

WIN Semiconductors Corp. and Subsidiaries
Condensed Consolidated Financial Statements
March 31, 2014 and 2013
(With Independent Auditors' Review Thereon)

**Address : No. 69, Technology 7th Rd., Hwaya Technology Park, Kueishan Hsiang, Taoyuan Shien,
Taiwan**
Telephone No. : 886-3-397-5999

Independent Auditors' Review Report

The Board of Directors
WIN Semiconductors Corp.

We have reviewed the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of March 31, 2014 and 2013, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 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\$380,247 thousand and NT\$306,945 thousand as of March 31, 2014 and 2013, and share of loss of associates and joint ventures accounted for using equity method of NT\$5,982 thousand and NT\$17,916 thousand for the three months ended March 31, 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.

Taipei, Taiwan (the Republic of China)
May 9, 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 March 31, 2014 and 2013
WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

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

	2014.3.31	2013.12.31	2013.3.31		2014.3.31	2013.12.31	2013.3.31
Assets				Liabilities and Equity			
Current assets :				Current liabilities :			
Cash and cash equivalents (note 6(a))	\$ 1,693,712	1,966,881	3,614,417	Short-term borrowings (note 6(j))	\$ -	-	63,414
Current financial assets at fair value through profit or loss (note 6(b))	1,771,971	1,162,001	1,682,835	Accounts payable	636,667	635,119	1,109,709
Current available-for-sale financial assets (note 6(b))	668,189	584,716	610,105	Other payables (note 7)	871,476	1,028,229	1,045,721
Notes and accounts receivable, net (note 6(c))	616,735	650,438	1,049,930	Long-term liabilities, current portion (notes 6(k) and 8)	545,444	545,444	1,442,241
Inventories (note 6(d))	1,047,447	1,126,775	2,412,182	Other current liabilities	<u>86,949</u>	<u>118,656</u>	<u>86,181</u>
Other current assets (note 6(i))	<u>309,931</u>	<u>198,153</u>	<u>332,226</u>	Total current liabilities	<u>2,140,536</u>	<u>2,327,448</u>	<u>3,747,266</u>
Total current assets	<u>6,107,985</u>	<u>5,688,964</u>	<u>9,701,695</u>	Non-current liabilities :			
Non-current assets :				Long-term borrowings (notes 6(k) and 8)	3,723,575	3,721,466	5,499,735
Non-current available-for-sale financial assets (note 6(b))	556,064	489,152	508,044	Deferred tax liabilities	20,610	20,642	23,937
Non-current bond investment without active market (note 6(b))	190,000	190,000	534,783	Other non-current liabilities	<u>150,909</u>	<u>150,371</u>	<u>160,807</u>
Investments accounted for using equity method (note 6(e))	380,247	386,229	306,945	Total non-current liabilities	<u>3,895,094</u>	<u>3,892,479</u>	<u>5,684,479</u>
Property, plant and equipment (notes 6(f) and 8)	12,446,953	12,636,304	11,433,502	Total liabilities	<u>6,035,630</u>	<u>6,219,927</u>	<u>9,431,745</u>
Investment property (notes 6(g) and 8)	1,095,150	1,096,479	1,100,466	Equity (notes 6(n), 6(o) and 6(p)) :			
Intangible assets (note 6(h))	57,811	64,248	72,465	Ordinary share	7,401,960	7,392,754	7,574,570
Deferred tax assets	117,153	132,425	223,890	Capital surplus	3,738,567	3,728,358	3,806,061
Prepayments for business facilities (note 8)	285,984	384,446	842,507	Retained earnings	3,884,863	3,671,483	3,992,755
Other non-current assets (notes 6(i) and 8)	<u>43,155</u>	<u>43,257</u>	<u>42,756</u>	Other equity interest	<u>219,482</u>	<u>98,982</u>	<u>(38,078)</u>
Total non-current assets	<u>15,172,517</u>	<u>15,422,540</u>	<u>15,065,358</u>	Total equity	<u>15,244,872</u>	<u>14,891,577</u>	<u>15,335,308</u>
Total assets	\$ <u>21,280,502</u>	<u>21,111,504</u>	<u>24,767,053</u>	Total liabilities and equity	\$ <u>21,280,502</u>	<u>21,111,504</u>	<u>24,767,053</u>

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2014 and 2013

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

	2014	2013
Operating revenue	\$ 1,667,026	2,848,050
Operating costs (notes 6(d) 、6(h) 、6(l) 、6(m) 、6(o) 、6(p) 、7 and 12)	<u>(1,166,863)</u>	<u>(1,931,989)</u>
Gross profit from operations	<u>500,163</u>	<u>916,061</u>
Operating expenses (notes 6(h) 、6(l) 、6(m) 、6(o) 、6(p) 、7 and 12) :		
Selling expenses	(34,003)	(33,207)
Administrative expenses	(93,951)	(132,684)
Research and development expenses	<u>(168,673)</u>	<u>(134,251)</u>
Total operating expenses	<u>(296,627)</u>	<u>(300,142)</u>
Net operating income	<u>203,536</u>	<u>615,919</u>
Non-operating income and expenses :		
Other income (notes 6(l) and 6(r))	11,950	12,329
Other gains and losses (note 6(r))	54,363	400,326
Finance costs (notes 6(f) and 6(r))	(13,892)	(25,812)
Share of loss of associates and joint ventures accounted for using equity method	<u>(5,982)</u>	<u>(17,916)</u>
Total non-operating income and expenses	<u>46,439</u>	<u>368,927</u>
Profit before tax	249,975	984,846
Total tax expense (note 6(n))	<u>(36,595)</u>	<u>(194,855)</u>
Profit	<u>213,380</u>	<u>789,991</u>
Other comprehensive income:		
Other comprehensive income, before tax, exchange differences on translation	7,268	7,545
Other comprehensive income, before tax, available-for-sale financial assets	113,232	108,456
Income tax benefit related to components of other comprehensive income (note 6(n))	<u>-</u>	<u>59</u>
Other comprehensive income, net	<u>120,500</u>	<u>116,060</u>
Comprehensive income	<u>\$ 333,880</u>	<u>906,051</u>
Profit, attributable to :		
Profit, attributable to owners of parent	<u>\$ 213,380</u>	<u>789,991</u>
Comprehensive income attributable to :		
Comprehensive income, attributable to owners of parent	<u>\$ 333,880</u>	<u>906,051</u>
Earnings per common share (expressed in dollars) (note 6(q))		
Basic earnings per share	<u>\$ 0.29</u>	<u>1.04</u>
Diluted earnings per share	<u>\$ 0.29</u>	<u>1.03</u>

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Changes in Equity

For the three months ended March 31, 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	Unrealized gains (losses) on available-for-sale financial assets				Total
Balance on January 1, 2013	\$ 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	-	14,353,548
Net income for the three months ended March 31, 2013	-	-	-	-	789,991	789,991	-	-	-	789,991	-	789,991
Other comprehensive income for the three months ended March 31, 2013	-	-	-	-	-	-	7,545	108,515	116,060	116,060	-	116,060
Total comprehensive income for the three months ended March 31, 2013	-	-	-	-	789,991	789,991	7,545	108,515	116,060	906,051	-	906,051
Exercise of employee stock options	32,693	38,434	-	-	-	-	-	-	-	71,127	-	71,127
Compensation cost arising from employee stock options	-	4,582	-	-	-	-	-	-	-	4,582	-	4,582
Balance on March 31, 2013	\$ 7,574,570	3,806,061	258,703	221,662	3,512,390	3,992,755	(17,196)	(20,882)	(38,078)	15,335,308	-	15,335,308
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	3,671,483	(17,413)	116,395	98,982	14,891,577	-	14,891,577
Net income for the three months ended March 31, 2014	-	-	-	-	213,380	213,380	-	-	-	213,380	-	213,380
Other comprehensive income for the three months ended March 31, 2014	-	-	-	-	-	-	7,268	113,232	120,500	120,500	-	120,500
Total comprehensive income for the three months ended March 31, 2014	-	-	-	-	213,380	213,380	7,268	113,232	120,500	333,880	-	333,880
Exercise of employee stock options	9,206	9,790	-	-	-	-	-	-	-	18,996	-	18,996
Compensation cost arising from employee stock options	-	419	-	-	-	-	-	-	-	419	-	419
Balance on March 31, 2014	\$ 7,401,960	3,738,567	423,456	34,015	3,427,392	3,884,863	(10,145)	229,627	219,482	15,244,872	-	15,244,872

See accompanying notes to financial statements.

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

Condensed Consolidated Statements of Cash Flows

For the three months ended March 31, 2014 and 2013
(Expressed in Thousands of New Taiwan Dollars)

	2014	2013
Cash flows from (used in) operating activities :		
Profit before tax	\$ 249,975	984,846
Adjustments :		
Adjustments to reconcile profit (loss) :		
Depreciation expense	458,862	441,706
Amortization expense	8,386	10,918
Net gain on financial assets or liabilities at fair value through profit or loss	(121,108)	(332,792)
Interest expense	13,892	25,812
Interest income	(3,330)	(4,155)
Dividend income	(616)	(424)
Share-based payments	419	4,582
Share of loss of associates and joint ventures accounted for using equity method	5,982	17,916
Gain on disposal of property, plant and equipment	-	(306,531)
Loss on disposal of investments	54,753	334,478
Total adjustments to reconcile profit	<u>417,240</u>	<u>191,510</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Notes and accounts receivable, net	33,703	(575)
Inventories	79,328	(305,785)
Other current assets	(112,701)	23,388
Total changes in operating assets	<u>330</u>	<u>(282,972)</u>
Changes in operating liabilities :		
Accounts payable	1,548	(12,158)
Other payables	(109,191)	159,279
Other current liabilities	(31,707)	7,842
Other non-current liabilities	538	568
Total changes in operating liabilities	<u>(138,812)</u>	<u>155,531</u>
Total changes in operating assets and liabilities	<u>(138,482)</u>	<u>(127,441)</u>
Cash inflow generated from operations	528,733	1,048,915
Income taxes paid	(317)	(394)
Net cash flows from operating activities	<u>528,416</u>	<u>1,048,521</u>
Cash flows from (used in) investing activities :		
Acquisition of current financial assets at fair value through profit or loss	(904,256)	(700,000)
Proceeds from disposal of current financial assets at fair value through profit or loss	361,151	558,198
Acquisition of current available-for-sale financial assets	(45,772)	(43,125)
Acquisition of non-current available-for-sale financial assets	-	(25,000)
Proceeds from disposal of non-current available-for-sale financial assets	2,648	30,992
Proceeds from disposal of investments accounted for using equity method	-	21,626
Acquisition of property, plant and equipment	(215,725)	(600,960)
Proceeds from disposal of property, plant and equipment	-	511,251
Acquisition of intangible assets	(495)	(1,034)
Decrease in other non-current assets	102	111
Increase in prepayments for business facilities	(16,656)	(174,201)
Interest received	2,938	3,700
Dividends received	616	-
Net cash flows used in investing activities	<u>(815,449)</u>	<u>(418,442)</u>
Cash flows from (used in) financing activities :		
Proceeds from short-term borrowings	-	63,414
Proceeds from long-term borrowings	529,000	1,050,000
Repayments of long-term borrowings	(529,722)	(1,317,892)
Increase in other non-current liabilities	-	110,000
Exercise of employee share options	18,996	71,127
Interest paid	(10,935)	(24,625)
Net cash flows (used in) financing activities	<u>7,339</u>	<u>(47,976)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>6,525</u>	<u>6,657</u>
Net increase (decrease) in cash and cash equivalents	(273,169)	588,760
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>\$ 1,693,712</u>	<u>3,614,417</u>

See accompanying notes to financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2014 and 2013**

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

March 31, 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 three months ended March 31, 2014 and 2013 was authorized for issued by the Board of Directors as of May 9, 2014.

(3) New standards and interpretations not yet adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) 2013 issued by the IASB has not yet adopted by the Financial Supervisory Commissions R.O.C. (“FSC”).

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

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
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”	Not officially issue yet
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(d) 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:

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Note</u>
			<u>2014.3.31</u>	<u>2013.12.31</u>	<u>2013.3.31</u>	
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%	-

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 assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at time of realization or liquidation and recognised directly in equity or other comprehensive income as tax expense.

(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 beginning between the ends of 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 three months ended March 31, 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

	2014.3.31	2013.12.31	2013.3.31
Cash on hand	\$ 483	495	493
Cash in bank	140,944	372,206	1,865,918
Time deposits	<u>1,552,285</u>	<u>1,594,180</u>	<u>1,748,006</u>
	<u>\$ 1,693,712</u>	<u>1,966,881</u>	<u>3,614,417</u>

(b) Financial instruments

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

	2014.3.31	2013.12.31	2013.3.31
Current financial assets at fair value through profit or loss :			
Stocks listed on domestic markets	\$ 69,152	227,131	335,280
Convertible bonds listed on domestic markets	-	-	25,275
Money market funds, future fund, equity fund and bond funds	<u>1,702,819</u>	<u>934,870</u>	<u>1,322,280</u>
	<u>\$ 1,771,971</u>	<u>1,162,001</u>	<u>1,682,835</u>

2. Current available-for-sale financial assets :

	2014.3.31	2013.12.31	2013.3.31
Stocks listed on domestic markets	\$ 668,189	584,716	458,252
Stock listed on domestic markets privately (Note)	<u>-</u>	<u>-</u>	<u>151,853</u>
	<u>\$ 668,189</u>	<u>584,716</u>	<u>610,105</u>

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 :

	2014.3.31	2013.12.31	2013.3.31
Stocks listed on domestic markets (Note)	\$ 24,367	31,832	70,374
Stocks listed on foreign markets	147,193	118,224	80,317
Non-public stocks	<u>384,504</u>	<u>339,096</u>	<u>357,353</u>
	\$ <u>556,064</u>	<u>489,152</u>	<u>508,044</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 for the nine months ended September 30, 2013.

4. Non-current bond investment without active market :

	Issue period	Nominal rate (%)	2014.3.31	2013.12.31	2013.3.31
Convertible bond	2010.4.9~2013.4.8	0%	\$ -	-	344,783
Preferred stock B	2012.11.23~2019.11.22	-	<u>190,000</u>	<u>190,000</u>	<u>190,000</u>
			\$ <u>190,000</u>	<u>190,000</u>	<u>534,783</u>

5. As of March 31, 2014, December 31 and March 31, 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

	2014.3.31	2013.12.31	2013.3.31
Notes receivable	\$ -	-	3,018
Accounts receivable	622,242	655,899	1,052,375
Less : allowance for doubtful accounts	<u>(5,507)</u>	<u>(5,461)</u>	<u>(5,463)</u>
	\$ <u>616,735</u>	<u>650,438</u>	<u>1,049,930</u>

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

	2014.3.31	2013.12.31	2013.3.31
Past due 1~60 days	\$ 46,358	27,470	107,554
Past due 61~180 days	-	31,473	1,170
Past due more than 181 days	<u>-</u>	<u>-</u>	<u>-</u>
	\$ <u>46,358</u>	<u>58,943</u>	<u>108,724</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

The movement of allowance for notes and accounts receivable, and other accounts receivable for the three months ended March 31, 2014 and 2013, were as follows :

	2014	2013
Beginning balance	\$ 5,461	5,407
Foreign currency differences	<u>46</u>	<u>56</u>
End balance	<u>\$ 5,507</u>	<u>5,463</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 March 31, 2014, December 31 and March 31, 2013, the notes and accounts receivable, net were not pledged.

(d) Inventories

	2014.3.31	2013.12.31	2013.3.31
Raw materials and supplies	\$ 587,270	713,325	1,458,872
Work in process	272,097	196,179	580,071
Finished goods	<u>188,080</u>	<u>217,271</u>	<u>373,239</u>
	<u>\$ 1,047,447</u>	<u>1,126,775</u>	<u>2,412,182</u>

For the three months ended March 31, 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:

(Continued)

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

	2014	2013
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u><u>(37,367)</u></u>	<u><u>25,640</u></u>

As of March 31, 2014, December 31 and March 31, 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:

	2014.3.31	2013.12.31	2013.3.31
Associates	\$ <u><u>380,247</u></u>	<u><u>386,229</u></u>	<u><u>306,945</u></u>

As of March 31, 2014, December 31 and March 31, 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 three months ended March 31, 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>
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	-	-	19,861	4,646	3,412	124,497	152,416
Reclassification (Note)	-	-	114,276	1,490	-	-	115,766
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of March 31, 2014	\$ <u><u>2,546,534</u></u>	<u><u>982,847</u></u>	<u><u>11,453,203</u></u>	<u><u>2,648,558</u></u>	<u><u>184,423</u></u>	<u><u>1,171,422</u></u>	<u><u>18,986,987</u></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	654	41,909	20,614	5,504	153,463	619,928
Reclassification to investment property	(963,127)	(138,225)	-	-	-	-	(1,101,352)
Reclassification (Note)	509,372	139,966	166,005	68,446	-	58,941	942,730
Disposals	(204,708)	-	(1,912)	-	-	-	(206,620)
Balance as of March 31, 2013	\$ <u><u>1,504,785</u></u>	<u><u>972,603</u></u>	<u><u>10,587,770</u></u>	<u><u>2,595,274</u></u>	<u><u>350,375</u></u>	<u><u>349,019</u></u>	<u><u>16,359,826</u></u>
Accumulated depreciation :							
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Depreciation	-	14,624	377,394	57,465	8,050	-	457,533
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of March 31, 2014	\$ <u><u>-</u></u>	<u><u>326,865</u></u>	<u><u>4,776,493</u></u>	<u><u>1,274,454</u></u>	<u><u>162,222</u></u>	<u><u>-</u></u>	<u><u>6,540,034</u></u>
Balance as of January 1, 2013	\$ -	257,540	2,993,277	978,274	258,278	-	4,487,369
Depreciation	-	14,267	344,016	60,699	22,724	-	441,706
Reclassification to investment property	-	(886)	-	-	-	-	(886)
Disposals	-	-	(1,865)	-	-	-	(1,865)
Balance as of March 31, 2013	\$ <u><u>-</u></u>	<u><u>270,921</u></u>	<u><u>3,335,428</u></u>	<u><u>1,038,973</u></u>	<u><u>281,002</u></u>	<u><u>-</u></u>	<u><u>4,926,324</u></u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	<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>
Carrying value :							
Balance as of January 1, 2014	\$ <u>2,546,534</u>	<u>670,606</u>	<u>6,919,967</u>	<u>1,425,433</u>	<u>26,839</u>	<u>1,046,925</u>	<u>12,636,304</u>
Balance as of March 31, 2014	\$ <u>2,546,534</u>	<u>655,982</u>	<u>6,676,710</u>	<u>1,374,104</u>	<u>22,201</u>	<u>1,171,422</u>	<u>12,446,953</u>
Balance as of January 1, 2013	\$ <u>1,765,464</u>	<u>712,668</u>	<u>7,388,491</u>	<u>1,527,940</u>	<u>86,593</u>	<u>136,615</u>	<u>11,617,771</u>
Balance as of March 31, 2013	\$ <u>1,504,785</u>	<u>701,682</u>	<u>7,252,342</u>	<u>1,556,301</u>	<u>69,373</u>	<u>349,019</u>	<u>11,433,502</u>

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

2. Pledge to secure:

As of March 31, 2014, December 31, and March 31 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.

3. Property, plant and equipment under construction

In 2013, the Group acquired land, buildings and structures for the construction of a new factory on the site. As of March 31, 2014, the cost of acquisition and construction amounted to \$3,099,162 (which included the borrowing costs of the capitalized interest expenses).

4. For the three months ended March 31, 2014 and 2013, capitalized interest expenses amounted to \$6,678 and \$5,692, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.58%~2.27% and 1.61%~1.82%, respectively.

(g) Investment property

	Land	Buildings and structures	Total
Cost :			
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of March 31, 2014	\$ <u>963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2013	\$ -	-	-
Reclassification from property, plant and equipment	963,127	138,225	1,101,352
Balance as of March 31, 2013	\$ <u>963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Accumulated depreciation :			
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	-	1,329	1,329
Balance as of March 31, 2014	\$ <u>-</u>	<u>6,202</u>	<u>6,202</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

		Land	Buildings and structures	Total
Balance as of January 1, 2013	\$	-	-	-
Reclassification from property, plant and equipment		-	886	886
Balance as of March 31, 2013	\$	<u>-</u>	<u>886</u>	<u>886</u>
Carrying value :				
Balance as of January 31, 2014	\$	<u>963,127</u>	<u>133,352</u>	<u>1,096,479</u>
Balance as of March 31, 2014	\$	<u>963,127</u>	<u>132,023</u>	<u>1,095,150</u>
Balance as of January 31, 2013	\$	<u>-</u>	<u>-</u>	<u>-</u>
Balance as of March 31, 2013	\$	<u>963,127</u>	<u>137,339</u>	<u>1,100,466</u>

As of December 31, 2013, 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 March 31, 2014, December 31 and March 31, 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.

(h) Intangible assets

1. The movement in intangible assets for the three months ended March 31, 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		-	610	-	610
Other (Note)		-	1,339	-	1,339
Balance as of March 31, 2014	\$	<u>46,005</u>	<u>84,719</u>	<u>6,122</u>	<u>136,846</u>
Balance as of January 1, 2013	\$	46,005	122,614	1,920	170,539
Additions		-	162	-	162
Other (Note)		-	513	-	513
Balance as of March 31, 2013	\$	<u>46,005</u>	<u>123,289</u>	<u>1,920</u>	<u>171,214</u>
Amortisation :					
Balance as of January 1, 2014	\$	12,140	56,128	2,381	70,649

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

	Technical know-how	Computer software and information systems	Others	Total
Amortisation	959	6,407	1,020	8,386
Balance as of March 31, 2014	\$ <u>13,099</u>	<u>62,535</u>	<u>3,401</u>	<u>79,035</u>
Balance as of January 1, 2013	\$ 8,307	78,212	1,312	87,831
Amortisation	958	9,766	194	10,918
Balance as of March 31, 2013	\$ <u>9,265</u>	<u>87,978</u>	<u>1,506</u>	<u>98,749</u>
Carrying value :				
Balance as of January 1, 2014	\$ <u>33,865</u>	<u>26,642</u>	<u>3,741</u>	<u>64,248</u>
Balance as of March 31, 2014	\$ <u>32,906</u>	<u>22,184</u>	<u>2,721</u>	<u>57,811</u>
Balance as of January 1, 2013	\$ <u>37,698</u>	<u>44,402</u>	<u>608</u>	<u>82,708</u>
Balance as of March 31, 2013	\$ <u>36,740</u>	<u>35,311</u>	<u>414</u>	<u>72,465</u>

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

2. Amortization expense recognized in profit or loss

For the three months ended March 31, 2014 and 2013, the amortization expenses of intangible assets were as follows:

	2014	2013
Operating costs	\$ 2,694	4,036
Operating expenses	<u>5,692</u>	<u>6,882</u>
	\$ <u>8,386</u>	<u>10,918</u>

3. Pledge to secure

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

	2014.3.31	2013.12.31	2013.3.31
Other receivable from metal recycling	\$ 152,917	41,410	138,038
Tax refund receivable	34,113	19,402	71,716
Prepaid expenses	27,024	40,715	27,215
Refundable deposits	19,584	19,716	19,305
Restricted assets	23,571	23,541	23,451
Others	95,877	96,626	95,257
	\$ <u>353,086</u>	<u>241,410</u>	<u>374,982</u>

(j) Short-term borrowings

	2014.3.31	2013.12.31	2013.3.31
Unsecured short-term borrowings	\$ <u>-</u>	<u>-</u>	<u>63,414</u>
Unused bank credit lines for short-term borrowings	\$ <u>3,212,984</u>	<u>3,157,153</u>	<u>3,701,808</u>
Unused bank credit lines for short-term and long-term borrowing	\$ <u>350,000</u>	<u>-</u>	<u>100,000</u>
Annual interest rate	<u>-</u>	<u>-</u>	<u>0.81%~1.04%</u>

(k) Long-term borrowings

	2014.3.31	2013.12.31	2013.3.31
Unsecured long-term borrowings	\$ 514,000	771,000	2,622,000
Secured long-term borrowings	3,755,019	3,495,910	4,319,976
Less : long-term liabilities, current portion	<u>(545,444)</u>	<u>(545,444)</u>	<u>(1,442,241)</u>
Total	\$ <u>3,723,575</u>	<u>3,721,466</u>	<u>5,499,735</u>
Unused bank credit lines for long-term borrowings	\$ <u>1,538,000</u>	<u>2,594,000</u>	<u>964,000</u>
Annual interest rate	<u>1.59%~1.70%</u>	<u>1.62%~1.73%</u>	<u>1.58%~1.84%</u>

As of March 31, 2014, the remaining balances of the borrowing due were as follows:

Year due	Amount
April 1, 2014~March 31, 2015	\$ 545,444
April 1, 2015~March 31, 2016	1,059,444
April 1, 2016~March 31, 2017	940,194
April 1, 2017~March 31, 2018	940,194
And after	<u>783,743</u>
	\$ <u>4,269,019</u>

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

For information on the Group market risk and currency risk was disclosed in note 6(s).

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

(Continued)

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

2. In March 2008, the Company entered into a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The total credit facility amounted to \$2,810,000 and was repaid in advance in April 2013.
3. In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 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.

(l) Operating lease

1. Lease-lessor

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

For the three months ended March 31, 2014 and 2013, the rental income recognized in other income amounted to \$6,906 and \$6,803, respectively.

2. Leases-lessee

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

For the three months ended March 31, 2014 and 2013, the rent expense amounted to \$6,392 and \$6,038, respectively, which were recorded as operating costs and operating expenses.

There were no such significant lease contracts for the period from January 1 to March 31, 2014.

(m) Employee benefits

1. Defined benefit plans

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

In 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 recognized in profit or loss for the three months ended March 31, 2014 and 2013 were as follows :

	2014	2013
Operating Cost	\$ -	-
Operating Expenses	<u>609</u>	<u>639</u>
	\$ <u>609</u>	<u>639</u>

2. Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
Operating cost	\$ 8,503	7,835
Operating expense	<u>2,989</u>	<u>2,883</u>
	\$ <u>11,492</u>	<u>10,718</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 expenses for the three months ended March 31, 2014 and 2013 were as follows:

	2014	2013
Income tax expense	\$ <u>36,595</u>	<u>194,855</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. The amount of income tax benefit recognised in other comprehensive income for the three months ended March 31, 2014 and 2013 were as follow:

	2014	2013
Unrealized valuation losses on available-for-sale financial assets	\$ <u>-</u>	<u>59</u>

3. Reconciliation of income tax expenses (benefit) and profit before tax for the three months ended March 31, 2014 and 2013 were as follow:

	2014	2013
Profit	\$ 213,380	789,991
Income tax expenses	<u>36,595</u>	<u>194,855</u>
Profit before tax	<u>249,975</u>	<u>984,846</u>
Tax rate according to the Group's location	42,496	167,424
Non-taxable income	9,308	4,749
Others	<u>(15,209)</u>	<u>22,682</u>
	\$ <u><u>36,595</u></u>	<u><u>194,855</u></u>

4. Examination and approval

The Company's tax returns for the years through 2011 were assessed and approved by the Taipei National Tax Administration.

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

	2014.3.31	2013.12.31	2013.3.31
Unappropriated earnings after 1997	\$ <u>3,427,392</u>	<u>3,214,012</u>	<u>3,512,390</u>
Balance of imputation credit account (ICA)	\$ <u>152,964</u>	<u>152,641</u>	<u>158,741</u>

	2013 (Estimated)	2012 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings	<u>11.16%</u>	<u>10.34%</u>

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(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 March 31, 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 three months ended March 31, 2014 and 2013, the Company had issued 921 thousand shares and 3,269 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 :

	2014.3.31	2013.12.31	2013.3.31
Additional paid-in capital	\$ 3,684,837	3,666,256	3,732,468
Changes in equity of associates and joint ventures accounted for using equity method	13,442	13,442	-
Employee stock options	<u>40,288</u>	<u>48,660</u>	<u>73,593</u>
	<u>\$ 3,738,567</u>	<u>3,728,358</u>	<u>3,806,061</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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

(1) Legal reserve

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

(2) Special reverse

In accordance with Permit No. 1010012865 issued by the Financial Supervisory Commission on 6 April 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity resulting from the IFRS first-time adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first-time adoption. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(3) Appropriations of earnings

The appropriations of earning for 2013 and 2012 had been approved in a Board of Directors' meeting held on March 7, 2014 and a shareholders' meeting held on 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 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 three months ended March 31, 2014 and 2013, the Company's accrued and recognised employee's bonus amounted to \$18,500 and \$70,000, respectively, and directors' and supervisors' remuneration amounted to \$5,400 and \$21,000, respectively. There was no difference between the appropriation of 2013 and 2012 earnings for employees' bonus and directors' emoluments as been proposed in the meeting of the Board of Directors and approved in the shareholders' meeting, respectively, and those accrued in the financial statements for the 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)	7,268	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	112,734
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	<u>-</u>	<u>498</u>
Balance as of March 31, 2014	<u><u>\$ (10,145)</u></u>	<u><u>229,627</u></u>
Balance as of January 1, 2013	\$ (24,741)	(129,397)
Foreign currency differences (net of tax)	7,545	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	66,688
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	<u>-</u>	<u>41,827</u>
Balance as of March 31, 2013	<u><u>\$ (17,196)</u></u>	<u><u>(20,882)</u></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 March 31, 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.

1. For the three months ended March 31, 2014 and 2013, the related outstanding units and weighted-average exercise price of employee stock options were as follows :

	2014		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	20.63	(921)	21.76	(3,269)
Expired	-	(12)	-	(66)
Outstanding at the end	23.34	<u>5,221</u>	21.73	<u>8,050</u>
Exercisable as of March 31		<u>5,221</u>		<u>4,527</u>

As of March 31, 2014, December 31 and March 31, 2013, the Group's compensatory outstanding employee stock options were as follows:

Issue date	2014.3.31					
	Outstanding			Weighted-average of remaining duration (years)	Exercisable	
Range of exercise price (expressed in dollars)	Shares (in thousands)		Shares (in thousands)		Weighted-average exercise price (expressed in dollars)	
2009.09.30	\$ 9.5	203	0.50	203	\$ 9.5	
2011.01.26	23.9	5,018	1.82	5,018	23.9	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2013.12.31					
Issue date	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	\$ 9.5	412	0.75	412	\$ 9.5
2011.01.26	23.9	5,742	2.07	2,290	23.9

2013.3.31					
Issue date	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	\$ 9.9	1,741	1.50	1,741	\$ 9.9
2011.01.26	25.0	6,309	2.82	2,786	25.0

2. Compensation cost for employee stock options

For the three months ended March 31, 2014 and 2013, the compensation cost for employee stock options amounted to \$419 and \$4,582, respectively, which had been recorded under operating costs and operating expenses.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(q) Earnings per share (“EPS”)

For the three months ended March 31, 2014 and 2013, the Company’s earnings per share were calculated as follows :

	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	\$ 213,380	739,761	\$ <u><u>0.29</u></u>
Diluted EPS :			
Effect of potentially dilutive common stock :			
Employees’ bonuses	\$ -	7,044	
Employee stock options	<u>-</u>	<u>832</u>	
Common shareholders’ profit plus the effect of potentially dilutive common stock	<u>\$ 213,380</u>	<u>747,637</u>	\$ <u><u>0.29</u></u>
	2013		
	Profit	Weighted- average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS—retroactively adjusted :			
Profit belonging to common shareholders	\$ 789,991	756,204	\$ <u><u>1.04</u></u>
Diluted EPS :			
Effect of potentially dilutive common stock :			
Employees’ bonus	-	7,128	
Employee stock options	<u>-</u>	<u>3,158</u>	
Common shareholders’ profit plus the effect of potentially dilutive common stock	<u>\$ 789,991</u>	<u>766,490</u>	\$ <u><u>1.03</u></u>

(Continued)

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

(r) Non-operating income and expenses

1. Other income

For the three months ended March 31, 2014 and 2013, the details of other income were as follows:

	2014	2013
Interest income	\$ 3,330	4,155
Dividend income	616	424
Rent income	<u>8,004</u>	<u>7,750</u>
	\$ <u>11,950</u>	<u>12,329</u>

2. Other gains and losses

For the three months ended March 31, 2014 and 2013, the details of other gains and losses were as follows:

	2014	2013
Foreign exchange gains	\$ 5,756	96,308
Losses on disposals of investments	(54,753)	(334,478)
Gains on financial assets or liabilities at fair value through profit or loss	121,108	332,792
Gains on disposal of property, plant and equipment	-	306,531
Other	<u>(17,748)</u>	<u>(827)</u>
	\$ <u>54,363</u>	<u>400,326</u>

3. Finance cost

For the three months ended March 31, 2014 and 2013, the details of finance cost were as follows:

	2014	2013
Interest expense on bank borrowings	\$ 20,570	31,504
Less : capitalized interest expense	<u>(6,678)</u>	<u>(5,692)</u>
	\$ <u>13,892</u>	<u>25,812</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 :

	2014.3.31			2013.12.31			2013.3.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets									
Monetary items									
USD	\$ 17,557	30.47	534,969	28,836	29.81	859,613	112,526	29.83	3,356,663
EUR	1	41.93	46	73	41.09	3,003	34	38.23	1,297
JPY	2,070	0.2960	612	169,390	0.2839	48,088	2,236	0.3172	707
GBP	1	50.71	47	8	49.28	417	39	45.32	1,780
HKD	64	3.93	250	64	3.84	245	64	3.84	246
			<u>\$ 535,924</u>			<u>911,366</u>			<u>3,360,693</u>
Non-monetary items									
USD	100	30.47	<u>\$ 3,047</u>	-	-	<u>-</u>	382	29.83	<u>11,408</u>
Financial liabilities									
Monetary items									
USD	11,784	30.47	359,046	9,655	29.81	287,809	16,842	29.83	502,399
EUR	66	41.93	2,778	118	41.09	4,842	198	38.23	7,561
JPY	167,972	0.2960	49,719	281,294	0.2839	79,856	710,463	0.3172	225,357
GBP	11	50.71	553	8	49.28	370	10	45.32	467
AUD	-	-	-	37	26.59	979	-	-	-
			<u>\$ 412,096</u>			<u>373,856</u>			<u>735,784</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 March 31, 2014 and 2013 would have increased (decreased) the net profit after tax by \$5,291 and \$124,683, respectively, and other comprehensive income by \$0 and \$570, 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 March 31, 2014				
Financial assets at fair value through profit or loss	\$ 1,771,971	-	-	1,771,971
Available-for-sale financial assets	<u>839,749</u>	<u>349,504</u>	<u>35,000</u>	<u>1,224,253</u>
	\$ <u>2,611,720</u>	<u>349,504</u>	<u>35,000</u>	<u>2,996,224</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 March 1, 2013				
Financial assets at fair value through profit or loss	\$ 1,682,835	-	-	1,682,835
Available-for-sale financial assets	<u>608,943</u>	<u>474,206</u>	<u>35,000</u>	<u>1,118,149</u>
	\$ <u>2,291,778</u>	<u>474,206</u>	<u>35,000</u>	<u>2,800,984</u>

For the year ended December 31, 2013, the carrying amount of available-for-sale financial assets was NT\$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 three months ended March 31, 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 three months ended March, 31 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 three months ended March 31, 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 three months ended March 31, 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		
	2014	2013	2014.3.31	2013.12.31	2013.3.31
Key management of the Group	\$ <u>28</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2. Services expenses

For the three months ended March 31, 2013, the related-parties provided medical service to the Group. The amounts of services expenses and outstanding balance between the Group and related parties were as follows :

	<u>Service expense</u>	<u>Other payable</u>	
	<u>2013</u>	<u>2013.12.31</u>	<u>2013.3.31</u>
Other related-parties	\$ <u>90</u>	<u>-</u>	<u>60</u>

There were no such transactions as of March 31, 2014.

(c) Transactions with key management personnel

For the three months ended March 31, 2014 and 2013, key management personnel compensation were comprised as below :

	2014	2013
Short-term employee benefits	\$ 24,771	33,967
Post-employment benefits	177	186
Share-based payments	<u>47</u>	<u>962</u>
	\$ <u>24,995</u>	<u>35,115</u>

(8) Pledged assets

The carrying amount of pledged assets were as follows :

Pledged assets	Pledged to secure	2014.3.31	2013.12.31	2013.3.31
Other non-current assets	Gas deposits	\$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,571	20,541	20,451
Property, plant and equipment	Long-term borrowings	5,053,661	5,113,371	7,201,018
Investment property	Long-term borrowings	1,095,150	1,096,479	1,098,867
Prepayments for business facilities	Long-term borrowings	<u>765</u>	<u>765</u>	<u>213,601</u>
		\$ <u>6,173,147</u>	<u>6,234,156</u>	<u>8,536,937</u>

(Continued)

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

(9) Commitments and contingencies

(a) Contingencies : None.

(b) Commitment :

	2014.3.31	2013.12.31	2013.3.31
The unrecognized commitment of acquisition of property, plant and equipment	\$ <u>745,708</u>	<u>851,593</u>	<u>512,040</u>
The unused letters of credit	\$ <u>57,016</u>	<u>52,847</u>	<u>196,617</u>

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

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the three months ended March 31, 2014 and 2013 :

	2014			2013		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 200,926	99,507	300,433	277,344	128,324	405,668
Labor and health insurance	19,842	8,686	28,528	16,365	6,541	22,906
Pension	8,503	3,598	12,101	7,835	3,522	11,357
Others	9,743	2,347	12,090	10,370	6,453	16,823
Depreciation	426,693	32,169	458,862	412,289	29,417	441,706
Amortization	2,694	5,692	8,386	4,036	6,882	10,918

(b) Seasonality or cyclicity of interim operations:

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(13) Other disclosure items

(a) Information on significant transaction :

The followings were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group :

1. Lending to other parties :

Number	Name of lenders	Name of borrowers	Account name	Nature of relationship	Maximum balance for the period (note 1)	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (note 2)	Transaction amounts	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	The Company	Inventec Energy Corporation	-	Yes	250,000	250,000	-	2%	2	-	Operation working	-	Commercial Paper	250,000	Net equity x20%= 3,048,974	Net equity x40%= 6,097,949

Note 1: The credit amount of lending.

Note 2: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

2. Guarantees and endorsements for other parties : None.

3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Note
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	EPISTAR Corporation/Stock	None	Current financial assets at fair value through profit or loss	946	69,152	0.10	69,152	
"	Capital Money Market Fund	"	"	7,426	117,211	-	117,211	
"	Paradigm Pion Money Market Fund	"	"	11,421	129,164	-	129,164	
"	Polaris De_Bao Money Market Fund	"	"	11,596	136,402	-	136,402	
"	Fu Hwa Yu Li Money Market Fund	"	"	19,942	263,315	-	263,315	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	17,987	220,291	-	220,291	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	17,970	253,940	-	253,940	
"	Allianz Global Investors All Seasons Harvest Fund of Funds	"	"	8,861	101,063	-	101,063	
"	Union Money Market Fund	"	"	13,371	172,849	-	172,849	
"	Mega Diamond Money Market Fund	"	"	17,971	220,209	-	220,209	
"	Concord Dream Futures Trust Fund	"	"	2,978	29,619	-	29,619	
"	CTBC Hua Win Money Market Fund	"	"	5,168	55,709	-	55,709	
"	Franklin Mutual European Fund-A-USD	"	"	3	3,047	-	3,047	
					<u>1,771,971</u>		<u>1,771,971</u>	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Note
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	ITEQ CORPORATION/Stock	None	Current available-for-sale financial assets	16,688	574,057	5.02	574,057	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,024	83,372	2.45	83,372	
"	Solar Applied Materials Technology Corp./Stock	"	"	400	10,760	0.10	10,760	
					<u>668,189</u>		<u>668,189</u>	
"	Inventec Solar Energy Corporation /Stock	None	Non-current available-for-sale financial assets	33,000	247,658	11.00	247,658	
"	Shin Sheng III Venture Capital Investment Corp. /Stock	"	"	9,000	101,846	11.03	101,846	
"	Tainergy Tech Co., Ltd./Stock	"	"	943	22,258	0.41	22,258	
"	CDIB CME Fund Ltd. /Stock	"	"	2,500	25,000	3.33	25,000	
"	IntelliEPI Inc. (Cayman)/Stock	"	"	33	2,109	0.11	2,109	
"	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	147,193	0.03	147,193	
					<u>556,064</u>		<u>556,064</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.

4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital :

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				End (Note)	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Mega Diamond Money Market Fund	Current financial assets at fair value through profit or loss	-	-	5,138	62,800	24,755	303,000	11,922	146,016	145,888	128	17,971	220,209

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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

7. Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital :

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	(788,572)	48%	1-2 Month	-	-	76,029	21%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent Company	Purchase	788,572	100%	1-2 Month	-	-	(76,029)	(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 : None.

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

10. Significant transactions and business relationship between the parent company and its subsidiaries for the three months ended March 31, 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	788,572	-	47.3%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable – related parties	76,029	-	0.36%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable – related parties	76,029	-	0.36%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	788,572	-	47.3%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	10,896	-	0.65%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	10,896	-	0.65%

Note 1 : Company numbering as follows :

Parent company – 0

Subsidiary starts from 1

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

Parent company to subsidiary – 1

Subsidiary to parent company – 2

Subsidiary to subsidiary – 3

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(b) Information on investments :

The followings are the information on investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of March 31, 2014			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Note
				March 31, 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%	8,016	1,833	1,833	(Note)
	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	451,638	4,131	4,131	(Note)
	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	380,247	(14,185)	(5,982)	-

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

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

(14) Segment financial information

- (a) The Group, which engages in researching, developing, manufacturing, and selling of GaAs wafers, is considered as a single operating segment.
- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the three months ended March 31, 2014 and 2013 were as follows :

	2014	2013
Revenue :		
Revenue from external customers	\$ <u>1,667,026</u>	<u>2,848,050</u>
Interest expense	\$ (13,892)	(25,812)
Depreciation and amortization	(467,248)	(452,624)
Share of loss of associates and joint ventures accounted for using equity method	(5,982)	(17,916)
Assets		
Investments accounted for using equity method	380,247	306,945
Capital expenditures in noncurrent assets	232,876	776,195

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.