WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Financial Statements
June 30, 2011 and 2012
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
WIN Semiconductors Corp.

We have audited the accompanying condensed consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of June 30, 2011 and 2012, and the related condensed consolidated statements of operations, changes in shareholders' equity and cash flows for the six months then ended. These condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these condensed consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall condensed consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the condensed consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the condensed consolidated financial position of WIN Semiconductors Corp., and subsidiaries as of June 30, 2011 and 2012, and the condensed consolidated results of their operations and their condensed consolidated cash flows for the six months then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China for interim financial reporting.

The accompanying condensed consolidated financial statements as of and for the six months ended June 30, 2012, has been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the condensed consolidated financial statements expressed in New Taiwan dollars have been translated into United States dollars on the basis set forth in note 2(u) of the notes to the accompanying consolidated financial statements.

Taipei, Taiwan (the Republic of China)
August 22, 2012

Note to Readers

The accompanying condensed consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Balance Sheets

June 30, 2011 and 2012
(Expressed in Thousands Dollars)

	2011	2012	
Assets	**NT$**	**NT$**	**US$**
Current assets:			
Cash and cash equivalents (note 4(a))	$ 610,323	710,620	23,846
Financial assets at fair value through profit or loss (note 4(b))	1,284,211	1,296,629	43,511
Available-for-sale financial assets－current (note 4(b))	-	318,771	10,697
Notes and accounts receivable, net (note 4(c))	876,698	1,086,764	36,469
Other receivable－related parties (note 5)	496	-	-
Other financial assets－current (note 4(d))	296,912	141,311	4,742
Inventories (note 4(e))	1,595,845	2,706,078	90,808
Other current assets	141,609	266,786	8,952
Deferred income tax assets－current (note 4(l))	201,763	356,320	11,957
Total current assets	5,007,857	6,883,279	230,982
Funds and investments:			
Available-for-sale financial assets－noncurrent (note 4(b))	86,480	282,648	9,485
Financial assets carried at cost－noncurrent (note 4(b))	916,746	492,134	16,514
Long-term investments under equity method (note 4(f))	511,973	171,134	5,743
Investment in bonds with no active market－noncurrent (note 4(b))	344,783	344,783	11,570
Total funds and investments	1,859,982	1,290,699	43,312
Property, plant and equipment (notes 4(g), 5, 6 and 7):			
Cost:			
Land	802,337	802,337	26,924
Buildings	721,851	721,851	24,223
Machinery and equipment	8,747,303	9,911,517	332,601
Factory and equipment	1,849,244	2,559,489	85,889
Office equipment	110,722	112,094	3,762
Other equipment	225,231	193,132	6,481
	12,456,688	14,300,420	479,880
Less: accumulated depreciation	(5,054,957)	(3,851,071)	(129,230)
	7,401,731	10,449,350	350,650
Construction in progress	591,407	158,274	5,311
Prepayment for purchases of land and buildings	-	706,106	23,695
Prepayment for purchases of equipment	2,971,731	650,396	21,825
Net property, plant and equipment	10,964,869	11,964,125	401,481
Intangible assets (note 4(h))	138,841	102,620	3,444
Other assets:			
Refundable deposits	19,949	19,163	643
Restricted assets－noncurrent (note 6)	23,199	23,358	784
Deferred income tax assets－noncurrent (note 4(l))	31,543	96,866	3,250
Total other assets	74,691	139,387	4,677
Total Assets	$ 18,046,240	20,380,110	683,896

	2011	2012	
Liabilities and Stockholders' Equity	**NT$**	**NT$**	**US$**
Current liabilities:			
Short-term borrowings (note 4(i))	$ 222,588	94,070	3,157
Accounts payable	1,320,983	1,726,470	57,935
Accrued expenses	609,866	736,360	24,710
Dividends payable	513,291	518,874	17,412
Payable on equipment	218,223	153,536	5,152
Current portion of long-term borrowings (notes 4(j) and 6)	1,131,343	1,407,089	47,218
Other current liabilities	29,697	24,545	823
Total current liabilities	4,045,991	4,660,944	156,407
Long-term liabilities:			
Long-term borrowings (notes 4(j) and 6)	5,084,140	5,223,147	175,273
Other liabilities:			
Accrued pension liabilities (note 4(k))	3,297	5,504	185
Total liabilities	9,133,428	9,889,595	331,865
Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):			
Common stock	6,225,720	6,486,989	217,684
Capital surplus:			
Capital surplus－additional paid-in capital	1,290,352	1,533,049	51,444
Capital surplus－long-term equity investments	28,445	50	2
Capital surplus－employee stock options	89,937	232,074	7,788
Total capital surplus	1,408,734	1,765,173	59,234
Retained earnings			
Legal reserve	130,842	258,703	8,681
Special reserve	-	221,662	7,438
Retained earnings	1,097,205	1,955,223	65,612
Total retained earnings	1,228,047	2,435,588	81,731
Other stockholders' equity adjustments:			
Cumulative translation adjustments	752	10,662	358
Unrealized gain (loss) on financial instruments	49,559	(207,897)	(6,976)
Total other stockholders' equity adjustments	50,311	(197,235)	(6,618)
Total stockholders' equity	8,912,812	10,490,515	352,031
Commitments and contingencies (note 7)			
Total Liabilities and Stockholders' Equity	$ 18,046,240	20,380,110	683,896

See accompanying notes to condensed financial statements.

WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Statements of Operations

For the six months ended June 30, 2011 and 2012
(Expressed in Thousands of Dollars, Except for Earnings Per Common Share)

	2011	2012	
	NT$	NT$	US$
Operating revenue	$ 4,022,949	5,683,107	190,708
Less: sales returns	(6,398)	(10,022)	(336)
sales discounts and allowances	(14,249)	(7,811)	(262)
Net revenue	4,002,302	5,665,274	190,110
Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m) and 10)	(2,785,766)	(4,006,736)	(134,454)
Gross profit	1,216,536	1,658,538	55,656
Operating expenses (notes 4(h), 4(k), 4(m) and 10)			
Marketing expenses	(61,936)	(112,388)	(3,771)
General and administrative expenses	(168,286)	(241,037)	(8,089)
Research and development expenses	(205,770)	(268,713)	(9,017)
	(435,992)	(622,138)	(20,877)
Operating income	780,544	1,036,400	34,779
Non-operating income and gains:			
Interest income	289	901	30
Dividend income	10,612	624	21
Gain on disposal of investments, net (notes 4(b) and 4(f))	45	154,305	5,178
Gain on valuation of financial assets, net (note 4(b))	-	23,745	797
Other income (notes 4(b) and 5)	52,652	3,680	123
	63,598	183,255	6,149
Non-operating expenses and losses:			
Interest expense (note 4(g))	(27,498)	(46,159)	(1,549)
Investment loss recognized under equity method (note 4(f))	(45,622)	(48,959)	(1,643)
Loss on disposal of property, plant and equipment	(14,717)	-	-
Exchange loss, net	(5,328)	(7,656)	(257)
Loss on valuation of financial assets, net (note 4(b))	(317,471)	-	-
Impairment loss (notes 4(b) and 4(f))	-	(101,379)	(3,402)
Other loss	-	(29,213)	(980)
	(410,636)	(233,366)	(7,831)
Income before income tax	433,506	986,289	33,097
Income tax expense (note 4(l))	(592)	(105,570)	(3,543)
Net income	$ **432,914**	**880,719**	**29,554**

	2011		2012			
	Before income tax	After income tax	Before income tax	After income tax	Before income tax	After income tax
	NT$	NT$	NT$	NT$	US$	US$
Earnings per common share (expressed in dollars) (note 4(n)):						
Basic earnings per share	$ 0.70	0.70	1.52	1.36	0.05	0.05
Diluted earnings per share	$ 0.69	0.69	1.49	1.33	0.05	0.04

See accompanying notes to condensed financial statements.

WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
Balance on January 1, 2011	$ 6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)								
Legal reserve	-	-	130,842	-	(130,842)	-	-	-
Cash dividend	-	-	-	-	(513,291)	-	-	(513,291)
Exercise of employee stock options	50,045	10,510	-	-	-	-	-	60,555
Compensation cost arising from employee stock options (note 3)	-	39,231	-	-	-	-	-	39,231
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term equity investments under equity method	-	501	-	-	-	-	-	501
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for under long-term equity investments	-	-	-	-	-	-	20,256	20,256
Translation adjustments	-	-	-	-	-	(1,291)	-	(1,291)
Net income for the six months ended June 30, 2011	-	-	-	-	432,914	-	-	432,914
Balance on June 30, 2011	**$ 6,225,720**	**1,408,734**	**130,842**	**-**	**1,097,205**	**752**	**49,559**	**8,912,812**
Balance on January 1, 2012	$ 6,485,930	1,707,122	130,842	-	1,942,901	3,064	(224,726)	10,045,133
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)								
Legal reserve	-	-	127,861	-	(127,861)	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-
Cash dividend	-	-	-	-	(518,874)	-	-	(518,874)
Exercise of employee stock options (note 4)	1,059	3,330	-	-	-	-	-	4,389
Compensation cost arising from employee stock options (note 3)	-	79,888	-	-	-	-	-	79,888
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term equity investments under equity method	-	3,252	-	-	-	-	-	3,252
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for under long-term equity investments	-	-	-	-	-	-	15,361	15,361
Decrease in capital surplus resulting from disposal of long-term equity investments	-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term equity investments	-	26	-	-	-	-	-	26
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	1,468	1,468
Translation adjustments	-	-	-	-	-	7,598	-	7,598
Net income for the six months ended June 30, 2012	-	-	-	-	880,719	-	-	880,719
Balance on June 30, 2012	**$ 6,486,989**	**1,765,173**	**258,703**	**221,662**	**1,955,223**	**10,662**	**(207,897)**	**10,490,515**

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT$58,100 and NT$17,400, respectively, were recognized and accrued in the 2010 earnings.
Note 2: The appropriations for 2011 employee's bonus, directors' and supervisors' remuneration amounting to NT$92,900 and NT$27,800, respectively, were recognized and accrued in the 2011 earnings.
Note 3: For stock options granted to employees, compensation cost was recognized for the six months ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus－employee stock options into capital surplus－additional paid-in capital.
Note 4: As the exercise price of the employees stock options is greater than book value as of June 30, 2012, the difference was credited to capital surplus－additional paid-in capital of NT$10.

See accompanying notes to condensed financial statements.

WIN Semiconductors Corp. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the six months ended June 30, 2011 and 2012
(Expressed in Thousands of Dollars)

		2011	2012	
		NT$	NT$	US$
Cash flows from operating activities:				
Net income	$	432,914	880,719	29,554
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Depreciation		476,358	618,381	20,751
Amortization		28,655	26,992	906
Amortization of cost of long-term borrowings		1,892	2,056	69
Loss on valuation of inventories and obsolescence		4,477	59,940	2,011
Investment loss recognized under equity method		45,622	48,959	1,643
Compensation cost arising from employee stock options		50,242	86,460	2,901
Loss on disposal of property, plant and equipment		14,717	-	-
Unrealized exchange loss on long-term borrowings		6,508	-	-
Deferred income tax benefit		(82,723)	(2,346)	(78)
Gain on disposal of investments		(45)	(154,305)	(5,178)
Impairment loss		-	101,379	3,402
Change in operating assets:				
Financial assets at fair value through profit or loss		317,516	307,045	10,304
Notes and accounts receivable		(395,682)	(433,942)	(14,562)
Other receivable－related parties		(496)	-	-
Other financial assets－current		(207,010)	(11,461)	(385)
Inventories		(266,373)	(902,886)	(30,298)
Other current assets		(35,797)	(137,709)	(4,621)
Change in operating liabilities:				
Accounts payable		449,504	636,459	21,357
Accrued expenses		22,480	15,654	526
Other current liabilities		(14,593)	(11,105)	(373)
Accrued pension liabilities		830	1,258	42
Net cash provided by operating activities		848,996	1,131,548	37,971
Cash flows from investing activities:				
Increase in available-for-sale financial assets－current		-	(330,905)	(11,104)
Payments for purchase of available-for-sale financial assets－noncurrent		-	(25,192)	(845)
Payments for purchase of long-term investments under equity method		(123,764)	-	-
Proceeds from disposal of long-term investments under equity method		-	259,220	8,699
Proceeds from disposal of property, plant and equipment		2,578	-	-
Payments for purchase of property, plant and equipment		(2,557,057)	(1,341,977)	(45,033)
(Increase) decrease in refundable deposit		(1,742)	495	17
Increase in restricted assets－noncurrent		(71)	(74)	(3)
Payments for purchase of intangible assets		(30,702)	(12,983)	(436)
Net cash used in investing activities		(2,710,758)	(1,451,416)	(48,705)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings		(142,777)	94,070	3,157
Increase in long-term borrowings		3,017,000	710,000	23,825
Redemption of long-term borrowings		(860,310)	(573,114)	(19,232)
Exercise of employee stock options		50,045	1,069	36
Net cash provided by financing activities		2,063,958	232,025	7,786
Effect on cash due to changes in exchange rate		(674)	(913)	(31)
Net increase (decrease) in cash and cash equivalents		201,522	(88,756)	(2,979)
Cash and cash equivalents at the beginning of period		408,801	799,376	26,825
Cash and cash equivalents at the end of period	**$**	**610,323**	**710,620**	**23,846**
Additional disclosure of cash flow information:				
Interest paid (excluding capitalized interest)	**$**	**26,559**	**46,463**	**1,559**
Income tax paid	**$**	**151,347**	**190,649**	**6,398**
Supplemental schedule of non-cash investing and financing activities:				
Inventories reclassified to plant, property and equipment	**$**	**35,441**	**30,703**	**1,030**
Other current assets reclassified to plant, property and equipment	**$**	**56**	**171**	**6**
Other current assets reclassified to intangible assets	**$**	**4,268**	**-**	**-**
Reclassification of current portion of long-term borrowings	**$**	**1,131,343**	**1,407,089**	**47,218**
Unrealized gain or loss on financial instruments	**$**	**20,256**	**16,829**	**565**
Translation adjustments	**$**	**(1,291)**	**7,598**	**255**
Dividend payable	**$**	**513,291**	**518,874**	**17,412**
Purchase of property, plant and equipment				
Increase in property, plant and equipment	$	2,681,655	1,284,893	43,117
Add: payable on equipment－beginning of period		93,625	210,620	7,068
Less: payable on equipment－end of period		(218,223)	(153,536)	(5,152)
Cash paid	**$**	**2,557,057**	**1,341,977**	**45,033**
Disposal of property, plant and equipment				
Disposal of property, plant and equipment	$	78	-	-
Add: other financial assets－beginning of period		2,500	-	-
Cash received	**$**	**2,578**	**-**	**-**
Purchase of intangible assets				
Increase in intangible assets	$	30,702	11,960	401
Add: accrued expenses－beginning of period		15,335	4,487	151
Less: accrued expenses－end of period		(15,335)	(3,464)	(116)
Cash paid	**$**	**30,702**	**12,983**	**436**

See accompanying notes to condensed financial statements.

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

June 30, 2011 and 2012

(Expressed in Thousands of New Taiwan Dollars and U.S. 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 under the laws of the Republic of China (ROC).

The Company engages in the researching, developing, manufacturing, and selling of GaAs Wafers.

As of June 30, 2011 and 2012, the subsidiaries, which were classified according to their primary business activities and percentage of ownership, were as follows:

Investor	Subsidiary	Business activities	Percentage of direct or indirect ownership by the Company 2011	2012
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%

As of June 30, 2011 and 2012, the Company and its subsidiaries (the “Consolidated Companies”) had 1,350 and 1,464 employees, respectively.

(2) Summary of Significant Accounting Policies

The accompanying condensed consolidated financial statements are prepared and presented in accordance with the ROC SFAS No.23 “Interim Financial Reporting , “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and accounting principles generally accepted in the ROC. The major accounting policies and the basis of measurement used in preparing these condensed consolidated financial statements are as follows:

(a) Consolidation policies

The consolidated financial statements include the accounts of the subsidiaries in which the Company is able to exercise control over the subsidiaries’ operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of operation from the date when the subsidiary is acquired and is excluded from the consolidated statements of operation when the Company loses its power to control the subsidiary. All significant intercompany balance and transactions are eliminated on consolidation.

(b) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(c) Foreign currency transactions and translation of foreign financial statements

The Consolidated Companies record transactions in their respective functional currencies. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at that date. The resulting unrealized exchange gains (losses) from such translations are reflected in the accompanying consolidated statements of operations. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into NT dollars at foreign exchange rates prevailing at the dates the fair value was determined. If the financial assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange gains (losses) from such translations are reflected in the accompanying statements of operations.

The financial statements of foreign operations are re-measured, if their reporting currency is not their functional currency. The re-measurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the reporting currency. Translation differences resulting from such translation are accounted for as cumulative translation adjustments, which are reported as a separate component of stockholders' equity.

(d) Classification of current and noncurrent assets and liabilities

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months from the balance sheet date are classified as current assets; all other assets are classified as noncurrent.

Liabilities that are expected to be settled within 12 months from the balance sheet date are classified as current liabilities; all other liabilities are classified as noncurrent.

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WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(e) Asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit excluding the goodwill) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognized for an asset, whose carrying value is higher than the recoverable amount.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of carrying value over the recoverable amount thereof.

(f) Cash and cash equivalents

Cash includes cash on hand and cash in bank. Cash equivalents represent highly liquid debt instruments such as commercial paper and bank acceptances with original maturities of three months or less. Cash equivalents also include other highly liquid investments which do not have a significant level of market risk related to potential interest rate changes.

(g) Financial instruments

Financial instrument transactions are accounted for using transaction-date accounting. At initial recognition, financial instruments are evaluated at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of financial instrument.

Subsequent to initial recognition, financial instruments are classified according to the purpose of holding or issuing as follows:

1. Financial assets/liabilities at fair value through profit or loss: These financial instruments are intended mainly for selling or repurchasing in the short term. Except for the derivatives held for hedging purposes and are considered to be effective, all derivatives are classified into this account. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(Continued)

2. Available-for-sale financial assets: These are measured at fair value, and changes therein, other than impairment losses and unrealized foreign exchange gains or losses, are recognized directly in equity. When these financial assets are disposed or derecognized, the related cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in the subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets carried at cost: This pertains to investments in equity securities which are stated at original cost as its fair value cannot be reasonably estimated. If there is evidence of impairment, impairment loss is recognized, and this impairment loss cannot be reversed.

4. Investment in bonds with no active market: Investment in bonds with no active market is a non-derivative financial asset with fixed or determinable payment that is not quoted in the active market. This type of financial instrument is accounted for using the transaction-date accounting.

   This investment is measured by effective interest rate method and carried at amortized cost.

   If there is any objective evidence that impairment exists, impairment loss is recognized in profit or loss. In the subsequent period, if the impairment loss decreases, and such decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss been unrecognized at the date the impairment is reversed.

5. Notes and accounts receivable:

   The evidence of impairment for notes and accounts receivable is considered at both individual and collective level. All individually significant receivables are assessed for specific impairment. All individually significant notes and accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Notes and accounts receivable that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

   In assessing collective impairment, the Consolidated Companies use historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(Continued)

When a decrease in the amount of impairment loss is clearly attributable to an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to the extent of the decrease through profit or loss.

Prior to the adoption of the third revised provisions of "Accounting for Financial Instruments" effective January 1, 2011, allowance for bad debts is estimated based on the recoverability of the receivables, past collection experience, client credit rating, aging analysis and internal credit policy.

(h) Other financial assets

Other financial assets at fair value through profit or loss are financial assets, excluding cash and cash equivalents, restricted assets, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets carried at cost, notes and accounts receivable, long-term investments under equity method, and investment in bonds, with no active market. These financial assets are measured at fair value, and changes in fair value are recognized in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost or market value. Cost is calculated by using the weighted-average method. The cost of inventories includes the necessary expenditure and charges for bringing the inventory to the salable and usable condition. Market value is determined based on net realizable value or replacement cost. Net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the selling expenses at the end of the period.

Fixed production overhead is allocated to finished goods and work in progress based on the normal capacity of production facilities. Unallocated overhead due to low production or idle plant capacity is recognized as cost of goods sold in the period in which such overhead is incurred. Variable production overhead is allocated to each unit of production on the basis of the actual use of production facilities.

(j) Long-term investments under equity method

Long-term investments in which the Consolidated Companies own 20% or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policy decisions are accounted for using the equity method.

Goodwill arising from these long-term investments is tested for impairment annually. If any indication of impairment exists, an impairment test is performed immediately. Impairment loss is recognized for the excess of carrying value over the recoverable amount.

(Continued)

If an investee company issues new shares of stock and the investors/original shareholders do not purchase or acquire new shares proportionately, then the equity ownership ratio, and therefore the equity of the investors in net assets of the investee company, will change. The effect of such change in the equity ownership ratio is charged to the long-term investments accounts against additional paid-in capital arising from long-term investments. If the balance of additional paid-in capital from long-term investments is insufficient, then the difference is debited to the retained earnings account.

If an investee company purchases its own outstanding shares, its stockholders' equity and outstanding shares (excluding treasury shares which have not yet been transferred to employees or written-off treasury shares and Company shares held by its subsidiaries), will change. If the purchase price is equal to the carrying amount of net equity in the investee, then the equity of the investors in net assets of the investee company will not change. If the purchase price differs with the carrying amount of net equity of the investee, then the equity of the investors in net assets of the investee company will change and such change is charged to capital surplus.

If the long-term equity investment under the equity method is disposed, the difference between the selling price and the book value of long-term equity investments under the equity method is recognized as disposal gain or loss in the consolidated statement of operations. If there is capital surplus or cumulative translation adjustment resulting from long-term equity investments, such capital surplus or cumulative translation adjustment is debited/credited against the disposal gain/loss based on the disposal ratio.

(k) Property, plant and equipment and depreciation

Property, plant, and equipment are recorded at cost less accumulated depreciation. For construction of buildings and purchase of machinery and equipment, the related interest costs incurred before commencing to use such assets are capitalized as part of the costs of related assets. Major repairs and maintenance, additions, enhancements and replacements, and the costs of dismantling, removing the items, and restoring the site on which they are located, are capitalized in the cost of related assets. Routine repair and maintenance are charged to current operations.

The removal and recovery obligation costs for fixed assets during the non-production period are accrued in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation (ARDF). Also, any component of a fixed asset that is deemed to be a significant part of the fixed asset, is depreciated individually. The residual useful lives, depreciation method, and residual value of property, plant and equipment are evaluated at each financial year-end and changes thereof are accounted for as changes in accounting estimates.

(Continued)

Property, plant, and equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of the respective classes of assets are as follows:

(1) Buildings: 25 years

(2) Machinery and equipment: 3 to 10 years

(3) Factory and equipment: 5 to 10 years

(4) Office equipment: 3 to 5 years

(5) Other equipment: 1 to 5 years

Gains or losses on the disposal of such assets are accounted for as non-operating income and gains or expenses and losses.

(l) Intangible assets

In accordance with the ROC SFAS No. 37 "Intangible Assets", an intangible asset (other than an intangible asset acquired by way of a government grant which is measured at its fair value) is measured initially at cost. Subsequent to the initial recognition, an intangible asset, plus, the revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment loss is measured at cost.

The amortizable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date they are made available for use. The estimated useful lives of the intangible assets are as follows:

(1) Technical know-how: 12 years

(2) Computer software and information systems: 2 to 5 years

(3) Others: 1 to 3 years

(m) Pension plans

1. Defined benefit pension plan

The Company has established an employee noncontributory defined benefit pension plan (the Plan) covering full-time employees in the ROC. Since 2001, the Company has contributed an amount to the pension fund monthly based on government-approved rate of 2 % of paid salaries and wages. This fund is deposited in the Bank of Taiwan.

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For the defined benefit pension plan, the Company adopted the ROC SFAS No. 18 “Accounting for Pensions” for its pension plan, which requires actuarial calculation of its pension liability using the balance sheet date as the measurement date. The excess of accumulated benefit obligation over the fair value of pension plan assets is deemed as the minimum pension liability and is recognized as accrued pension liability. The transitional net benefit obligation is amortized by straight-line method over the remaining service years of employees averaging 18 years.

In accordance with the ROC SFAS No.23 “Interim Financial Reporting”, the Company is not required to disclose in its interim financial statements pension information prescribed under the ROC SFAS No.18 “Accounting for Pensions”

2. Defined contribution pension plan

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the New Act) require the following categories of employees to be covered by the New Act that prescribes a defined contribution plan:

(1) Employees who were covered by the Plan and opted to be subject to the pension mechanism under the New Act; and

(2) Employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, the Company contributes an amount monthly to an individual labor pension fund account at the rate of 6% of the worker’s monthly wages. The amount of contributions is recognized as expense on accrual basis.

(n) Employee stock options

The Consolidated Companies have granted employee stock options to its employees. If the equity instruments under these agreements are granted after January 1, 2010, the employee stock options are accounted for according to the ROC SFAS No. 39 “Share-based Payments.” Employee stock options that were granted, recognized and measured using intrinsic value method before January 1, 2010, are accounted for in accordance with Interpretation No. (92) 070, 071, and 072 of the ARDF.

Under these Interpretations, compensation cost is recognized based on the difference between the market price of the stock and the exercise price of the employee stock options on the measurement date, using the intrinsic value method. This compensation cost is charged to expense over the employee vesting period with corresponding increases in the stockholders’ equity.

Intrinsic value means the difference between the fair value of the shares, which the employee has the right to subscribe or has the right to receive, and the price at which the employee is required to pay for those shares.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(o) Revenue recognition

Revenue from sale of goods is recognized upon delivery when the significant risks and rewards of ownership are transferred to customers.

(p) Government grants

The Company adopted the ROC SFAS No. 29 “Accounting for Government Grants and Disclosure of Government Assistance”, under which, government grants are not recognized in the financial statements until there is reasonable assurance that both of the following conditions are met:

(i) the Company is able to comply to the terms of government grants; and

(ii) the grants will be received.

Government grants in the form of subsidies are recognized as revenue in a reasonable and systematic way over the periods when the related costs are expected to be incurred. However, government grants that are not realized yet are accounted for as deferred revenue.

(q) Income tax

The Company adopted the ROC SFAS No. 22 “Income Taxes” for the computation of income taxes, using the asset and liability method. Accordingly, deferred income tax is accounted for the differences between accounting and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects of the taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects of the deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets. In addition, the realization of deferred income tax assets is evaluated and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. Deferred income tax assets and liabilities are classified as either current or noncurrent based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

Investment tax credit granted for purchases of equipment, research and development expenses and the Company’s investment in the Emerging Industry is recognized using the flow through method.

In accordance with the ROC Income Tax Act, the Company may retain the earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(Continued)

(r) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration are accounted for by Interpretation (96) 052 issued by the ARDF. According to this Interpretation, employee bonuses and directors' and supervisors' remuneration are estimated and accrued as expenses as services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

(s) Earnings per common share (EPS)

Earnings per common share is calculated by dividing net income by the weighted-average number of outstanding common shares. The weighted-average number of outstanding common shares is adjusted retroactively for the distribution of stock dividends to stockholders out of retained earnings or capital surplus.

Stock options and common stock issued for employees' bonus are potential common stock. Only basic earnings per share is disclosed if these potential common shares of stock are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating the diluted earnings per share, the net income and weighted average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the year.

(t) Operating segment

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available. The operating segment is disclosed in the consolidated financial statements.

(u) Convenience translation into U.S. dollars

The consolidated financial statements are stated in New Taiwan dollars. Translation of the June 30, 2012, New Taiwan dollar financial statement amounts into U.S. dollar amounts is included solely for the convenience of the readers, using the noon buying rate of Federal Reserve Bank of New York on June 29, 2012, of NT$29.80 to US$1 uniformly for all the financial statement accounts. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

(Continued)

(3) Reason for and Effect of Accounting Changes

(a) The Consolidated Companies adopted the third revisions of ROC SFAS No. 34 "Accounting for Financial Instruments" effective January 1, 2011 for the recognition, measurement and impairment of originated loans and receivables. The initial adoption of this amended accounting principle had no significant impact on the consolidated financial statements as of and for the six months ended June 30, 2011.

(b) The Consolidated Companies likewise adopted the ROC SFAS No. 41 "Disclosure of the Operating Segment" effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the ROC SFAS No. 20 "Segment Reporting".

(4) Significant Account Disclosure

(a) Cash and cash equivalents

The components of cash and cash equivalents as of June 30, 2011 and 2012 were as follows:

	2011	2012	
	NT$	**NT$**	**US$**
Cash on hand	$ 567	529	18
Cash in bank	609,756	710,091	23,828
	$ 610,323	**710,620**	**23,846**

(Continued)

(b) Financial instruments

The components of financial instruments as of June 30, 2011 and 2012 were as follows:

1. Financial assets at fair value through profit or loss－current:

		2011		2012			
		Nominal amount	**Book value NT$**	**Nominal amount**	**Book value NT$**	**Nominal amount**	**Book value US$**
Publicly traded stock	$	-	1,258,366	-	961,673	-	32,271
Publicly traded convertible bonds		-	24,600	-	24,500	-	822
Bond funds, balancing funds and money market funds		-	-	-	310,456	-	10,418
			1,282,966	-	1,296,629	-	43,511
Derivative financial commodity							
Forward exchange contracts	US$	7,500	1,245	-	-	-	-
			1,284,211	-	**1,296,629**	-	**43,511**

(1) For the six months ended June 30, 2011 and 2012, the valuation of financial assets at fair value through profit or loss－current resulted in a loss of NT$317,471 and a gain of NT$23,745 (US$797), respectively.

(2) For the six months ended June 30, 2011 and 2012, the gain on disposal of financial assets at fair value through profit or loss－current amounted to NT$45 and NT$3,682 (US$124), respectively.

(3) The Company entered into derivative contracts during the six months ended June 30, 2011 to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria for hedge accounting. For the six months ended June 30, 2011, the gain on disposal of derivative financial instruments amounted to NT$1,535, which was recorded as other income.

There were no such transactions for the six months ended June 30, 2012.

(Continued)

2. Available-for-sale financial assets－current

	2011	2012	
	NT$	**NT$**	**US$**
Shares of stock:			
ITEQ CORPORATION	$ -	216,054	7,250
MAG. LAYERS Scientific-Technics Co., Ltd.	-	74,588	2,503
Solar Applied Materials Technology Corp.	-	28,129	944
	$ -	**318,771**	**10,697**

(1) Unrealized loss on available-for sale financial assets－current of NT$12,210 (US$410), for the six months ended June 30, 2012, was recognized as an adjustment to stockholder's equity.

(2) For the six months ended June 30, 2012, the gain on disposal of available-for-sale financial assets－current amounted to NT$76 (US$2).

There were no such transactions for the six months ended June 30, 2011.

3. Available-for-sale financial assets－noncurrent:

	2011	2012	
	NT$	**NT$**	**US$**
Shares of stock:			
Avago Technologies Ltd.	$ 86,480	83,757	2,811
Huga Optotech Inc. (Note)	-	93,365	3,133
Tainergy Tech Co., Ltd. (Note)	-	105,526	3,541
	$ 86,480	**282,648**	**9,485**

Note: In 2011, the Company reclassified financial assets carried at cost－noncurrent to available-for-sale financial assets－noncurrent, as discussed further in note 4(b).

Unrealized gain on available-for-sale financial assets－noncurrent of NT$20,256 and NT$29,039 (US$975), respectively, for the six months ended June 30, 2011 and 2012, was recognized as an adjustment to stockholders' equity.

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

4. Financial assets carried at cost－noncurrent:

Investee	**2011 NT$**	**2012 NT$**	**2012 US$**
Shares of stock:			
IntelliEPI Inc. (Cayman)	$ 5,306	5,306	178
Huga Optotech Inc. (Note)	216,223	-	-
Shin Sheng III Venture Capital Investment Corporation	150,000	150,000	5,033
Inventec Solar Energy Corporation	330,000	263,200	8,832
Tainergy Tech Co., Ltd. (Note)	200,000	-	-
Speed Tech Corp.	-	58,411	1,960
	901,529	476,917	16,003
Conversion option :			
Bright Led Electronics Corp.	15,217	15,217	511
Total	**$ 916,746**	**492,134**	**16,514**

Note: The shares of stock of Huga Optotech Inc. and Tainergy Tech Co., Ltd. have been officially listed in the public market on September 8, 2011 and August 16, 2011, respectively. Therefore, the Company reclassified its investments in the equity shares of these investees from financial assets carried at cost－noncurrent amounting to NT$416,223 to available-for-sale financial assets－noncurrent.

Except for those of Huga Optotech Inc. and Tainergy Tech Co. Ltd., as of June 30, 2012, the above mentioned financial assets do not have public trading prices, and their fair value was difficult to determine. Therefore, these financial assets were stated at cost.

(1) For the six months ended June 30, 2011 and 2012, the details of impairment loss incurred from valuation of financial assets carried at cost－noncurrent were as follows:

	2011 NT$	**2012 NT$**	**2012 US$**
Inventec Solar Energy Corporation	**$ -**	**66,800**	**2,242**

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(2) The details of additions (deductions) for the six months ended June 30, 2011 and 2012 to financial assets carried at cost－noncurrent were as follows:

	2011		2012		
	Shares (in thousands)	NT$	Shares (in thousands)	NT$	US$
Speed Tech Co. Ltd.	-	$ -	21,500	58,411	1,960
Inventec Energy Corporation	(8,505)	(86,904)	-	-	-
		$ (86,904)		58,411	1,960

For the six months ended June 30, 2011, the percentage of the Company's shareholdings in Inventec Energy Corporation increased to 20.58% due to its additional equity investment of NT$123,764. Therefore, the Company's equity investment in this investee company of NT$86,904 had been reclassified from financial assets carried at cost－noncurrent to long-term investments under equity method as of June 30, 2011.

For the six months ended June 30, 2012, the Company sold some of its equity ownership of Speed Tech Corp., so that its shareholding percentage decreased from 26.33% to 9.20%. Such decrease in ownership resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Therefore, the Company's equity investment in this investee company had been reclassified from long-term equity investment to financial assets carried at cost－noncurrent, as discussed further in note 4(f).

5. Investment in bonds with no active market－noncurrent:

			2011	2012	
	Issue period	Nominal rate (%)	NT$	NT$	US$
Convertible Bonds:					
Bright Led Electronics Corp.	2010.4.9~2013.4.8	0%	$ 344,783	344,783	11,570

In 2010, the Company purchased the convertible bonds of Bright Led Electronics Corp. at par value of NT$360,000 through private placement. Because of the stock conversion option embedded in this debt securities investment, the liability component (pertaining to the investment in bonds) was accounted for separately at its present value from the equity component (pertaining to the stock conversion option) thereof. The equity component (stock conversion option) was measured based on the difference between the purchase price of the bonds and the present value of the bonds. Under the terms of these bonds, the Company has the option to convert the bonds into common stock during the period from three months of the issue date to ten days before the maturity date; the stock conversion option was recorded as financial assets carried at cost－noncurrent.

(c) Notes and Accounts receivable

	2011 NT$	2012 NT$	2012 US$
Notes receivable	$ 1,924	-	-
Accounts receivable	890,715	1,101,649	36,968
	892,639	1,101,649	36,968
Less: allowance for doubtful accounts and sales discounts	(15,941)	(14,885)	(499)
	$ 876,698	1,086,764	36,469

As of June 30, 2011 and 2012, the notes and accounts receivable were not pledged.

(d) Other financial assets－current

The components of other financial assets as of June 30, 2011 and 2012 were as follows:

	2011 NT$	2012 NT$	2012 US$
Other receivable from metal recycling	$ 295,262	130,109	4,366
Other	1,650	11,202	376
	$ 296,912	141,311	4,742

(e) Inventories

1. The components of inventories as of June 30, 2011 and 2012 were as follows:

	2011 NT$	2012 NT$	2012 US$
Raw materials	$ 708,620	1,725,768	57,912
Supplies	99,836	118,007	3,960
Work in process	536,936	751,684	25,224
Finished goods	250,453	110,619	3,712
	$ 1,595,845	2,706,078	90,808

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2. For the six months ended June 30, 2011 and 2012, the movements of allowance for obsolete inventories were as follows:

	2011 NT$	2012 NT$	2012 US$
Beginning balance	$ 71,245	71,410	2,396
Addition	4,477	59,940	2,011
Write-off	(24,433)	(21,939)	(736)
Ending balance	**$ 51,289**	**109,411**	**3,671**

3. For the six months ended June 30, 2011 and 2012, the Company recognized related gain or loss on inventories as follows:

	2011 NT$	2012 NT$	2012 US$
Loss on valuation of inventories and obsolescence	$ 4,477	59,940	2,011
Income from sale of scraps	(7,584)	(12,446)	(418)
	$ (3,107)	**47,494**	**1,593**

(f) Long-term investments under equity method

The components of long-term investments under equity method as of June 30, 2011 and 2012 were as follows:

Investee	**Shareholding percentage (%)**	**2011 Carrying value NT$**	**2011 Investment gain (loss) NT$**
Inventec Energy Corporation	20.58	$ 173,593	(36,971)
WinMEMS Technologies Holdings Co., Ltd.	34.73	113,724	(8,785)
Speed Tech Corp.	26.33	224,656	134
		$ 511,973	**(45,622)**

(Continued)

Investee	Shareholding percentage (%)	2012 Carrying value NT$	2012 Carrying value US$	2012 Investment loss NT$	2012 Investment loss US$
Inventec Energy Corporation	20.58	$ 127,331	4,273	(19,040)	(639)
WinMEMS Technologies Holdings Co., Ltd.	34.73	43,803	1,470	(15,168)	(509)
Speed Tech Corp.	-	-	-	(14,751)	(495)
		$ 171,134	5,743	(48,959)	(1,643)

The details of additions (deductions) for the six months ended June 30, 2011 and 2012 to long-term investments under equity method were as follows:

	2011 Shareholding (in thousands)	2011 NT$	2011 Remark	2012 Shareholding (in thousands)	2012 NT$	2012 US$	2012 Remark
Inventec Energy Corporation	19,757	$ 210,668	(Note 1)	-	-	-	
Speed Tech Corp.	-	-		(61,500)	(188,991)	(6,342)	(Note 2)
		$ 210,668			(188,991)	(6,342)	

Note 1: For the six months ended June 30, 2011, the Company reclassified the financial assets carried at cost－noncurrent to long-term investments under equity method, as discussed further note 4(b).

Note 2: For the six months ended June 30, 2012, the Company sold for NT$259,220 (US$8,699) its ownership of the shares of stock of Speed Tech Corp., with carrying value of NT$122,921 (US$4,125). The related capital surplus and other equity adjustment arising from this equity investment of NT$14,248 (US$478) were credited based on the disposal ratio. The net gain on disposal of such investment amounted to NT$150,547 (US$5,052) for the six months ended June 30, 2012.

As the Company sold its ownership of some shares of stock of Speed Tech Corp., its shareholding percentage in this investee decreased from 26.33% to 9.20%. Such sale resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Therefore, the Company's equity investment in this investee company had been reclassified from long-term equity investments to financial assets carried at cost－noncurrent, as discussed further note 4(b).

(Continued)

For the six months ended June 30, 2012, the details of impairment loss incurred from valuation of long-term investments under equity method were as follows:

	2011	2012	
	NT$	NT$	US$
WinMEMS Technologies Holdings Co., Ltd.	$ -	34,579	1,160

(g) Property, plant and equipment

1. In 2012, the Consolidated Companies had entered into an agreement to purchase land and buildings from TAROKO TEXTILE CORPORATION for NT$1,080,000 (US$36,242). The registration process for the transfer to the Company of the ownership of these land and buildings was completed as of July 17, 2012.

2. As of June 30, 2011 and 2012, the details of accumulated depreciation were as follows:

	2011	2012	
	NT$	NT$	US$
Buildings	$ 148,129	175,892	5,902
Machinery and equipment	3,956,905	2,540,830	85,263
Factory and equipment	763,948	923,015	30,974
Office equipment	48,232	81,093	2,721
Other equipment	137,743	130,241	4,370
	$ 5,054,957	3,851,071	129,230

For the six months ended June 30, 2011 and 2012, capitalized interest expenses amounted to NT$19,320 and NT$10,700 (US$359), respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.38% to 1.60% and 1.67% to 1.79%, respectively.

(Continued)

(h) Intangible assets

The movements in intangible assets for the six months ended June 30, 2011 and 2012 were as follows:

	NT$				
		Technical know-how	Computer software and information systems	Others	Total
Original cost:					
Balance as of January 1, 2011	$	46,005	146,004	2,911	194,920
Additions		-	27,519	3,183	30,702
Other (Note)		-	4,268	-	4,268
Balance as of June 30, 2011	**$**	**46,005**	**177,791**	**6,094**	**229,890**

	NT$				
		Technical know-how	Computer software and information systems	Others	Total
Original cost:					
Balance as of January 1, 2012	$	46,005	149,863	4,988	200,856
Additions		-	11,625	335	11,960
Balance as of June 30, 2012	**$**	**46,005**	**161,488**	**5,323**	**212,816**

	NT$				
		Technical know-how	Computer software and information systems	Others	Total
Amortization:					
Balance as of January 1, 2011	$	639	61,046	709	62,394
Amortization		1,917	24,954	1,784	28,655
Balance as of June 30, 2011	**$**	**2,556**	**86,000**	**2,493**	**91,049**

	NT$				
		Technical know-how	Computer software and information systems	Others	Total
Amortization:					
Balance as of January 1, 2012	$	4,473	75,678	3,053	83,204
Amortization		1,917	23,845	1,230	26,992
Balance as of June 30, 2012	**$**	**6,390**	**99,523**	**4,283**	**110,196**

(Continued)

		NT$			
		Technical know-how	Computer software and information systems	Others	Total
Carrying value:					
Balance on June 30, 2011	$	43,449	91,791	3,601	138,841
Balance on June 30, 2012	$	39,615	61,965	1,040	102,620
		US$			
Balance on June 30, 2012	$	1,329	2,080	35	3,444

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

(i) Short-term borrowings

The components of short-term borrowings as of June 30, 2011 and 2012 were as follows:

		2011	2012	
		NT$	NT$	US$
Unsecured loans	$	222,588	94,070	3,157

The aforementioned short-term borrowings bear floating interest rates. For the six months ended June 30, 2011 and 2012, these interest rates ranged from 0.92% to 1.20% and 1.00% to 1.88%, respectively. As of June 30, 2011 and 2012, the unused bank credit line for short-term borrowings amounted to NT$3,225,352 and NT$4,306,435 (US$144,511), respectively. As of June 30, 2011 and 2012, the unused bank credit line for short-term borrowings and long-term borrowings amounted to NT$0 and NT$450,000 (US$15,101), respectively.

(Continued)

(j) Long-term borrowings

As of June 30, 2011 and 2012, the details of long-term borrowings were as follows:

Nature	2011 NT$	2011 Annual interest rate (%)	2012 NT$	2012 US$	2012 Annual interest rate (%)
Syndicated loan agreement:					
China Development Industrial Bank and other twelve banks (Note 1)	$ 1,882,687	1.66~1.72	1,123,566	37,704	1.77~1.83
Mega International Commercial Bank and other sixteen banks (Note 2)	2,956,000	1.50~1.60	4,186,000	140,470	1.61~1.71
Less: Unamortized issuing cost	(18,643)		(14,532)	(488)	
Sub-total	4,820,044		5,295,034	177,686	
Secured loans	1,045,439	1.18~2.07	530,202	17,792	1.69~2.14
Unsecured loans	350,000	1.55~1.71	805,000	27,013	1.60~1.78
Total	6,215,483		6,630,236	222,491	
Less: current portion	(1,131,343)		(1,407,089)	(47,218)	
	$ 5,084,140		5,223,147	175,273	

As of June 30, 2011 and 2012, the unused credit lines for long-term borrowings amounted to NT$2,174,000 and NT$839,000 (US$28,154), respectively. As of June 30, 2011 and 2012, the unused bank credit lines for long-term and short-term borrowing were disclosed further in note 4(i). The collateral for these long-term borrowings is disclosed in note 6.

Note 1: 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 NT$2,810,000 and is due in March 2015.

(Continued)

The significant terms of this syndicated loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is NT$900,000, and it is not a revolving loan. This is intended to repay an existing loan (including the amount used to finance the purchase of land and buildings) and for operation working capital.

(b) Tranche B: medium-term secured loans. The credit facility is NT$1,491,105, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

(c) Tranche C: medium-term secured loans. The credit facility is NT$418,895, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

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

(a) At the end of the semi-annual and annual reporting period, the current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 100%, interest coverage ratio shall not be lower than 200% , and net equity shall not be lower than NT$3,500,000.

(b) The collections of accounts receivable of the Company and its subsidiaries from 11 key customers and any other customers must be deposited into the foreign currency account with the managing bank. The deposit of such collections must exceed NT$100,000 every quarter starting from the first 3 months after the initial drawdown of the credit facility on Tranche A. If this covenant is breached, the Company should provide another set of accounts receivables from other customers to be identified by the managing bank, otherwise, the credit terms will be cancelled.

(c) The Company’s production of GaAs wafers must reach 4,000 pieces per month and its quarterly revenue must exceed NT$500,000 before the Tranche A credit facility or the funding period of the loan is fully consummated, whichever comes first.

On December 29, 2011, the Company signed the initial supplementary contract of a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The significant terms and conditions of this supplementary contract are as follows:

(a) At the end of the semi-annual and annual reporting period, the 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 assets shall not be lower than NT$6,000,000 starting from the effective date of the supplementary contract.

(b) Except for the amended financial covenant as described above, the other financial covenants and restrictions of the original seven-year syndicated loan agreement will remain to be effective.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

As of June 30, 2011 and 2012, the Company was in compliance with the above financial covenants and restrictions.

Note 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 NT$4,800,000 and is due in February 2018.

The significant terms of this loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is NT$3,000,000 and it is not a revolving loan. This is intended to repay an existing loan and for the purchases of machinery and equipment.

(b) Tranche B: medium-term secured loans. The credit facility is NT$1,800,000, and it is a revolving loan. This is intended for operation working capital.

The related financial covenants and restrictions for the syndicated loan mentioned above were as follows: At the end 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 NT$6,000,000.

As of June 30, 2011 and 2012, the Company was in compliance with the above covenants and restrictions.

(k) Pension plans

The pension cost and related information as of and for the six months ended June 30, 2011 and 2012 were as follows:

		2011	2012	
		NT$	**NT$**	**US$**
Benefit of the pension fund:				
Bank of Taiwan	$	31,809	32,780	1,100
Accrued pension liabilities	$	3,297	5,504	185
Periodic pension cost:				
Defined benefit pension plan cost	$	934	1,382	46
Defined contribution pension plan cost		16,484	19,532	656
	$	17,418	20,914	702

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(l) Income tax

1. Each consolidated entity files its own separate income tax return. The Company is subject to the ROC income tax at a maximum rate of 17% for the six months ended June 30, 2011 and 2012. Also, the Company calculates the amounts of its basic tax in accordance with the "Income Basic Tax Act". WIN SEMI. USA, INC., a consolidated subsidiary, is subject to income tax at a maximum rate of 39%.

2. The components of income tax expense for the six months ended June 30, 2011 and 2012, were as follows:

	2011 NT$	2012 NT$	2012 US$
Current income tax expense	$ 83,315	107,916	3,621
Deferred income tax benefit	(82,723)	(2,346)	(78)
Income tax expense	**$ 592**	**105,570**	**3,543**

3. The deferred income tax benefit for the six months ended June 30, 2011 and 2012, were as follows:

	2011 NT$	2012 NT$	2012 US$
Investment tax credits	$ 112,315	95,875	3,218
Pension expenses adjustment for tax purpose	(141)	(217)	(7)
Depreciation expenses adjusted for tax purposes	(6,461)	(5,356)	(180)
Reversal (provision) of allowance for inventory obsolescence	3,393	(6,131)	(206)
Unrealized commission expense	(294)	(346)	(12)
Unrealized cost of goods sold	(2,083)	(705)	(24)
Unrealized sales discounts and allowances	(1,534)	(403)	(13)
Unrealized (realized) valuation loss or gain on financial assets	(53,971)	4,036	136
Unrealized exchange loss or gain	(5,434)	(1,070)	(36)
Unrealized investment loss or gain recognized under equity method	5,993	(6,170)	(207)
Valuation allowance for deferred income tax assets	(134,506)	(81,859)	(2,747)
Deferred income tax benefit	**$ (82,723)**	**(2,346)**	**(78)**

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

4. The income tax calculated on pretax financial income at statutory rate was reconciled with income tax expense as reported in the accompanying consolidated statements of operations for the six months ended June 30, 2011 and 2012, as follows:

	2011	2012	
	NT$	NT$	US$
Income tax calculated on pre-tax financial income at statutory income tax rate	$ 73,696	167,669	5,626
Investment tax credits	-	993	33
Research and development tax credits according to "Industrial Innovation Act"	(12,353)	(14,376)	(482)
Gain on disposal of investment	(8)	(7,639)	(256)
Dividend income	(1,715)	-	-
Meal expense disallowed for tax reporting purposes	635	809	27
Depreciation expense adjusted for tax purposes	753	125	4
Impairment loss on financial assets carried at cost–noncurrent	-	11,356	381
Disposal of long-term investments under equity method adjusted for tax purposes	-	(18,592)	(624)
Investment loss recognized under equity method (domestic)	6,262	5,744	193
10% surtax on unappropriated earnings	66,429	41,021	1,377
Others	1,399	319	11
Valuation allowance for deferred income tax assets	(134,506)	(81,859)	(2,747)
Income tax expense	**$ 592**	**105,570**	**3,543**

(Continued)

5. The components of the deferred income tax assets (liabilities) as of June 30, 2011 and 2012, were as follows:

	2011	2012	
	NT$	NT$	US$
Deferred income tax assets (liabilities)－current			
Allowance for obsolete inventories	$ 8,719	18,691	628
Unrealized commission expense	2,780	3,929	132
Unrealized cost of goods sold	2,083	3,610	121
Unrealized sales discounts and allowances	1,816	1,613	54
Unused investment tax credits	181,026	106,924	3,588
Unused loss carry-forwards	-	162,475	5,452
Unrealized exchange loss (gain)	(3,962)	2,092	70
Unrealized valuation loss on financial assets	9,301	56,986	1,912
Deferred income tax assets, net－current	$ 201,763	356,320	11,957
Deferred income tax assets (liabilities)－noncurrent			
Unused investment tax credits	$ 148,299	96,805	3,248
Unused loss carry-forwards	163,180	-	-
Unrealized pension expense for tax purposes	560	936	31
Difference in depreciation expense between financial and tax purposes	(8,721)	687	23
Unrealized investment gain recognized under equity method	(1,179)	(1,562)	(52)
Others	(154)	-	-
Less: Valuation allowance for deferred income tax assets	(270,442)	-	-
Deferred income tax assets (liabilities), net－noncurrent	$ 31,543	96,866	3,250

6. According to the ROC Income Tax Act, operating loss can be carried forward for 10 consecutive years to reduce future taxable income. As of June 30, 2012, the unused loss carry-forwards and their expiry year were as follows:

Year granted	Unused loss carry forward amount		Expiry year
	NT$	US$	
2004 (assessed)	$ 205,943	6,911	2014
2005 (assessed)	699,155	23,462	2015
2006 (assessed)	50,638	1,699	2016
	$ 955,736	32,072	

(Continued)

7. The Company was granted investment tax credit for investment in research and development expenditures according to "Industrial Innovation Act". This investment tax credit can be used to reduce the income liability in the current year at an amount not exceeding 30% of the income tax liability. Also, the Company was granted investment tax credits for investment in certain high-tech industries for purchases of automatic machinery and equipment, for expenditures in research and development and employee training, and the Company's investment in the Emerging Industry. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years at an amount not exceeding 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year. As of June 30, 2012, unused investment tax credits available to the Company were as follows:

Year granted	**Unused investment tax credits**		**Expiry year**
	NT$	**US$**	
2008 (assessed)	$ 19,829	665	2012
2009 (assessed)	87,095	2,923	2013
2010 (filed)	57,915	1,943	2014
2011 (estimated)	38,890	1,305	2015
	$ 203,729	6,836	

8. As of June 30, 2011 and 2012, imputation credit account (ICA) and creditable ratio were as follows:

	2011	**2012**	
	NT$	**NT$**	**US$**
Unappropriated earnings after 1997	$ 1,097,205	1,955,223	65,612
ICA	$ 165,648	280,764	9,422

	2011	**2012**
Creditable ratio for earnings distributed to domestic shareholders	12.66% (actual)	14.45% (estimated)

9. As of June 30, 2012, the Company's income tax returns have been assessed by the local tax authorities through 2009, with no additional tax liabilities.

(Continued)

(m) Stockholders' equity

1. Common stock

As of June 30, 2011 and 2012, the Company's authorized share capital consisted of 1,000,000 thousand shares of common stock, with NT$10 par value per share, of which 622,572 thousand shares and 648,699 thousand shares, respectively, were issued and outstanding. The Company has reserved NT$1,000,000 for employee stock options.

For the six months ended June 30, 2011 and 2012, the Company had issued 5,005 thousand shares and 106 thousand shares resulting from the exercise of employee stock options .The aforementioned stock issuance was authorized by and registered with the government authorities.

2. Capital surplus, legal reserve, and restrictions on appropriations of earnings

(1) Capital surplus

According to the amended Company Act which was announced in January 2012, capital surplus should not be used except for covering the accumulated deficit or loss of the Company. The capital surplus includes the premium from issuance of shares over their par value and the income from endowments received. In addition, if the capital surplus is capitalized, the combined amount of any portions capitalized in any one year may not exceed 10 % of the paid-in capital in accordance with the "Criteria Governing the Offering and Issuance of Securities by Securities Issuers". The details of capital surplus as of June 30, 2011 and 2012 were as follows:

	2011	2012	
	NT$	**NT$**	**US$**
Additional paid-in capital in excess of par value of shares	$ 1,290,352	1,533,049	51,444
Long-term equity investments	28,445	50	2
Employee stock options	89,937	232,074	7,788
	$ 1,408,734	**1,765,173**	**59,234**

(2) Legal reserve:

According to the amended Company Act which was announced in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of the paid-in capital. If it has no accumulated deficit, the Company may, in pursuant to a resolution approved by its stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

(3) Appropriations of earnings:

Prior to June 5, 2012, 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 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

On June 5, 2012, the Company's stockholders approved the revision of the Company's Articles of Incorporation effective on the same date. The revised articles of incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, is first set aside as a legal reserve. However, this appropriation for legal reserve is discontinued when the balance of legal reserve equals the authorized capital. The remaining balance, if any, must be distributed 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)

On June 10, 2011 and June 5, 2012, respectively, the Company's stockholders approved a resolution to appropriate its earnings for 2010 and 2011as follows:

		2010	2011	
		NT$	**NT$**	**US$**
Cash dividends	$	513,291	518,874	17,412
Bonuses to employees		58,100	92,900	3,117
Remuneration to directors and supervisors		17,400	27,800	933

The above-mentioned appropriations of 2010 and 2011 earnings 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.

As of June 30, 2011 and 2012, the Company accrued and recognized employees' bonus amounting to NT$21,000 and NT$79,000 (US$2,651), respectively, and directors' and supervisors' remuneration amounting to NT$6,300 and NT$23,800 (US$799), respectively. The difference between the actual appropriation of 2011 and 2012 earnings for employees' bonus and directors' emoluments as approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized 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.

3. Employee stock options:

The Company's board of directors approved resolutions to issue employee stock options, with the right for each unit of the options to purchase one share of the Company's common stock. The details of employee stock options were as follows:

Item	**Date of approval by the board of directors**	**Date of approval by authority**	**Issue date**	**Duration**	**Estimated issuable shares**	**Actual issue shares**	**Price of each share NT$ (expressed in dollars)**	**Price of each share US$ (expressed in dollars)**
2006:								
- 1st batch	2006.11.30	-	2006.12.25	5 years	10,000,000	730,000	10.0	0.34
- 2nd batch	2006.11.30	-	2007.07.20	〃		9,270,000	10.0	0.34
2007	2007.06.15	-	2007.07.16	〃	10,000,000	10,000,000	10.0	0.34
2008	2008.10.28	-	2009.08.20	7 years	10,000,000	10,000,000	10.0	0.34
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	10.1	0.34
2010	2010.07.05	2010.09.28	2011.01.26	〃	10,000,000	10,000,000	25.5	0.86

(Continued)

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

	Issued in 2006	Issued in 2007	Issued in 2008	Issued in 2009	Issued in 2010
Grant date	-	-	50%	-	-
Over one year	40%	25%	100%	-	-
Over two years	100%	50%	100%	60%	60%
Over three years	100%	75%	100%	100%	100%
Over four years	100%	100%	100%	100%	100%
Over five years	100%	100%	100%	100%	100%
Over six years	-	-	100%	-	-
Over seven years	-	-	100%	-	-

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

	Employee stock options in 2010-2nd batch	Employee stock options in 2010-3rd batch
Price of each share (NT dollars)	$ 25.5	25.5
Expected life	1.57 years	2.57 years
Market value of per share (NT dollars)	$ 14.1	15.2
Expected volatility	32.56%	32.56%
Risk free interest rate	0.91%	0.99%

For the six months ended June 30, 2011 and 2012, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2011		2012		
	Shares (in thousands)	Weighted-average exercise price NT$ (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price NT$ (expressed in dollars)	US$ (expressed in dollars)
Outstanding at the beginning	27,824	$ 10.50	17,891	18..41	0.62
Granted	10,000	25.50	-	-	-
Exercised	(5,005)	10.00	(106)	10.09	0.34
Expired	(411)	-	(369)	-	-
Outstanding at the end	32,408	14.73	17,416	18.45	0.62

For the six months ended June 30, 2011 and 2012, the compensation cost for employee stock options amounted to NT$50,242 and NT$86,460 (US$2,901), respectively, which had been recorded under cost of goods sold and expenses in accordance with SFAS No. 39.

(Continued)

As of June 30, 2012, the Company's compensatory outstanding employee stock options were as follows:

	Outstanding				Exercisable		
Issue date	**Range of exercise price NT$ (expressed in dollars)**	**Range of exercise price US$ (expressed in dollars)**	**Shares (in thousands)**	**Weighted average of remaining duration (years)**	**Shares (in Thousands)**	**Weighted-average exercise price NT$ (expressed in dollars)**	**Weighted-average exercise price US$ (expressed in dollars)**
2009.09.30	$ 10.10	0.34	7,977	2.25	249	10.10	0.34
2011.01.26	25.50	0.86	9,439	3.58	-	25.50	0.86

The Company's employee stock options issued in 2006 through 2007 were recorded as compensation cost using the intrinsic value method. Under SFAS No. 39 the pro-forma net income and EPS for the six months ended June 30, 2011, will be as follows:

		2011 NT$
Net Income	Net income in statements of operations	$ 432,914
	Compensation cost	(9,482)
	Pro-forma net income	$ 423,432
Basic EPS (dollars)	EPS in statements of operations (after income tax)	0.70
	Pro-forma EPS	0.68
Diluted EPS (dollars)	EPS in statements of operations (after income tax)	0.69
	Pro-forma EPS	0.67

As of June 30, 2012, all of the Company's employee stock options issued in 2006 through 2007 had matured or there were no more outstanding employee stock options, so that no pro-forma information was disclosed.

(n) Earnings per share

For the six months ended June 30, 2011 and 2012, the Company's earnings per share were calculated as follows:

(Shares expressed in thousands)

		2011 before income tax NT$	2012 before income tax NT$	US$
Basic earnings per share				
Net income	$	433,506	986,289	33,097
Weighted-average number of shares outstanding during the period		620,113	648,674	648,674
Basic earnings per share (dollars)	$	0.70	1.52	0.05
Diluted earnings per share				
Net income	$	433,506	986,289	33,097
Weighted-average number of shares outstanding during the period		620,113	648,674	648,674
Employees' bonuses		5,040	4,046	4,046
Employee stock options		6,726	7,792	7,792
Weighted-average number of shares outstanding during the period-diluted		631,879	660,512	660,512
Diluted earnings per share (dollars)	$	0.69	1.49	0.05

		2011 after income tax NT$	2012 after income tax NT$	US$
Basic earnings per share				
Net income	$	432,914	880,719	29,554
Weighted-average number of shares outstanding during the period		620,113	648,674	648,674
Basic earnings per share (dollars)	$	0.70	1.36	0.05
Diluted earnings per share				
Net income	$	432,914	880,719	29,554
Weighted-average number of shares outstanding during the period		620,113	648,674	648,674
Employees' bonuses		5,040	4,046	4,046
Employee stock options		6,726	7,792	7,792
Weighted-average number of shares outstanding during the period-diluted		631,879	660,512	660,512
Diluted earnings per share (dollars)	$	0.69	1.33	0.04

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(o) Disclosure of financial instruments

1. Fair value of financial instruments

(1) The fair values of financial assets and liabilities evaluated by the Consolidated Companies using public quote or a valuation method were as follows:

	2011 NT$		
		Fair value	
	Carrying value	Public quote value	Assessment value
Financial assets:			
Cash and cash equivalents	$ 610,323	-	610,323
Financial assets at fair value through profit or loss－stock	1,258,366	1,258,366	-
Financial assets at fair value through profit or loss－forward	1,245	-	1,245
Financial assets at fair value through profit or loss－convertible bonds	24,600	24,600	-
Available-for-sale financial assets－noncurrent	86,480	86,480	-
Financial assets carried at cost－noncurrent	901,529	-	-
Investment in bonds with no active market－noncurrent	344,783	-	-
Notes and accounts receivable	876,698	-	876,698
Other receivables－related parties	496	-	496
Other financial assets－current	296,912	-	296,912
Restricted assets－noncurrent	23,199	-	23,199
Stock conversion option	15,217	-	-
Financial liabilities:			
Short-term borrowings	222,588	-	222,588
Accounts payable	1,320,983	-	1,320,983
Accrued expense, dividends payable, payable on equipment and other current liabilities	1,371,077	-	1,371,077
Long-term borrowings (including current portion)	6,215,483	-	6,215,483
Off-balance-sheet financial instruments:			
Letters of credit	-	-	335,601

(Continued)

WIN Semiconductors Corp. and Subsidiaries

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	2012					
	NT$			US$		
		Fair value			Fair value	
	Carrying value	Public quote value	Assessment value	Carrying value	Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	$ 710,620	-	710,620	23,846	-	23,846
Financial assets at fair value through profit or loss－funds	310,456	310,456	-	10,418	10,418	-
Financial assets at fair value through profit or loss－stock	961,673	961,673	-	32,271	32,271	-
Financial assets at fair value through profit or loss－convertible bonds	24,500	24,500	-	822	822	-
Available-for-sale financial assets－current	318,771	318,771	-	10,697	10,697	-
Available-for-sale financial assets－noncurrent	282,648	282,648	-	9,485	9,485	-
Financial assets carried at cost－noncurrent	476,917	-	-	16,003	-	-
Investment in bonds with no active market－noncurrent	344,783	-	-	11,570	-	-
Notes and accounts receivable	1,086,764	-	1,086,764	36,469	-	36,469
Other financial assets－current	141,311	-	141,311	4,742	-	4,742
Restricted assets－noncurrent	23,358	-	23,358	784	-	784
Stock conversion option	15,217	-	-	511	-	-
Financial liabilities:						
Short-term borrowings	94,070	-	94,070	3,157	-	3,157
Accounts payable	1,726,470	-	1,726,470	57,935	-	57,935
Accrued expense, dividends payable, payable on equipment and other current liabilities	1,433,315	-	1,433,315	48,097	-	48,097
Long-term borrowings (including current portion)	6,630,236	-	6,630,236	222,491	-	222,491
Off-balance-sheet financial instruments:						
Letters of credit	-	-	164,932	-	-	5,535

2. Methods and assumptions to measure the fair value of financial instruments

(1) As the maturity dates of short-term financial instruments, including cash and cash equivalents, notes and accounts receivable, other receivables－related parties, other financial assets－current, restricted assets, short-term borrowings, accounts payable, accrued expenses, dividends payable, payable on equipment and other current liabilities are within one year of the balance sheet date, their book value is considered to be a reasonable basis for assessing their fair value.

(2) If publicly quoted market prices of financial assets and liabilities are available, then quoted price is adopted as the fair value. If market prices are not available, a valuation technique is adopted to determine the fair value. When adopting a valuation technique, the estimates and assumptions used are consistent with those used by financial market participants in setting prices for financial instruments.

(Continued)

(3) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

(4) The fair values of derivative financial instruments are assessed by valuation techniques. When adopting a valuation technique, the estimates and assumptions used are close to those used by financial market participants when setting prices for the financial instruments.

(5) Long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Company's credit spread, their fair value was estimated to be close to their carrying value.

(6) The fair value of investment in bonds with no active market is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques are identical to those adopted by other market participants.

(7) The fair value of letters of credit is based on the amount of the contract.

3. Disclosure of financial risks

(1) Market risk

The open-end mutual funds and securities held by the Consolidated Companies were measured at fair value and were recorded as financial assets at fair value through profit or loss and available-for-sale financial assets, respectively. Therefore, the Consolidated Companies bear the risk of changes in market price.

The Consolidated Companies are exposed to foreign currency risk on accounts receivables which are denominated in a currency other than New Taiwan dollars. However, this foreign currency risk will most likely be offset by the same risk related to those accounts payables which are denominated in a foreign currency. Therefore, the Consolidated Companies believe those exposures to foreign currency risk are low.

(2) Credit risk

The Consolidated Companies are exposed to potential credit risk through cash and cash equivalents, forwards, securities, and accounts receivable. Cash is deposited in different financial institutions. The Consolidated Companies own securities by purchasing publicly traded stocks. Derivative counterparties are limited to high-credit-quality financial institutions. However, the credit risk involving cash, derivatives and securities is not expected to be significant.

(Continued)

As of June 30, 2011 and 2012, the Consolidated Companies' notes and accounts receivables were concentrated on 7 and 6 customers, whose accounts represented 82% and 74% of total accounts receivables, respectively. In order to reduce the credit risk on these accounts receivable, the Consolidated Companies continues to evaluate the financial status of these customers and request for collaterals when necessary. The Consolidated Companies evaluates the possible loss on accounts receivables periodically and accrues allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation.

(3) Liquidity risk

The Consolidated Companies' capital and operating funds are sufficient to fulfill all obligations. Therefore, the Consolidated Companies' management believes that they do not have any significant exposure to liquidity risk.

(4) Cash-flow risk related to the fluctuation of interest rates

The Company's short-term borrowings and long-term borrowings bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flows. If the market interest rate increases by 1%, the Company's future yearly cash outflow would increase by approximately NT$67,243 (US$2,256).

(5) Transactions with Related Parties

(a) Names and relationships of related parties

Name	Relationship
HIWIN Technologies Corp.	The vice-president is the Company's president
WinMEMS Technologies Co., Ltd.	Investee of the Consolidated companies accounted for by equity method

(b) Significant transactions with related parties

1. Probe cleaning service and rent revenue

For the six months ended June 30, 2011, the Company had provided probe cleaning service and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, which were billed monthly and were recorded as other income, amounted to NT$570 and NT$2,459, respectively. As of June 30, 2011, the other receivable arising from these transactions was NT$496.

(Continued)

For the six months ended June 30, 2012, the Company had provided probe cleaning services and leasing of office to WinMEMS Technologies Co., Ltd. The service income and rental income thereon amounted to NT$570 (US$19) and NT$1,983 (US$67), respectively, which were billed monthly, and were recorded as other income. As of June 30, 2012, the receivables arising from these transactions were fully collected.

2. Property transaction

For the six months ended June 30, 2011 and 2012, the Company purchased machinery from HIWIN Technologies Corp. worth NT$2,595 and NT$0 (US$0) respectively. As of June 30, 2011 and 2012, there was no outstanding accounts payable arising from this transaction as it was fully paid.

(6) Pledged Assets

The carrying values of the pledged assets as of June 30, 2011 and 2012 were as follows:

Pledged assets	Object	2011 NT$	2012 NT$	2012 US$
Restricted assets－noncurrent	Gas deposits	$ 3,000	3,000	101
Restricted assets－noncurrent	Customs guarantee	20,199	20,358	683
Land	Long-term borrowings	599,602	599,602	20,121
Buildings	Long-term borrowings	568,403	540,868	18,150
Factory and equipment	Long-term borrowings	587,200	1,006,797	33,785
Machinery and equipment	Long-term borrowings	3,186,295	4,022,455	134,982
Construction in progress	Long-term borrowings	524,636	32,817	1,101
Prepayment for purchases of equipment	Long-term borrowings	194,267	212,253	7,122
Other equipment	Long-term borrowings	754	3,211	108
Office equipment	Long-term borrowings	145	6,674	224
		$ 5,684,501	6,448,035	216,377

(7) Commitments and Contingencies

(a) As of June 30, 2011 and 2012, the unused letters of credit amounted to NT$335,601 and NT$164,932 (US$5,535), respectively.

(b) As of June 30, 2011 and 2012, the Company entered into agreements to purchase land and buildings, construction of buildings and purchase of machinery equipment with contract prices aggregating to NT$4,716,458 and NT$2,524,818 (US$84,725), of which NT$1,271,366 and NT$1,129,562 (US$37,905) respectively, were unpaid.

(Continued)

(c) In 2010, the Company, together with a non-related party/entity, had jointly entered into a technical development cooperation agreement with the Ministry of Economic Affairs, which is effective until April 30, 2011. Under this agreement, the Company receives a reimbursement of NT$5,500 for every stage of development of solar generator carrier (including other cost reimbursement of NT$1,980 for a non-related party/entity).

(d) In 2008, the Company had entered into a syndicate loan agreement with China Development Industry Bank and the other twelve banks. For the related information, please refer to note 4(j) under long-term borrowings.

(e) In 2011, the Company had entered into a syndicate loan agreement with Mega International Commercial Bank and the other sixteen banks. For the related information, please refer to note 4(j) under long-term borrowings.

(f) In order to obtain bank loans and industrial development project, the Company had issued promissory notes amounting to US$15,000 and NT$12,318,625 for the six months ended June 30, 2011, and US$18,000 and NT$13,615,105 (US$456,883) for the six months ended June 30, 2012.

(8) Important Damage Loss: None.

(9) Important Subsequent Events:

In July, 2012, the Company entered into an agreement with BEST FRIEND TECHNOLOGY CO., LTD. to purchase land and buildings for NT$1,250,000 (US$41,946).

(10) Others

(a) Total personnel expenses, depreciation and amortization, categorized by function, for the six months ended June 30, 2011 and 2012, were as follows:

		2011 NT$	
	Operating cost	**Operating expenses**	**Total**
Personnel expenses			
Salary	$ 329,061	145,234	474,295
Insurance	23,557	10,483	34,040
Pension	11,740	5,678	17,418
Others	25,885	44,935	70,820
Depreciation	445,104	31,254	476,358
Amortization	9,409	19,246	28,655

(Continued)

	2012					
	NT$			US$		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salary	$ 409,772	229,983	639,755	13,751	7,717	21,468
Insurance	29,199	12,097	41,296	980	406	1,386
Pension	14,128	6,786	20,914	474	228	702
Others	35,311	74,322	109,633	1,185	2,494	3,679
Depreciation	571,010	47,371	618,381	19,161	1,590	20,751
Amortization	9,094	17,898	26,992	305	601	906

(b) Reclassification

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2011 have been reclassified to conform to the presentations of the financial statements as of and for the six months ended June 30, 2012 for purposes of comparison. These reclassifications do not have a significant impact on the consolidated financial statements.

(c) The significant foreign currency financial assets and liabilities were as follows:

	2011			2012		
Financial assets	**Foreign currency**	**Exchange rate**	**NT$**	**Foreign currency**	**Exchange rate**	**NT$**
Monetary						
USD	$ 37,981	28.73	1,073,094	46,315	29.88	1,383,878
EUR	156	41.63	6,487	49	37.56	1,829
JPY	148,171	0.3573	52,939	290,203	0.3754	108,948
GBP	24	46.19	1,126	11	46.72	515
HKD	66	3.69	244	65	3.85	251
			$ 1,133,890			1,495,421
Non-monetary						
USD	$ 4,927	28.73	$ 141,548	3,644	29.88	108,893
Financial liabilities						
Monetary						
USD	$ 41,748	28.73	1,199,432	31,726	29.88	947,971
EUR	24	41.63	1,005	249	37.56	9,347
JPY	654,531	0.3573	233,862	1,017,804	0.3754	382,086
GBP	10	46.19	471	10	46.72	481
			$ 1,434,770			1,339,885

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(d) "Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, a project team was set up for purposes of carrying out a plan to adopt the IFRSs. Leading the implementation of this plan is the chief finance officer of the Company. Among of the key components of the plan, anticipated schedule and status of execution as of June 30,2012 were as follows (unaudited):"

Plan Content	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation: (2010.01.01 ~ 2011.12.31)		
◎ Establish adoption plans and form a special taskforce for IFRSs conversion	Accounting Department	Completed
◎ Perform the internal training for employees	Accounting Department	Completed
◎ Compare and analyze the differences between the current Accounting Policies and IFRSs	Accounting Department	Completed
◎ Evaluate proposed adjustments to current Accounting Policies	Accounting Department	Completed
◎ Evaluate the adoption of IFRS 1 - "First-time Adoption of IFRSs"	Accounting Department	Completed
◎ Evaluate adjustments related to information systems and internal controls	Accounting Department, Internal Control Department and IT Department	Completed
Phase 2 - Preparation: (2011.01.01 ~ 2012.12.31)		
◎ Determine how to revise the current Accounting Policies to comply with IFRSs	Accounting Department	Completed
◎ Determine how to adopt IFRS 1 - "First-time Adoption of IFRSs"	Accounting Department	Completed
◎ Adjust relevant information systems and internal controls	Accounting Department, Internal Control Department and IT Department	Completed

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Plan Content	Responsible Department (or Responsible Person)	Status
Phase 3 - Implementation: (2012.01.01 ~ 2013.12.31)		
◎ Test the operation of relevant information systems	IT Department	Completed
◎ Gather information for preparation of Balance Sheet and Comparative Financial Statements in conformity with IFRSs on the date of first-time adoption	Accounting Department	In Progress according to the plan

(e) As of June 30, 2012, the Consolidated Companies had assessed the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs, as follows:

1) The unaudited reconciliation of consolidated balance sheet items as of January 1, 2012.

NT$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Current assets:				
Cash and cash equivalents	$ 799,376	-	799,376	
Financial assets at fair value through profit or loss	1,599,992	23,868	1,623,860	(2)
Notes and accounts receivable, net	652,822	-	652,822	
Other financial assets－current	129,850	-	129,850	
Inventories	1,893,835	-	1,893,835	
Other current assets	129,248	-	129,248	
Deferred income tax assets－current	360,481	(360,481)	-	(6)
Noncurrent assets:				
Available-for-sale financial assets－noncurrent	228,417	485,306	713,723	(1),(2)
Financial assets carried at cost－noncurrent	500,523	(500,523)	-	(2)
Long-term investments under equity method	442,289	158,428	600,717	(1),(3)
Investment in bonds with no active market－noncurrent	344,783	-	344,783	
Property, plant and equipment	11,266,742	(1,672,429)	9,594,313	(7)
Long-term prepayments	-	1,672,429	1,672,429	(7)
Intangible assets	117,652	-	117,652	
Other assets	42,942	-	42,942	
Deferred income tax assets－noncurrent	89,731	360,820	450,551	(1),(6)
Total assets	$ 18,598,683	167,418	18,766,101	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

NT$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Current liabilities:				
Accounts payable	$ 1,090,011	-	1,090,011	
Accrued expenses	721,729	-	721,729	
Payable on equipment	210,620	-	210,620	
Current portion of long-term borrowings	1,007,672	-	1,007,672	
Other current liabilities	35,650	-	35,650	
Provisions	-	21,777	21,777	(4)
Noncurrent liabilities:				
Long-term borrowings	5,483,622	-	5,483,622	
Accrued pension liabilities	4,246	17,331	21,577	(5)
Total liabilities	$ 8,553,550	39,108	8,592,658	
Total stockholders' equity:				
Common stock	$ 6,485,930	-	6,485,930	
Capital surplus	1,707,122	-	1,707,122	
Retained earnings:				
Legal reserve	130,842	-	130,842	
Retained earnings	1,942,901	142,919	2,085,820	
Other stockholders' equity:				
Cumulated translation adjustments	3,064	(17,464)	(14,400)	(1)
Unrealized gain or loss on financial instruments	(224,726)	2,855	(221,871)	(2)
Total stockholders' equity	$ 10,045,133	128,310	10,173,443	
Total liabilities and stockholders' equity	$ 18,598,683	167,418	18,766,101	

(Continued)

Notes to unaudited reconciliation of significant differences as of January 1, 2012:

(1) Under IFRSs, the functional currency of a foreign subsidiary was identified so that an IFRSs adjustment is made to decrease available-for-sale financial assets－noncurrent by NT$2,855, decrease long-term investments under equity method by NT$13,452, increase retained earnings by NT$1,496, decrease cumulative translation adjustments by NT$17,464 and increase deferred income tax assets－noncurrent by NT$ 339.

(2) Under IFRSs, investment in unlisted and emerging stock companies is measured in accordance with IAS 39. Such measurement resulted in adjustment to decrease financial assets carried at cost－noncurrent by NT$500,523 , increase financial assets at fair value through profit or loss by NT$23,868 , increase available-for-sale financial assets－noncurrent by NT$488,161, increase unrealized gain or loss on financial instruments by NT$2,855, and increase retained earnings by NT$8,651.

(3) Under IFRSs, an adjustment is made for the excess of the investor’s share of the net fair value of the investee’s identifiable assets and liabilities over the cost of investment. This IFRSs adjustment increased long-term investments under equity method by NT$171,880 and increased retained earnings by the same amount.

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. This adjustment decreased retained earnings by NT$21,777 and increased provisions by the same amount.

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that an adjustment is made to decrease retained earnings by NT$17,331 and increase accrued pension liabilities by the same amount.

(6) Under IFRSs, an adjustment is made to decrease deferred income tax assets－current by NT$360,481 and increase deferred income tax assets－noncurrent by the same amount.

(7) Under IFRSs, a reclassifying entry is made to decrease construction in progress and prepayment for purchases of equipment by NT$1,672,429 and increase long-term prepayments by the same amount.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

2) The unaudited reconciliation of consolidated balance sheet as of June 30, 2012.

NT$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Current assets:				
Cash and cash equivalents	$ 710,620	-	710,620	
Financial assets at fair value through profit or loss	1,296,629	7,848	1,304,477	(2)
Available-for-sale financial assets－current	318,771	-	318,771	
Notes and accounts receivable, net	1,086,764	-	1,086,764	
Other financial assets－current	141,311	-	141,311	
Inventories	2,706,078	-	2,706,078	
Other current assets	266,786	-	266,786	
Deferred income tax assets－current	356,320	(356,320)	-	(6)
Noncurrent assets:				
Available-for-sale financial assets－noncurrent	282,648	544,362	827,010	(1),(2)
Financial assets carried at cost－noncurrent	492,134	(492,134)	-	(2)
Long-term investments under equity method	171,134	(15,362)	155,772	(1)
Investment in bonds with no active market－noncurrent	344,783	-	344,783	
Property, plant and equipment	11,964,125	(1,514,774)	10,449,351	(1),(7)
Long-term prepayments	-	1,514,776	1,514,776	(7)
Intangible assets	102,620	-	102,620	
Other assets	42,521	-	42,521	
Deferred income tax assets－noncurrent	96,866	356,320	453,186	(6)
Total assets	$ 20,380,110	44,716	20,424,826	
Current liabilities:				
Short-term borrowings	$ 94,070	-	94,070	
Accounts payable	1,726,470	-	1,726,470	
Accrued expense and dividends payable	1,255,234	-	1,255,234	
Payable on equipment	153,536	-	153,536	
Current portion of long-term borrowings	1,407,089	-	1,407,089	
Other current liabilities	24,545	-	24,545	
Provisions	-	23,717	23,717	(4)
Noncurrent liabilities:				
Long-term borrowings	5,223,147	-	5,223,147	
Accrued pension liabilities	5,504	17,036	22,540	(5)
Total liabilities	$ 9,889,595	40,753	9,930,348	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

NT$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Stockholders' equity:				
Common stock	$ 6,486,989	-	6,486,989	
Capital surplus	1,765,173	-	1,765,173	
Retained earnings:				
Legal reserve	258,703	-	258,703	
Special reserve	221,662	-	221,662	
Retained earnings	1,955,223	35,950	1,991,173	
Other stockholders' equity:				
Cumulated translation adjustments	10,662	(21,398)	(10,736)	(1)
Unrealized gain or loss on financial instruments	(207,897)	(10,589)	(218,486)	(2)
Total stockholders' equity	$ 10,490,515	3,963	10,494,478	
Total liabilities and stockholders' equity	$ 20,380,110	44,716	20,424,826	

US$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Current assets:				
Cash and cash equivalents	$ 23,846	-	23,846	
Financial assets at fair value through profit or loss	43,511	263	43,774	(2)
Available-for-sale financial assets－current	10,697	-	10,697	
Notes and accounts receivable, net	36,469	-	36,469	
Other financial assets－current	4,742	-	4,742	
Inventories	90,808	-	90,808	
Other current assets	8,952	-	8,952	
Deferred income tax assets－current	11,957	(11,957)	-	(6)
Noncurrent assets:				
Available-for-sale financial assets－noncurrent	9,485	18,267	27,752	(1),(2)
Financial assets carried at cost－noncurrent	16,514	(16,514)	-	(2)
Long-term investments under equity method	5,743	(515)	5,228	(1)
Investment in bonds with no active market－noncurrent	11,570	-	11,570	
Property, plant and equipment	401,481	(50,831)	350,650	(1),(7)
Long-term prepayments	-	50,831	50,831	(7)
Intangible assets	3,444	-	3,444	
Other assets	1,427	-	1,427	
Deferred income tax assets－noncurrent	3,250	11,957	15,207	(6)
Total assets	$ 683,896	1,501	685,397	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

US$

Items	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Current liabilities:				
Short-term borrowings	$ 3,157	-	3,157	
Accounts payable	57,935	-	57,935	
Accrued expense and dividends payable	42,122	-	42,122	
Payable on equipment	5,152	-	5,152	
Current portion of long-term borrowings	47,218	-	47,218	
Other current liabilities	823	-	823	
Provisions	-	796	796	(4)
Noncurrent liabilities:				
Long-term borrowings	175,273	-	175,273	
Accrued pension liabilities	185	572	757	(5)
Total liabilities	$ 331,865	1,368	333,233	
Stockholders' equity:				
Common stock	$ 217,684	-	217,684	
Capital surplus	59,234	-	59,234	
Retained earnings:				
Legal reserve	8,681	-	8,681	
Special reserve	7,438	-	7,438	
Retained earnings	65,612	1,206	66,818	
Other stockholders' equity:				
Cumulated translation adjustments	358	(718)	(360)	(1)
Unrealized gain or loss on financial instruments	(6,976)	(355)	(7,331)	(2)
Total stockholders' equity	$ 352,031	133	352,164	
Total liabilities and stockholders' equity	$ 683,896	1,501	685,397	

The unaudited reconciliation of consolidated statement of comprehensive income for the six months ended June 30, 2012.

NT$

	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Net revenue	$ 5,665,274	-	5,665,274	
Cost of goods sold	(4,006,736)	(1,541)	(4,008,277)	
Gross profit	1,658,538	(1,541)	1,656,997	
Operating expenses	(622,138)	(83)	(622,221)	
Operating income	1,036,400	(1,624)	1,034,776	(1),(4),(5)
Non-operating income and gains, and non-operating expenses and losses	(50,111)	(105,345)	(155,456)	(1),(2),(3)
Income before income tax	986,289	(106,969)	879,320	
Income tax expense	(105,570)	-	(105,570)	
Net income	$ 880,719	(106,969)	773,750	
Other comprehensive income for the period, net of tax effect			7,049	(8)
Total comprehensive income for the period			$ 780,799	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

US$

	ROC GAAP	Effect of Transition to IFRSs (Unaudited)	IFRSs (Unaudited)	Note
Net revenue	$ 190,110	-	190,110	
Cost of goods sold	(134,454)	(52)	(134,506)	
Gross profit	55,656	(52)	55,604	
Operating expenses	(20,877)	(3)	(20,880)	
Operating income	34,779	(55)	34,724	(1),(4),(5)
Non-operating income and gains, and non-operating expenses and losses	(1,682)	(3,535)	(5,217)	(1),(2),(3)
Income before income tax	33,097	(3,590)	29,507	
Income tax expense	(3,543)	-	(3,543)	
Net income	$ 29,554	(3,590)	25,964	
Other comprehensive income for the period, net of tax			237	(8)
Total comprehensive income for the period			$ 26,201	

Notes to unaudited reconciliation of the significant differences as of and for the six months ended June 30, 2012:

(1) Under IFRSs, the functional currency of a foreign subsidiary is identified so that an IFRSs adjustment is made to decrease available-for-sale financial assets－noncurrent by NT$3,305 (US$111), decrease long-term investments under equity method by NT$15,362 (US$515), increase retained earnings by NT$2,734 (US$92), decrease cumulative translation adjustments by NT$21,398 (US$718) and increase property, plant and equipment by NT$2 (US$0) as of June 30, 2012. For the six months ended June 30, 2012, this adjustment likewise resulted in an increase of exchange gain, net by NT$1,217 (US$41), and a decrease of cost of goods sold and operating expenses by NT$21(US$1).

(2) Under IFRSs, investment in unlisted and emerging stock companies is measured in accordance with IAS 39. As of June 30, 2012, such measurement resulted in adjustment to decrease of financial assets carried at cost–noncurrent by NT$492,134 (US$16,514), increase of financial assets at fair value through profit or loss by NT$7,848 (US$263), increase of available-for-sale financial assets–noncurrent by NT$547,667 (US$18,378), decrease of unrealized gain or loss on financial instruments by NT$10,589 (US$355), and decrease of retained earnings by NT$7,369 (US$247). For the six months ended June 30, 2012, this adjustment likewise resulted in an increase in loss on valuation of financial asset, net by NT$16,020 (US$538).

(3) Under IFRSs, an adjustment is made for the sale by the Company of its equity ownership in investee accounted for under long-term equity investments. As of June 30, 2012, this adjustment increased retained earnings by NT$81,338 (US$2,729). For the six months ended June 30, 2012, this adjustment likewise resulted in an increase of loss on disposal of investment, net by NT$90,542(US$3,038).

(Continued)

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. As of June 30, 2012, this adjustment caused a decrease in retained earnings by NT$23,717 (US$796) and increase of provisions by the same amount. For the six months ended June 30, 2012, this adjustment likewise resulted in an increase of cost of goods sold and operating expenses by NT$1,940 (US$65)

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that as of June 30, 2012, an adjustment is made to decrease retained earnings by NT$17,036 (US$572) and increase accrued pension liabilities by the same amount. For the six months ended June 30, 2012, this adjustment likewise resulted in a decrease of pension expense by NT$295 (US$9).

(6) Under IFRSs, as of June 30, 2012, an adjustment is made to decrease deferred income tax assets–current by NT$356,320 (US$11,957) and increase deferred income tax assets－noncurrent by the same amount.

(7) Under IFRSs, as of June 30, 2012, an adjustment is made to decrease construction in progress and prepayment for purchases of equipment by NT$1,514,776 (US$50,831) and increase long-term prepayments by the same amount.

(8) Under IFRSs, an adjustment is made to increase other comprehensive income arising from cumulated translation adjustments and unrealized gain or loss on financial instruments by NT$7,049 (US$237).

IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for the Consolidated Companies in preparing the first consolidated financial statements in accordance with IFRSs. Also, the Consolidated Companies are allowed optional exemptions from adopting certain accounting policies under IFRS 1. Except for those optional exemptions and mandatory exceptions under IFRS 1 , other adjustments are made retrospectively against the opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date). The main optional exemption adopted by the Consolidated Companies is in the area of accounting for employee benefits, under which, the Consolidated Companies elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

(f) The Consolidated Companies' aforementioned unaudited assessment of differences between the current accounting policies of the Consolidated Companies and IFRSs is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, this assessment of differences may be affected as FSC may issue new rules governing the adoption of IFRSs, and as new and revised IFRSs standards, amendments or interpretations are issued by the ARDF and approved but are not yet effected by the FSC. Actual accounting policies that maybe adopted under IFRSs in the future may differ from those contemplated in the above assessments.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(11) Other Disclosure Items

(a) Related information on material transaction items:

1. Lending to other parties: None.

2. Guarantees and endorsements for other parties: None.

3. Information regarding securities held:

Company holding securities	Security type and name	Relationship with the issuing company	Account	Period-end						Note
				Shares/Units (in thousands)	Carrying value (NT$)	Carrying value (US$)	Percentage of ownership (%)	Market value (or net value) (NT$)	Market value (or net value) (US$)	
The Company	Pegatron Corporation/Stock	-	Financial assets at fair value through profit and loss－current	323	12,565	422	0.01	12,565	422	
〃	EPISTAR Corporation /Stock	〃	〃	14,490	949,108	31,849	1.68	949,108	31,849	
〃	I-Chiun Precision Industry Co., Ltd. /Convertible bond	〃	〃	250	24,500	822	-	24,500	822	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	3,829	50,007	1,678	-	50,007	1,678	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	4,126	50,001	1,678	-	50,001	1,678	
〃	Fuh Hwa Emerging Market High Yield Bond Fund	〃	〃	1,035	10,382	348	-	10,382	348	
〃	Polaris China Umbrella Securities Investment Trust Fund-China Balance Securities Investment Trust Fund	〃	〃	5,000	50,050	1,680	-	50,050	1,680	
〃	Union Money Market Fund	〃	〃	11,735	150,016	5,034	-	150,016	5,034	
					1,296,629	43,511		1,296,629	43,511	
〃	ITEQ CORPORATION /Stock	-	Available -for-sale financial assets－current	6,567	216,054	7,250	2.17	216,054	7,250	
〃	MAG.LAYERS Scientific-Technics Co.,Ltd./Stock	〃	〃	1,755	74,588	2,503	2.43	74,588	2,503	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	698	28,129	944	0.19	28,129	944	
					318,771	10,697		318,771	10,697	
〃	Huga Optotech Inc. /Stock	-	Available-for-sale financial assets－noncurrent	7,351	93,365	3,133	1.42	93,365	3,133	
〃	Tainergy Tech Co., Ltd. /Stock	〃	〃	7,130	105,526	3,541	3.46	105,526	3,541	
					198,891	6,674		198,891	6,674	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the issuing company	Account	Period-end: Shares/Units (in thousands)	Period-end: Carrying value (NT$)	Period-end: Carrying value (US$)	Period-end: Percentage of ownership (%)	Period-end: Market value (or net value) (NT$)	Period-end: Market value (or net value) (US$)	Note
The Company	Shin Sheng Ⅲ Venture Capital Investment Corp. /Stock	-	Financial assets carried at cost－noncurrent	15,000	150,000	5,033	11.03	(Note 1)	(Note 1)	
〃	Inventec Solar Energy Corporation /Stock	〃	〃	33,000	263,200	8,832	11.00	(Note 1)	(Note 1)	
〃	IntelliEPI Inc.(Cayman)/Stock	〃	〃	500	5,306	178	1.92	(Note 1)	(Note 1)	
〃	Speed Tech Corp./ Stock	〃	〃	21,500	58,411	1,960	9.20	(Note 2)	(Note 2)	
〃	Bright Led Electronics Corp. /Convertible Option	〃	〃	-	15,217	511	-	(Note 5)	(Note 5)	
					492,134	16,514				
〃	WIN SEMI. USA, INC.／Stock	Subsidiary	Long-term investments under equity method	1,000	11,501	386	100.00	11,501	386	(Note 3)
〃	Win Semiconductors Cayman Islands Co., Ltd.／Stock	〃	〃	7,000	301,879	10,130	100.00	301,879	10,130	(Note 3)
〃	Inventec Energy Corporation /Stock	Common owner as the Company	〃	19,757	127,331	4,273	20.58	115,630	3,880	(Note 4)
					440,711	14,789				
〃	Bright Led Electronics Corp. /Convertible bond	-	Investment of bonds with no active market－noncurrent	4	344,783	11,570	-	(Note 5)	(Note 5)	

Note 1： The stock is not publicly traded, and has no active market price.
Note 2： The stock was purchased privately, and cannot be sold within the 3 years period of the initial purchase.
Note 3： The amount was offset in the consolidated statements.
Note 4： The stock is not publicly traded, and has no active market price. Disclosure of the investment of the net equity.
Note 5： The convertible bond was purchased privately, and had no active market price.

4. Information regarding purchase or sale of securities for the period exceeding NT$100 million or 20% of the Company's paid-in capital:

(NT$)

Company holding securities	Security type and Name	Account	Counter-party	Relation-ship	Beginning: Shares (in thousands)	Beginning: Amount	Purchase: Shares/ Units (in thousands)	Purchase: Amount	Sale: Shares (in thousands)	Sale: Price	Sale: Carrying value	Sale: Gain (loss) on disposal	Security cost on 2012.6.30: Shares/ Units (in thousands)	Security cost on 2012.6.30: Amount	Gain (loss) on valuation	Ending: Shares/ Units (in thousands)	Ending: Amount
The Company	Speed Tech Corp.	Long-term investments under equity method (Note 1)	Fortune Share Limited and Da-chin Corp.	-	61,500	203,742	-	-	40,000	259,220	108,673 (Note 1)	150,547	21,500	66,070 (Note 1)	(14,751) (Note 2)	21,500	58,411
〃	Polaris Global ETF of Bond Securities Investment Trust Fund	Financial assets at fair value through profit and loss－current	-	-	10,000	100,000	-	-	10,000	100,280	100,000	280	-	-	-	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	19,540	236,000	14,056	170,000	29,470	356,506	356,000	506	4,126	50,000	1	4,126	50,001
〃	Fuh Hwa Yu Li Money Market Fund	〃	-	-	3,843	50,000	16,115	210,000	16,129	210,200	210,000	200	3,829	50,000	7	3,829	50,007
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	-	-	4,316	50,000	13,883	161,000	18,199	211,234	211,000	234	-	-	-	-	-
〃	Fuh Hwa Money Market Fund	〃	-	-	9,677	135,000	7,157	100,000	16,834	235,454	235,000	454	-	-	-	-	-
〃	Capital Money Market Fund	〃	-	-	3,216	50,000	6,429	100,000	9,645	150,207	150,000	207	-	-	-	-	-
〃	Union Money market Fund	〃	-	-	-	-	19,564	250,000	7,829	100,004	100,000	4	11,735	150,000	16	11,735	150,016

(Continued)

(US$)

Company holding securities	Security type and Name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				Security cost on 2012.6.30		Gain (loss) on valuation	Ending	
					Shares (in thousands)	Amount	Shares/ Units (in thousands)	Amount	Shares (in thousands)	Price	Carrying value	Gain (loss) on disposal	Shares/ Units (in thousands)	Amount		Shares/ Units (in thousands)	Amount
The Company	Speed Tech Corp.	Long-term investments under equity method (Note 1)	Fortune Share Limited and Da-chin Corp.	-	61,500	6,837	-	-	40,000	8,699	3,647 (Note 1)	5,052	21,500	2,217 (Note 1)	(495) (Note 2)	21,500	1,960
〃	Polaris Global ETF of Bond Securities Investment Trust Fund	Financial assets at fair value through profit and loss－current	-	-	10,000	3,356	-	-	10,000	3,365	3,356	9	-	-	-	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	19,540	7,919	14,056	5,705	29,470	11,963	11,946	17	4,126	1,678	-	4,126	1,678
〃	Fuh Hwa Yu Li Money Market Fund	〃	-	-	3,843	1,678	16,115	7,047	16,129	7,054	7,047	7	3,829	1,678	-	3,829	1,678
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	-	-	4,316	1,678	13,883	5,402	18,199	7,088	7,080	8	-	-	-	-	-
〃	Fuh Hwa Money Market Fund	〃	-	-	9,677	4,530	7,157	3,356	16,834	7,901	7,886	15	-	-	-	-	-
〃	Capital Money Market Fund	〃	-	-	3,216	1,678	6,429	3,356	9,645	5,041	5,034	7	-	-	-	-	-
〃	Union Money market Fund	〃	-	-	-	-	19,564	8,389	7,829	3,356	3,356	-	11,735	5,033	1	11,735	5,034

Note 1: For the six months ended June 30, 2012, the Company sold for NT$259,220 (US$8,699) its ownership of the shares of stock of Speed Tech Corp., with carrying value of NT$122,921 (US$4,125). The related capital surplus and other equity adjustment arising from this equity investment of NT$14,248 (US$478) were credited based on the disposal ratio. The net gain on disposal of such investment amounted to NT$150,547 (US$5,052) for the six months ended June 30, 2012, so that its shareholding percentage decreased from 26.33% to 9.20%. Such decrease in ownership resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Therefore, the Company's equity investment in this investee company had been reclassified from long-term equity investment to financial assets carried at cost－noncurrent, as discussed further in note 4(f).

Note 2: For the six months ended June 30, 2011, investment loss under equity method recognized by Speed Tech Corp..

5. Information on acquisition of real estate with purchase amount exceeding NT$ 100 million or 20% of the Company's paid-in capital:

Company Name	Types of Property	Transaction Date	Transaction Amount (NT$)	Transaction Amount (US$)	Payment Term	Counter-party	Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
								Owner	Relationships	Transfer Date	Amount			
WIN Semiconductors Corp.	Land and buildings in Xinpu Township	101.5.17 (Note1)	1,080,000 (Note2)	36,242	By the contract	TAROKO TEXTILE CORP.	-	-	-	-	-	Market value	Expansion	-

Note1: It is the date of the agreement.

Note2: The Company had paid NT$ 700,000 (US$ 23,490) and recorded the payment as prepayment for purchases of land and equipments in 2012. Remainder will be paid by the contract.

6. Information regarding receivables from disposal of real estate exceeding NT$ 100 million or 20% of the Company's paid-in capital: None.

7. Information regarding related-party purchases and/or sales exceeding NT$ 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 (NT$)	Amount (US$)	Percentage of the purchases (sales) (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance (NT$)	Ending Balance (US$)	Percentage of notes/accounts receivable (payable) (%)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	2,984,913	100,165	(54)%	1~2 Month	-	-	371,627	12,471	40%	(Note)

Note: The amounts were offset in the consolidated statements.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

Company Name	Related Party	Nature of Relationships	Ending Balance (NT$)	Ending Balance (US$)	Turnover	Overdue		Amounts Received in Subsequent (NT$)	Amounts Received in Subsequent (US$)	Allowance for Bad Debts	Note
						Amount	Action Taken				
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	371,627	12,471	18.32%	-	-	371,627	12,471	-	(Note)

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

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

(b) Information on the Company's long-term equity investments:

1. Relevant information about investees:

(NT$)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of June 30, 2012			Net Income (loss) of the Investee	Investment income (loss) recognized by the company	Note
				June 30, 2012	January 1, 2012	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%	11,501	(847)	(847)	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	301,879	(35,446)	(35,446)	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	293,873	293,873	19,757	20.58%	127,331	(92,515)	(19,040)	
Win Semiconductors Cayman Islands Co., Ltd.	WinMEMS Technologies Holdings Co., Ltd.	Cayman Island	Investing activities	158,039	158,039	19,100	34.73%	43,803	(43,623)	(15,168)	

(US$)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of June 30, 2012			Net Income (loss) of the Investee	Investment income (loss) recognized by the company	Note
				June 30, 2012	January 1, 2012	Shares (in Thousands)	Percentage	Carrying Value			
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	275	275	1,000	100.00%	386	(28)	(28)	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Island	Selling of GaAs wafers	7,639	7,639	7,000	100.00%	10,130	(1,189)	(1,189)	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	9,862	9,862	19,757	20.58%	4,273	(3,105)	(639)	
Win Semiconductors Cayman Islands Co., Ltd.	WinMEMS Technologies Holdings Co., Ltd.	Cayman Island	Investing activities	5,303	5,303	19,100	34.73%	1,470	(1,464)	(509)	

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

2. Lending to other parties: None.

3. Guarantees and endorsements for other parties: None.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

4. Information regarding securities held:

Company holding securities	Security type and name	Relationship with the issuing company	Account	Period-end						Note
				Shares (in thousands)	Carrying value (NT$)	Carrying value (US$)	Percentage	Market value (or net value) (NT$)	Market value (or net value) (US$)	
Win Semiconductors Cayman Islands Co., Ltd.	WinMEMS Technologies Holdings Co., Ltd./Stock	Investee accounted for using equity method	Long-term investment under equity method	19,100	43,803	1,470	34.73%	43,803	1,470	(Note)
"	Avago Technologies Ltd./Stock	Subsidiary's main client	Available-for-sale financial assets－noncurrent	75	83,757	2,811	0.03%	83,757	2,811	

Note: The stock is not publicly listed and has no active market price.

5. Information regarding purchase or sale of securities for the period exceeding NT$100 million or 20% of the Company's paid-in capital: None.

6. Information on acquisition of real estate exceeding NT$100 million or 20% of the Company's paid-in capital: None.

7. Information regarding receivables from disposal of real estate exceeding NT$100 million or 20% of the Company's paid-in capital: None.

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

Company Name	Related Party	Relationships	Transaction Details					Abnormal Transaction		Notes/Accounts (Payable) or Receivable			Note
			Item	Amount (NT$)	Amount (US$)	Percentage of the purchases (sales) (%)	Payment Terms	Unit Price	Payment Terms	Ending Balance (NT$)	Ending Balance (US$)	Percentage of notes/accounts receivable (payable) (%)	
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	2,984,913	100,165	100%	1~2 Month	-	-	(371,627)	(12,471)	(100%)	(Note)

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

9. Information regarding receivables from related parties for which the amount exceeded NT$100 million or 20% of the Company's paid-in capital: None.

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

(c) Investment in China: None.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(d) Significant transactions and business relationship between parent company and subsidiaries:

1. For the six months ended June 30, 2011

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount (NT$)	Terms (Note 3)	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	2,318,066	-	57.92%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	537,054	-	2.98%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	537,054	-	2.98%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	2,318,066	-	57.92%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	20,932	-	0.52%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	20,932	-	0.52%

2. For the six months ended June 30, 2012

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions				
				Account	Amount (NT$)	Amount (US$)	Terms (Note 3)	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	2,984,913	100,165	-	52.69%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	371,627	12,471	-	1.82%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	371,627	12,471	-	1.82%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	2,984,913	100,165	-	52.69%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	21,358	717	-	0.38%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	21,358	717	-	0.38%

Note 1: Company numbering is as follows:

Parent company－0

Subsidiary starts from 1

Note 2: Relationship with transaction party numbering is 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)

(12) Segment Financial Information

(a) The Company, which engages in researching, developing, manufacturing, and selling of GaAs wafers, is considered as a single operating segment.

(b) Segment information by products and services for the six months ended June 30, 2011 and 2012, were as follows:

	2011	2012	
	NT$	NT$	US$
Revenue			
Revenue from outside customers	$ 4,002,302	5,665,274	190,110
Interest Income	289	901	30
Net revenue	$ 4,002,591	5,666,175	190,140
Interest expense	(27,498)	(46,159)	(1,549)
Depreciation and amortization	(505,013)	(645,373)	(21,657)
Investment loss recognized under equity method	(45,622)	(48,959)	(1,643)
Impairment loss	-	(101,379)	(3,402)
Assets			
Long-term investments under equity method	511,973	171,134	5,743
Capital expenditures in noncurrent assets	2,587,759	1,354,960	45,469

The income before income tax, assets and liabilities of the operating segment above are consistent with the related accounts shown in the consolidated balance sheet and consolidated statement of operations of the Company.

(c) Geographical segments:

In accordance with the ROC SFAS No.23 “Interim Financial Reporting”, no disclosure was made of the geographical segments as they need not be disclosed in the interim financial statements.

(d) Major customers:

In accordance with the ROC SFAS No.23 “Interim Financial Reporting”, no disclosure was made of the major customers as they need not be disclosed in the interim financial statements.