	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</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 June 30, 2013	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
<b>Accumulated depreciation :</b>			
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	<u>-</u>	<u>2,658</u>	<u>2,658</u>
Balance as of June 30, 2014	<u>\$ -</u>	<u>7,531</u>	<u>7,531</u>
Balance as of January 1, 2013	\$ -	-	-
Depreciation	<u>-</u>	<u>1,329</u>	<u>1,329</u>
Reclassification from property, plant and equipment	<u>-</u>	<u>886</u>	<u>886</u>
Balance as of June 30, 2013	<u>\$ -</u>	<u>2,215</u>	<u>2,215</u>
<b>Carrying value :</b>			
Balance as of June 30, 2014	<u>\$ 963,127</u>	<u>130,694</u>	<u>1,093,821</u>
Balance as of June 30, 2013	<u>\$ 963,127</u>	<u>136,010</u>	<u>1,099,137</u>

As of June 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 June 30, 2014, December 31 and June 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 six months ended June 30, 2014 and 2013 were as follows:

	Technical know-how	Computer software and information systems	Others	Total
<b>Costs :</b>				
Balance as of January 1, 2014	\$ 46,005	82,770	6,122	134,897
Additions	-	11,639	-	11,639
Other (Note)	-	1,562	-	1,562
Balance as of June 30, 2014	\$ <u>46,005</u>	<u>95,971</u>	<u>6,122</u>	<u>148,098</u>
Balance as of January 1, 2013	\$ 46,005	122,614	1,920	170,539
Additions	-	4,377	6,122	10,499
Other (Note)	-	513	-	513
Balance as of June 30, 2013	\$ <u>46,005</u>	<u>127,504</u>	<u>8,042</u>	<u>181,551</u>
<b>Amortisation :</b>				
Balance as of January 1, 2014	\$ 12,140	56,128	2,381	70,649
Amortisation	1,917	12,315	2,041	16,273
Balance as of June 30, 2014	\$ <u>14,057</u>	<u>68,443</u>	<u>4,422</u>	<u>86,922</u>
Balance as of January 1, 2013	\$ 8,307	78,212	1,312	87,831
Amortisation	1,916	17,582	709	20,207
Balance as of June 30, 2013	\$ <u>10,223</u>	<u>95,794</u>	<u>2,021</u>	<u>108,038</u>
<b>Carrying value :</b>				
Balance as of June 30, 2014	\$ <u>31,948</u>	<u>27,528</u>	<u>1,700</u>	<u>61,176</u>
Balance as of June 30, 2013	\$ <u>35,782</u>	<u>31,710</u>	<u>6,021</u>	<u>73,513</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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, the amortization expenses of intangible assets were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating costs	\$ 2,363	3,814	5,057	7,850
Operating expenses	<u>5,524</u>	<u>5,475</u>	<u>11,216</u>	<u>12,357</u>
	<u>\$ 7,887</u>	<u>9,289</u>	<u>16,273</u>	<u>20,207</u>

## 3. Pledge to secure

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

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

	2014.6.30	2013.12.31	2013.6.30
Other receivable from metal recycling	\$ 211,178	41,410	187,848
Tax refund receivable	45,590	19,402	33,227
Restricted assets	23,601	23,541	23,481
Refundable deposits	19,979	19,716	19,235
Prepaid expenses	16,051	40,715	15,437
Prepayment for suppliers	-	-	36,045
Others	<u>97,623</u>	<u>96,626</u>	<u>97,125</u>
	<u>\$ 414,022</u>	<u>241,410</u>	<u>412,398</u>

## (j) Short-term borrowings

	2014.6.30	2013.12.31	2013.6.30
Unsecured short-term borrowings	\$ <u>-</u>	<u>-</u>	<u>122,597</u>
Unused bank credit lines for short-term borrowings	<u>\$ 3,433,006</u>	<u>3,157,153</u>	<u>3,227,935</u>
Unused bank credit lines for short-term and long-term borrowing	<u>\$ 350,000</u>	<u>-</u>	<u>250,000</u>
Annual interest rate	<u>-</u>	<u>-</u>	<u>0.80%~1.04%</u>

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

(k) Long-term borrowings

	2014.6.30	2013.12.31	2013.6.30
Unsecured long-term borrowings	\$ 514,000	771,000	1,992,000
Secured long-term borrowings	3,755,512	3,495,910	3,766,710
Less : long-term liabilities, current portion	<u>(545,444)</u>	<u>(545,444)</u>	<u>(1,059,444)</u>
Total	<u>\$ 3,724,068</u>	<u>3,721,466</u>	<u>4,699,266</u>
Unused bank credit lines for long-term borrowings	<u>\$ 1,538,000</u>	<u>2,594,000</u>	<u>1,644,000</u>
Annual interest rate	<u>1.61%~1.72%</u>	<u>1.62%~1.73%</u>	<u>1.58%~1.79%</u>

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

Year due	Amount
July 1, 2014~ June 30, 2015	\$ 545,444
July 1, 2015~ June 30, 2016	1,158,132
July 1, 2016~ June 30, 2017	940,194
July 1, 2017~ June 30, 2018	940,194
And after	<u>685,548</u>
	<u>\$ 4,269,512</u>

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

1. The collateral for these long-term borrowings was disclosed in note 8.
2. In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 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 June 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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013 were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating cost	\$ -	-	-	-
Operating expense	<u>610</u>	<u>640</u>	<u>1,219</u>	<u>1,279</u>
	<u>\$ 610</u>	<u>640</u>	<u>1,219</u>	<u>1,279</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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013 were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating cost	\$ 8,521	8,113	17,024	15,948
Operating expense	<u>3,067</u>	<u>2,770</u>	<u>6,056</u>	<u>5,653</u>
	\$ <u><u>11,588</u></u>	<u><u>10,883</u></u>	<u><u>23,080</u></u>	<u><u>21,601</u></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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013 were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Income tax expense	\$ <u><u>135,266</u></u>	<u><u>120,376</u></u>	<u><u>171,861</u></u>	<u><u>315,231</u></u>

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Unrealized gains (losses) on available-for-sale financial assets	\$ <u><u>-</u></u>	<u><u>56</u></u>	<u><u>-</u></u>	<u><u>(3)</u></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 six months ended June 30, 2014 and 2013 were as follow:

	<b>2014</b>	<b>2013</b>
Profit	\$ 653,256	1,336,775
Income tax expenses	<u>171,861</u>	<u>315,231</u>
Profit before tax	<u>825,117</u>	<u>1,652,006</u>
Tax rate according to the Group's location	140,270	280,841
Non-taxable income	9,061	16,650
10% surtax on unappropriate earnings	55,458	53,418
Others	<u>(32,928)</u>	<u>(35,678)</u>
	<b><u>\$ 171,861</u></b>	<b><u>315,231</u></b>

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:

	<b>2014.6.30</b>	<b>2013.12.31</b>	<b>2013.6.30</b>
Unappropriated earnings after 1997	\$ <u>2,610,334</u>	<u>3,214,012</u>	<u>2,945,823</u>
Balance of imputation credit account (ICA)	\$ <u>362,105</u>	<u>152,641</u>	<u>286,370</u>

	<b>2013 (Estimated)</b>	<b>2012 (Actual)</b>
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.

(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 June 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.

1. Ordinary share

For the six months ended June 30, 2014 and 2013, the Company had issued 1,362 thousand shares and 3,667 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

2. Capital surplus

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

	2014.6.30	2013.12.31	2013.6.30
Additional paid-in capital	\$ 3,694,107	3,666,256	3,740,895
Changes in equity of associates and joint ventures accounted for using equity method	13,442	13,442	-
Employee stock options	<u>37,242</u>	<u>48,660</u>	<u>70,018</u>
	<b><u>\$ 3,744,791</u></b>	<b><u>3,728,358</u></b>	<b><u>3,810,913</u></b>

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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, the Company's accrued and recognised employee's bonus amounted to \$40,900, \$52,500, \$59,400 and \$122,500, respectively, and directors' and supervisors' remuneration amounted to \$12,300, \$15,700, \$17,700 and \$36,700, 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 year 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 differences (net of tax)	486	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	115,292
Other comprehensive income reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	498
Balance as of June 30, 2014	\$ <u>(16,927)</u>	<u>232,185</u>
Balance as of January 1, 2013	\$ (24,741)	(129,397)
Foreign currency differences (net of tax)	9,332	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	168,291
Balance as of June 30, 2013	\$ <u>(15,409)</u>	<u>38,894</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 June 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 six months ended June 30, 2014 and 2013, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	Six months ended June 30, 2014		Six months ended June 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	21.26	(1,362)	21.80	(3,667)
Expired	-	(14)	-	(109)
Outstanding at the end	-	<u>4,778</u>	21.69	<u>7,609</u>
Exercisable as of June 30		<u>4,778</u>		<u>4,131</u>

## (q) Earnings per share ("EPS")

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

	Three months ended June 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	\$ 439,876	740,638	\$ <u>0.59</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	7,042	
Employee stock options	-	829	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>439,876</u>	<u>748,509</u>	\$ <u>0.59</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

<u>Three months ended June 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	\$ 546,784	757,616	\$ <u>0.72</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	7,611	
Employee stock options	-	<u>2,638</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 546,784</u>	<u>767,865</u>	<u>\$ 0.71</u>

<u>Six months ended June 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	\$ 653,256	740,199	\$ <u>0.88</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	7,390	
Employee stock options	-	<u>1,054</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 653,256</u>	<u>748,643</u>	<u>\$ 0.87</u>

<u>Six months ended June 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	\$ 1,336,775	756,910	\$ <u>1.77</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	8,178	
Employee stock options	-	<u>2,820</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<u>\$ 1,336,775</u>	<u>767,908</u>	<u>\$ 1.74</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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, the details of other income were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest income	\$ 4,058	4,578	7,388	8,733
Dividend income	652	972	1,268	1,396
Rent income	<u>7,995</u>	<u>7,973</u>	<u>15,999</u>	<u>15,723</u>
	<u>\$ 12,705</u>	<u>13,523</u>	<u>24,655</u>	<u>25,852</u>

2. Other gains and losses

For the periods from April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, the details of other gains and losses were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Foreign exchange gains (losses)	\$ (4,465)	19,701	1,291	116,009
Gains (losses) on disposals of investments	1,454	(70,019)	(53,299)	(404,497)
Gains on financial assets or liabilities at fair value through profit	12,095	52,605	133,203	385,397
Gains (losses) on disposal of property, plant and equipment	(17)	-	(17)	306,531
Other	<u>(7,190)</u>	<u>(60,641)</u>	<u>(24,938)</u>	<u>(61,468)</u>
	<u>\$ 1,877</u>	<u>(58,354)</u>	<u>56,240</u>	<u>341,972</u>

3. Finance costs

For the periods from April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, the details of finance costs were as follows:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest expense	\$ 18,129	27,000	38,699	58,504
Less: capitalized interest expense	<u>(5,718)</u>	<u>(4,769)</u>	<u>(12,396)</u>	<u>(10,461)</u>
	<u>\$ 12,411</u>	<u>22,231</u>	<u>26,303</u>	<u>48,043</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

## (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:

	2014.6.30			2013.12.31			2013.6.30		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets									
Monetary items									
USD	\$ 32,987	29.87	985,318	28,836	29.81	859,613	65,353	30.00	1,960,590
EUR	2	40.78	95	73	41.09	3,003	-	39.15	11
JPY	3,727	0.2946	1,100	169,390	0.2839	48,088	144,576	0.3036	43,892
GBP	1	50.87	71	8	49.28	417	15	45.78	666
HKD	64	3.85	245	64	3.84	245	64	3.87	247
			<u>\$ 986,829</u>			<u>911,366</u>			<u>2,005,406</u>
Non-monetary items									
USD	100	29.87	<u>\$ 3,004</u>	-	-	-	391	30.00	<u>11,739</u>
Financial liabilities									
Monetary items									
USD	21,443	29.87	640,498	9,655	29.81	287,809	20,475	30.00	614,257
EUR	147	40.78	5,988	118	41.09	4,842	290	39.15	11,352
JPY	561,651	0.2496	165,464	281,294	0.2839	79,856	1,037,453	0.3036	314,970
GBP	11	50.87	568	8	49.28	370	7	45.78	336
AUD	-	-	-	37	26.59	979	-	-	-
			<u>\$ 812,518</u>			<u>373,856</u>			<u>940,915</u>

## (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, notes and accounts receivable, net, other receivables, financial asset at fair value through profit or loss, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc for the three months ended June 30, 2014 and 2013 would have increased (decreased) the net profit after tax by \$7,384 and \$44,177, respectively, and other comprehensive income by \$0 and \$587, respectively. The analysis assumes that all other variables remain constant.

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

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 June 30, 2014				
Financial assets at fair value through profit or loss	\$ 2,141,584	-	-	2,141,584
Available-for-sale financial assets	<u>891,334</u>	<u>370,667</u>	<u>35,000</u>	<u>1,297,001</u>
	<u>\$ 3,032,918</u>	<u>370,667</u>	<u>35,000</u>	<u>3,438,585</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 June 30, 2013				
Financial assets at fair value through profit or loss	\$ 2,174,812	-	-	2,174,812
Available-for-sale financial assets	<u>602,016</u>	<u>518,938</u>	<u>35,000</u>	<u>1,155,954</u>
	<u>\$ 2,776,828</u>	<u>518,938</u>	<u>35,000</u>	<u>3,330,766</u>

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 six months ended June 30, 2014 and 2013.

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

(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 six months ended June 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 six months ended June 30, 2014 and 2013 was the same as the consolidated financial statements for the year 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 year 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 April 1 to June 30, 2014 and 2013, and for the six months ended June 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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013	2014.6.30	2013.12.31	2013.6.30
Key management of the Group	\$ <u>-</u>	<u>36</u>	<u>28</u>	<u>72</u>	<u>-</u>	<u>-</u>	<u>12</u>

(Continued)



**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

2. Services expenses

For the periods from April 1 to June 30, and for the six months ended June 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>	
	Three months ended June 30, 2013	Six months ended June 30, 2013	2013.12.31	2013.6.30
Other related-parties	\$ <u>60</u>	<u>150</u>	<u>-</u>	<u>-</u>

There were no such transactions as of June 30, 2014.

(c) Transactions with key management personnel

For the periods from April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, key management personnel compensation were comprised as below:

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Short-term employee benefits	\$ 39,235	30,610	64,006	66,167
Post-employment benefits	177	177	354	363
Share-based payments	<u>54</u>	<u>4</u>	<u>101</u>	<u>966</u>
	<u>\$ 39,466</u>	<u>30,791</u>	<u>64,461</u>	<u>67,496</u>

**(8) Pledged assets**

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	2014.6.30	2013.12.31	2013.6.30
Other non-current assets	Gas deposits	\$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,601	20,541	20,481
Property, plant and equipment	Long-term borrowings	4,907,411	5,113,371	4,664,369
Investment property	Long-term borrowings	1,093,821	1,096,479	1,099,137
Prepayments for business facilities	Long-term borrowings	<u>765</u>	<u>765</u>	<u>157,800</u>
		<u>\$ 6,025,598</u>	<u>6,234,156</u>	<u>5,944,787</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

## (9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

	2014.6.30	2013.12.31	2013.6.30
The unrecognized commitment of acquisition of property, plant and equipment	\$ <u>717,933</u>	<u>851,593</u>	<u>650,421</u>
The unused letters of credit	\$ <u>36,855</u>	<u>52,847</u>	<u>119,674</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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013:

	Three months ended June 30, 2014			Three months ended June 30, 2013		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 232,049	108,197	340,246	295,927	120,009	415,936
Labor and health insurance	16,995	6,943	23,938	16,972	6,444	23,416
Pension	8,521	3,677	12,198	8,113	3,410	11,523
Others	9,612	2,517	12,129	10,510	2,686	13,196
Depreciation	428,099	33,688	461,787	422,979	23,155	446,134
Amortization	2,363	5,524	7,887	3,814	5,475	9,289
	Six months ended June 30, 2014			Six months ended June 30, 2013		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 432,975	207,704	640,679	573,271	248,333	821,604
Labor and health insurance	36,837	15,629	52,466	33,337	12,985	46,322
Pension	17,024	7,275	24,299	15,948	6,932	22,880
Others	19,355	4,864	24,219	20,880	9,139	30,019
Depreciation	854,792	65,857	920,649	835,268	52,572	887,840
Amortization	5,057	11,216	16,273	7,850	12,357	20,207

(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 six months ended June 30, 2014:

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

Company holding securities	Security type and name	Relationship with the Company	Account	June 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	70,003	0.10	70,003	
"	Capital Money Market Fund	"	"	6,328	100,016	-	100,016	
"	Polaris De Bao Money Market Fund	"	"	11,596	136,585	-	136,585	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	17,987	220,602	-	220,602	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	25,017	360,436	-	360,436	
"	Allianz Global Investors All Seasons Harvest Fund of Funds	"	"	28,677	334,245	-	334,245	
"	Union Money Market Fund	"	"	13,371	173,082	-	173,082	
"	Mega Diamond Money Market Fund	"	"	30,237	371,048	-	371,048	
"	Concord Dream Futures Trust Fund	"	"	2,978	29,405	-	29,405	
"	Franklin Mutual European Fund-A-USD	"	"	3	3,004	-	3,004	
"	Fuh Hwa Money Market Fund	"	"	10,867	154,051	-	154,051	
"	Fuh Hwa Strategic High Income Fund of Funds	"	"	2,313	29,977	-	29,977	
WIN Venture Capital Corp.	Mega Diamond Money Market Fund	"	"	12,968	159,130	-	159,130	
					<u>2,141,584</u>		<u>2,141,584</u>	
The Company	ITEQ CORPORATION/Stock	None	Current available-for-sale financial assets	18,836	603,684	5.67	603,684	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,024	88,330	2.55	88,330	
"	Solar Applied Materials Technology Corp./Stock	"	"	400	11,700	0.10	11,700	
					<u>703,714</u>		<u>703,714</u>	
The Company	Inventec Solar Energy Corporation /Stock	None	Non-current available-for-sale financial assets	33,000	285,073	11.00	285,073	
"	Shin Sheng III Venture Capital Investment Corp. /Stock	"	"	9,000	85,594	11.03	85,594	
"	Tainery Tech Co., Ltd./Stock	"	"	943	23,861	0.34	23,861	
"	CDIB CME Fund Ltd. /Stock	"	"	2,500	25,000	3.33	25,000	
"	IntelliEPI Inc. (Cayman)/Stock	"	"	33	2,304	0.11	2,304	
"	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	161,455	0.03	161,455	
					<u>593,287</u>		<u>593,287</u>	
The Company	MagiCap Venture Capital Co., Ltd. / Preferred Stock B	None	Non-current bond investment without active market	19,000	<u>190,000</u>	17.37	(Note)	

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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

## Notes to Condensed Consolidated Financial Statements

4. Information regarding purchase or sale of securities for the six months ended June 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				June 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	54,992	674,000	29,893	366,453	365,800	653	30,237	371,048

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	(1,977,297)	(49)%	1-2 Month	-	-	198,889	33%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	1,977,297	100%	1-2 Month	-	-	(198,889)	(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	June 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	198,889	26.55	-	-	198,889	-	(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 six months ended June 30, 2014:

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms (Note 3)	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	1,977,297	-	47.90%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	198,889	-	0.89%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	198,889	-	0.89%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	1,977,297	-	47.90%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	21,733	-	0.53%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	21,733	-	0.53%

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 June 30, 2014			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Note
				June 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%	9,423	3,240	3,240	(Note)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	474,887	19,225	19,225	(Note)
"	WIN Venture Capital Corp.	Taiwan	Investment activities	200,000	-	20,000	100.00%	200,110	110	110	(Note)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	384,188	(11,054)	(2,041)	-

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 GaAs segment. The GaAs segment engages in researching, developing, manufacturing, and selling of GaAs wafers.

Other operating segment which was incorporated in April, 2014 is mainly engaged in investment activities. For the six months ended June 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 April 1 to June 30, 2014 and 2013, and for the six months ended June 30, 2014 and 2013, were as follows:

	<u>GaAs</u>	<u>Other</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
<b>Three months ended June 30, 2014</b>				
Revenue from external customers	\$ <u>2,461,036</u>	<u>130</u>	<u>-</u>	<u>2,461,166</u>
Reportable segment profit or loss	\$ <u>568,988</u>	<u>42</u>	<u>-</u>	<u>569,030</u>
<b>Three months ended June 30, 2013</b>				
Revenue from external customers	\$ <u>3,183,734</u>	<u>-</u>	<u>-</u>	<u>3,183,734</u>
Reportable segment profit or loss	\$ <u>764,499</u>	<u>-</u>	<u>-</u>	<u>764,499</u>
<b>Six months ended June 30, 2014</b>				
Revenue from external customers	\$ <u>4,128,062</u>	<u>130</u>	<u>-</u>	<u>4,128,192</u>
Reportable segment profit or loss	\$ <u>772,524</u>	<u>42</u>	<u>-</u>	<u>772,566</u>
<b>Six months ended June 30, 2013</b>				
Revenue from external customers	\$ <u>6,031,784</u>	<u>-</u>	<u>-</u>	<u>6,031,784</u>
Reportable segment profit or loss	\$ <u>1,380,418</u>	<u>-</u>	<u>-</u>	<u>1,380,418</u>

(Continued)

**WIN Semiconductors Corp. and Subsidiaries**

**Notes to Condensed Consolidated Financial Statements**

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Interest expense	\$ (12,411)	(22,231)	(26,303)	(48,043)
Depreciation and amortization	(469,674)	(455,423)	(936,922)	(908,047)
Share of profit (loss) of associates and joint ventures accounted for using equity method	3,941	(30,277)	(2,041)	(48,193)
Assets				
Capital expenditures in noncurrent assets	134,693	306,461	367,569	1,082,656

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.