WIN Semiconductors Corp. and Subsidiaries

Consolidated Financial Statements
December 31, 2009, 2010 and 2011
(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
WIN Semiconductors Corp.

We have audited the accompanying consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of December 31, 2009, 2010 and 2011, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of WIN Semiconductors Corp., and subsidiaries as of December 31, 2009, 2010 and 2011, and the consolidated results of their operations and their consolidated cash flows for the years 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.

The accompanying consolidated financial statements as of and for the year ended December 31, 2011, has been translated into United States dollars solely for the convenience of the readers. We have audited the translation, and in our opinion, the 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)
March 19, 2012, except for note 2(u) of the notes to the consolidated financial statements which is dated June 29, 2012.

Note to Readers

The accompanying 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

Consolidated Balance Sheets

December 31, 2009, 2010 and 2011
(Expressed in Thousands Dollars)

Assets	2009 NT$	2010 NT$	2011 NT$	2011 US$
Current assets:				
Cash and cash equivalents (note 4(a))	$ 471,060	408,801	799,376	26,825
Financial assets at fair value through profit or loss (note 4(b))	561,440	1,601,682	1,599,992	53,691
Notes and accounts receivable, net (note 4(c))	616,377	481,016	652,822	21,907
Other financial assets－current (note 4(d))	37,387	92,402	129,850	4,357
Inventories (note 4(e))	970,467	1,369,390	1,893,835	63,551
Other receivable－related parties (note 5)	10	-	-	-
Other current assets	59,355	110,136	129,248	4,337
Deferred income tax assets－current (note 4(l))	-	40,269	360,481	12,097
Total current assets	2,716,096	4,103,696	5,565,604	186,765
Funds and investments:				
Available-for-sale financial assets－noncurrent (note 4(b))	45,089	66,223	228,417	7,665
Financial assets carried at cost－noncurrent (note 4(b))	1,070,182	1,003,650	500,523	16,796
Long-term investments under equity method (note 4(f))	403,956	347,805	442,289	14,842
Investment in bonds with no active market－noncurrent (note 4(b))	-	344,783	344,783	11,570
Total funds and investments	1,519,227	1,762,461	1,516,012	50,873
Property, plant and equipment (notes 4(g), 5, 6 and 7):				
Cost:				
Land	597,708	802,337	802,337	26,924
Buildings	525,254	721,851	721,851	24,223
Machinery and equipment	7,271,504	8,493,039	9,149,329	307,025
Factory and equipment	1,839,178	1,868,657	1,887,456	63,337
Office equipment	61,510	88,196	110,185	3,698
Other equipment	146,439	153,254	156,446	5,250
	10,441,593	12,127,334	12,827,604	430,457
Less: accumulated depreciation	(4,360,095)	(4,709,345)	(3,233,291)	(108,500)
	6,081,498	7,417,989	9,594,313	321,957
Construction in progress	43,720	342,823	712,006	23,893
Prepayment for purchases of equipment	1,138,728	978,062	960,423	32,229
Net property, plant and equipment	7,263,946	8,738,874	11,266,742	378,079
Intangible assets (note 4(h))	56,345	132,526	117,652	3,948
Other assets:				
Refundable deposits	19,753	18,207	19,658	660
Restricted assets－noncurrent (note 6)	23,024	23,128	23,284	781
Deferred income tax assets－noncurrent (note 4(l))	-	110,050	89,731	3,011
Total other assets	42,777	151,385	132,673	4,452
Total Assets	$ 11,598,391	14,888,942	18,598,683	624,117

Liabilities and Stockholders' Equity	2009 NT$	2010 NT$	2011 NT$	2011 US$
Current liabilities:				
Short-term borrowings (note 4(i))	$ 226,202	365,365	-	-
Notes and accounts payable	868,986	871,479	1,090,011	36,578
Accrued expenses	225,536	587,386	721,729	24,219
Payable on equipment (note 5)	104,423	93,625	210,620	7,068
Current portion of long-term borrowings (notes 4(j) and 6)	577,332	1,388,559	1,007,672	33,814
Other current liabilities	18,066	44,290	35,650	1,196
Total current liabilities	2,020,545	3,350,704	3,065,682	102,875
Long-term liabilities:				
Long-term borrowings (notes 4(j) and 6)	2,703,357	2,661,834	5,483,622	184,014
Other liabilities:				
Accrued pension liabilities (note 4(k))	1,938	2,467	4,246	143
Deferred income tax liabilities－noncurrent (note 4(l))	1,319	-	-	-
Total other liabilities	3,257	2,467	4,246	143
Total liabilities	4,727,159	6,015,005	8,553,550	287,032
Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):				
Common stock	5,979,695	6,175,675	6,485,930	217,648
Capital surplus:				
Capital surplus－additional paid-in capital	1,250,000	1,279,842	1,529,719	51,333
Capital surplus－long-term equity investments	17,165	28,445	28,469	955
Capital surplus－employee stock options	12,291	50,205	148,934	4,998
Total capital surplus	1,279,456	1,358,492	1,707,122	57,286
Retained earnings (accumulated deficit)				
Legal reserve	-	-	130,842	4,391
Retained earnings (accumulated deficit)	(400,860)	1,308,424	1,942,901	65,198
Total retained earnings (accumulated deficit)	(400,860)	1,308,424	2,073,743	69,589
Other stockholders' equity adjustments:				
Cumulative translation adjustments	5,276	2,043	3,064	103
Unrealized gain (loss) on financial instruments	7,665	29,303	(224,726)	(7,541)
Total other stockholders' equity adjustments	12,941	31,346	(221,662)	(7,438)
Total stockholders' equity	6,871,232	8,873,937	10,045,133	337,085
Commitments and contingencies (note 7)				
Total Liabilities and Stockholders' Equity	$ 11,598,391	14,888,942	18,598,683	624,117

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31, 2009, 2010 and 2011
(Expressed in Thousands of Dollars, Except for Earnings Per Common Share)

	2009	2010	2011	
	NT$	NT$	NT$	US$
Operating revenue	$ 4,848,815	7,059,202	8,927,370	299,576
Less: sales returns	(17,282)	(13,560)	(9,276)	(311)
sales discounts and allowances	(41,390)	(63,991)	(16,821)	(565)
Net revenue	4,790,143	6,981,651	8,901,273	298,700
Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m) and 10)	(3,564,560)	(4,903,085)	(6,096,943)	(204,595)
Gross profit	1,225,583	2,078,566	2,804,330	94,105
Operating expenses (notes 4(h), 4(k), 4(m) , 5 and 10)				
Marketing expenses	(137,988)	(133,245)	(142,156)	(4,770)
General and administrative expenses	(221,266)	(333,321)	(434,524)	(14,582)
Research and development expenses	(233,741)	(415,128)	(450,279)	(15,110)
	(592,995)	(881,694)	(1,026,959)	(34,462)
Operating income	632,588	1,196,872	1,777,371	59,643
Non-operating income and gains:				
Interest income	322	354	813	27
Gain on disposal of investments, net (note 4(b))	7,524	389,495	183	6
Exchange gain, net	-	30,535	-	-
Dividend income	6,681	10,078	79,529	2,669
Gain on valuation of financial assets, net (note 4(b))	51,757	245,597	-	-
Other income (notes 4(b), 5 and 7)	13,935	28,978	150,810	5,061
	80,219	705,037	231,335	7,763
Non-operating expenses and losses:				
Interest expense (note 4(g))	(10,951)	(42,118)	(58,346)	(1,958)
Investment loss recognized under equity method (note 4(f))	(111,027)	(65,521)	(114,698)	(3,849)
Loss on disposal of property, plant and equipment	(651)	(41,409)	(14,688)	(493)
Exchange loss, net	(5,435)	-	(29,525)	(991)
Impairment loss (note 4(b))	(18,501)	(43,527)	-	-
Loss on valuation of financial assets, net (note 4(b))	-	-	(621,718)	(20,863)
Other loss	(3,149)	-	-	-
	(149,714)	(192,575)	(838,975)	(28,154)
Income before income tax	563,093	1,709,334	1,169,731	39,252
Income tax benefit (expense) (note 4(l))	(3,649)	(50)	108,879	3,654
Net income	$ 559,444	1,709,284	1,278,610	42,906

	2009		2010		2011			
	Before income tax	**After income tax**	**Before income tax**	**After income tax**	**Before income tax**	**After income tax**	**Before income tax**	**After income tax**
	NT$	**NT$**	**NT$**	**NT$**	**NT$**	**NT$**	**US$**	**US$**
Earnings per common share (expressed in dollars) (note 4(n)):								
Basic earnings per share	**$ 0.95**	**0.94**	**2.84**	**2.84**	**1.87**	**2.04**	**0.06**	**0.07**
Diluted earnings per share	**$ 0.94**	**0.94**	**2.79**	**2.79**	**1.82**	**1.99**	**0.06**	**0.07**

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2009, 2010 and 2011

(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Accumulated Deficit)	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
Balance on January 1, 2009	$ 5,936,155	1,250,000	-	(960,304)	2,161	3,471	6,231,483
Exercise of employee stock options	43,540	-	-	-	-	-	43,540
Compensation cost arising from employee stock options (note 2)	-	12,291	-	-	-	-	12,291
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for under long-term equity investments	-	-	-	-	-	6,962	6,962
Increase in capital surplus due to issuance of common stock disproportionate to the percentage of ownership in long-term equity investments under equity method	-	17,165	-	-	-	-	17,165
Changes in unrealized gain or loss on financial instruments	-	-	-	-	-	(2,768)	(2,768)
Translation adjustments	-	-	-	-	3,115	-	3,115
Net income for the year ended December 31, 2009	-	-	-	559,444	-	-	559,444
Balance on December 31, 2009	**$ 5,979,695**	**1,279,456**	**-**	**(400,860)**	**5,276**	**7,665**	**6,871,232**
Exercise of employee stock options	$ 195,980	29,842	-	-	-	-	225,822
Compensation cost arising from employee stock options (note 2)	-	36,670	-	-	-	-	36,670
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for under long-term equity investments	-	-	-	-	-	22,341	22,341
Adjustment for written-off treasury stock and exercise of employee stock options in long-term equity investments under equity method	-	11,280	-	-	-	-	11,280
Increase in net equity due to the recognition of compensation cost arising from employee stock option in long-term equity investments under equity method	-	1,244	-	-	-	-	1,244
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	(703)	(703)
Translation adjustments	-	-	-	-	(3,233)	-	(3,233)
Net income for the year ended December 31, 2010	-	-	-	1,709,284	-	-	1,709,284
Balance on December 31, 2010	**$ 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)
Issuance of common stock	116,800	186,880	-	-	-	-	303,680
Exercise of employee stock options (note 3)	193,455	62,997	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 2)	-	91,671	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for under long-term equity investments	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock option in long-term equity investments under equity method	-	7,058	-	-	-	-	7,058
Increase in capital surplus resulting from long-term equity investments	-	24	-	-	-	-	24
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011	-	-	-	1,278,610	-	-	1,278,610
Balance on December 31, 2011	**$ 6,485,930**	**1,707,122**	**130,842**	**1,942,901**	**3,064**	**(224,726)**	**10,045,133**

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: For stock options granted to employees, compensation cost was recognized for the years ended 2009, 2010 and 2011. When employees exercised the employee stock options, the Company reclassified capital surplus－employee stock options into capital surplus－additional paid-in capital.
Note 3: As the exercise price of the employees stock options is greater than book value in 2011, the difference was credited to capital surplus－additional paid-in capital of NT$1,157.

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2009, 2010 and 2011
(Expressed in Thousands of Dollars)

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Cash flows from operating activities:				
Net income	$ 559,444	1,709,284	1,278,610	42,906
Adjustments to reconcile consolidated net income to net cash provided by operating activities:				
Depreciation	671,410	937,644	975,969	32,751
Amortization	28,886	41,666	57,613	1,933
Amortization of cost of long-term borrowings	2,516	2,216	3,947	133
Loss on valuation of inventories and obsolescence	24,306	52,028	37,115	1,245
Investment loss recognized under equity method	111,027	65,521	114,698	3,849
Compensation cost arising from employee stock options	12,291	67,756	160,569	5,388
Unrealized exchange loss (gain) on long-term borrowings	(1,312)	(25,251)	26,563	891
Loss on disposal of property, plant and equipment	651	41,409	14,688	493
Deferred income tax benefit	-	(150,737)	(300,103)	(10,071)
Gain on disposal of investments	(7,524)	(389,495)	(183)	(6)
Impairment loss on financial assets carried at cost－noncurrent	18,501	43,527	-	-
Change in operating assets:				
Financial assets at fair value through profit or loss	(494,857)	280,870	1,873	63
Notes and accounts receivable	(328,372)	135,361	(171,806)	(5,765)
Other receivable－related parties	(10)	10	-	-
Other financial assets－current	23,072	(37,457)	(39,948)	(1,340)
Inventories	(356,049)	(450,951)	(627,472)	(21,056)
Other current assets	(24,782)	(61,431)	(23,554)	(790)
Change in operating liabilities:				
Notes and accounts payable	509,578	2,493	218,532	7,333
Accrued expenses	68,652	346,515	145,191	4,872
Other current liabilities	2,945	26,224	(8,640)	(290)
Accrued pension liabilities	(1,787)	529	1,779	60
Net cash provided by operating activities	818,586	2,637,731	1,865,441	62,599
Cash flows from investing activities:				
Proceeds from disposal of available-for-sale financial assets	18,947	1,115	-	-
Increase in available-for-sale financial assets	(36,921)	-	-	-
Acquisitions of bonds investment with no active market	-	(344,783)	-	-
Payments for purchase of long-term investments under equity method	(293,275)	-	(123,764)	(4,153)
Acquisitions of financial assets carried at cost－noncurrent	(223,361)	(911,440)	-	-
Proceeds from disposal of financial assets carried at cost－noncurrent	-	2,216	-	-
Payments for purchase of property, plant and equipment	(1,211,728)	(2,482,043)	(3,335,544)	(111,931)
Proceeds from disposal of property, plant and equipment	-	812	2,607	87
(Increase) decrease in refundable deposit	(18,741)	1,546	(1,451)	(49)
Increase in restricted assets－noncurrent	(23,024)	(104)	(156)	(5)
Payments for purchase of intangible assets	(49,032)	(92,987)	(49,319)	(1,655)
Net cash used in investing activities	(1,837,135)	(3,825,668)	(3,507,627)	(117,706)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	35,011	139,163	(365,365)	(12,261)
Increase in long-term borrowings	1,114,302	1,370,071	4,017,000	134,799
Redemption of long-term borrowings	-	(577,332)	(1,606,610)	(53,913)
Payments of cash dividends	-	-	(513,291)	(17,225)
Issuance of common stock	-	-	303,680	10,191
Exercise of employee stock options	43,540	195,980	194,612	6,531
Net cash provided by financing activities	1,192,853	1,127,882	2,030,026	68,122
Effect on cash due to changes in exchange rate	(106)	(2,204)	2,735	92
Net increase (decrease) in cash and cash equivalents	174,198	(62,259)	390,575	13,107
Cash and cash equivalents at the beginning of year	296,862	471,060	408,801	13,718
Cash and cash equivalents at the end of year	$ 471,060	408,801	799,376	26,825
Additional disclosure of cash flow information:				
Interest paid (excluding capitalized interest)	$ 12,114	41,262	57,072	1,915
Income tax paid	$ 4,520	3,648	151,399	5,081
Supplemental schedule of non-cash investing and financing activities:				
Other current assets reclassified to plant, property and equipment	$ -	1,125	174	6
Inventories reclassified to plant, property and equipment	$ -	-	65,912	2,212
Other current assets reclassified to intangible assets	$ -	9,525	4,268	143
Unrealized gain or loss on financial instruments	$ 4,194	21,638	(254,029)	(8,524)
Translation adjustments	$ 3,115	(3,233)	1,021	34
Reclassification of current portion of long-term borrowings	$ 577,332	1,388,559	1,007,672	33,814

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2009, 2010 and 2011

(Expressed in Thousands of Dollars)

	2009	2010	2011	
	NT$	NT$	NT$	US$
Purchase of property, plant and equipment				
Increase in property, plant and equipment	$ 1,295,702	2,471,245	3,452,539	115,857
Add: payable on equipment－beginning of year	20,449	104,423	93,625	3,142
Less: payable on equipment－end of year	(104,423)	(93,625)	(210,620)	(7,068)
Cash paid	**$ 1,211,728**	**2,482,043**	**3,335,544**	**111,931**
Disposal of property, plant and equipment				
Disposal of property, plant and equipment	$ -	3,312	107	3
Add: other financial assets－beginning of year	-	-	2,500	84
Less: other financial assets－end of year	-	(2,500)	-	-
Cash received	**$ -**	**812**	**2,607**	**87**
Purchase of intangible assets				
Increase in intangible assets	$ 49,032	108,322	38,471	1,291
Add: accrued expenses－beginning of year	-	-	15,335	515
Less: accrued expenses－end of year	-	(15,335)	(4,487)	(151)
Cash paid	**$ 49,032**	**92,987**	**49,319**	**1,655**

See accompanying notes to financial statements.

(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 December 31, 2009, 2010 and 2011, 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		
			2009	2010	2011
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	100%
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%

As of December 31, 2009, 2010 and 2011, the Company and its subsidiaries (the "Consolidated Companies") had 1,046, 1,236 and 1,462 employees, respectively.

(2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the "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 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.

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(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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(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.

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.

(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 December 31, 2011, 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.

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(3) Reason for and Effect of Accounting Changes

(a) Commencing January 1, 2009, the Company adopted the amended ROC SFAS No.10 “Inventories”. The adoption of this amended accounting standard disclosed no significant impact on the consolidated financial statements for year ended December 31, 2009.

(b) 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 of this amended accounting principle had no significant impact on the consolidated financial statements as of and for the year ended December 31, 2011.

(c) 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 December 31, 2009, 2010 and 2011, were as follows:

		2009	2010	2011	
		NT$	**NT$**	**NT$**	**US$**
Cash on hand	$	628	552	534	18
Cash in bank		470,432	408,249	798,842	26,807
	$	**471,060**	**408,801**	**799,376**	**26,825**

(Continued)

(b) Financial instruments

The components of financial instruments as of December 31, 2009, 2010 and 2011, were as follows:

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

		2009 NT$	2010 NT$	2011 NT$	2011 US$
Publicly traded stock	$	-	1,576,807	957,190	32,121
Publicly traded convertible bonds		-	24,875	21,350	716
Mutual funds, money market funds and fund of funds		494,864	-	621,452	20,854
Depository receipt		66,576	-	-	-
	$	561,440	1,601,682	1,599,992	53,691

(1) For the years ended December 31, 2009, 2010 and 2011, the valuation of financial assets at fair value through profit or loss－current resulted in a gain of NT$51,757, a gain of NT$245,597 and a loss of NT$621,718 (US$20,863), respectively.

(2) For the years ended December 31, 2009, 2010 and 2011, the gain on disposal of financial assets at fair value through profit or loss－current amounted to NT$1,174, NT$39,848, and NT$183 (US$6), respectively.

2. Derivative instruments:

The Consolidated Companies entered into derivative contracts during the year ended December 31, 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 year ended December 31, 2011, the gain on disposal of derivative financial instruments amounted to NT$3,426 (US$115), which was recorded as other income.

There were no such transactions for the years ended December 31, 2009 and 2010.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

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

	2009	2010	2011	
	NT$	**NT$**	**NT$**	**US$**
Shares of stock:				
Avago Technologies Ltd.	$ 43,883	66,223	68,396	2,295
Huga Optotech Inc. (Note)	-	-	99,246	3,330
Tainergy Tech Co., Ltd. (Note)	-	-	60,775	2,040
Giga Solution Tech. Co., Ltd.	1,206	-	-	-
	$ 45,089	66,223	228,417	7,665

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).

(1) The details of additions each year to available-for-sale financial asset－noncurrent were as follows:

	2009	
	Shares (in thousands)	**NT$**
Avago Technologies Ltd.	75	$ 36,921

There were no such additions for the years ended December 31, 2010 and 2011.

(2) Unrealized gain on available-for-sale financial assets－noncurrent of NT$4,194 and NT$21,638, respectively, for the years ended December 31, 2009 and 2010, and unrealized loss on available-for-sale financial assets－noncurrent of NT$254,029 (US$8,524) for the year ended December 31, 2011, was recognized as an adjustment to stockholders' equity.

(3) For the years ended December 31, 2009, 2010 and 2011, the gain on disposal of available-for-sale financial assets－noncurrent amounted to NT$6,350, NT$612 and NT$0 (US$0), respectively.

(Continued)

4. Financial assets carried at cost－noncurrent:

Investee	2009 NT$	2010 NT$	2011 NT$	2011 US$
Shares of stock:				
IntelliEPI Inc. (Cayman) (Note)	$ -	-	5,306	178
Intelligent Epitaxy Technology Inc. (Note)	5,306	5,306	-	-
Kopin Taiwan Corporation	663	-	-	-
Huga Optotech Inc.	933,782	216,223	-	-
Inventec Energy Corporation (originally named Kinmac Solar Corporation)	130,431	86,904	-	-
Shin Sheng III Venture Capital Investment Corporation	-	150,000	150,000	5,033
Inventec Solar Energy Corporation	-	330,000	330,000	11,074
Tainergy Tech Co., Ltd.	-	200,000	-	-
	1,070,182	988,433	485,306	16,285
Conversion option :				
Bright Led Electronics Corp.	-	15,217	15,217	511
Total	$ 1,070,182	1,003,650	500,523	16,796

Note: On May 31, 2011, the Company's equity shareholdings in Intelligent Epitaxy Technology were swapped with those of IntelliEPI Inc. (Cayman). The swap was based on 1 share of Intelligent Epitaxy Technology Inc. to 1.5 shares of IntelliEPI Inc. (Cayman).

Except for those of Huga Optotech Inc. and Tainergy Tech Co., Ltd., as of December 31, 2011, 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 years ended December 31, 2009 and 2010, the details of impairment loss incurred from valuation of financial assets carried at cost－noncurrent were as follows:

	2009 NT$	2010 NT$
Inventec Energy Corporation (originally named Kinmac Solar Corporation)	$ 4,082	43,527
Intelligent Expitaxy Technology Inc.	416	-
Kopin Taiwan Corporation	14,003	-
	18,501	43,527

There was no such impairment loss for the year ended December 31, 2011.

(Continued)

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Notes to Consolidated Financial Statements

(2) The details of additions each year to financial assets carried at cost－noncurrent were as follows:

	2009			2010	
	Shares (in thousands)	**NT$**	**Remark**	**Shares (in thousands)**	**NT$**
Huga Optotech Inc.	24,913	$709,704	(Note)	7,207	216,223
Inventec Energy Corporation (originally named Kinmac Solar Corporation)	683	13,660		-	-
Shin Sheng Ⅲ Venture Capital Investment Corporation	-	-		15,000	150,000
Inventec Solar Energy Corporation	-	-		33,000	330,000
Tainergy Tech Co., Ltd.	-	-		5,000	200,000
Stock conversion option－Bright Led Electronics Corp.	-	-		4	15,217
		$723,364			911,440

There were no such additions for the year ended December 31, 2011.

Note: For the year ended December 31, 2009, the Company exercised the stock conversion option from its investment in convertible bonds and converted the option into Huga Optotech Inc.'s common shares of stock of 17,876 thousand shares, at the carrying value of those bonds of NT$ 500,003.

(3) The details of deductions each year in financial assets carried at cost－noncurrent were as follows:

	2009			2010			2011			
	Shares (in thousands)	**NT$**	**Remark**	**Shares (in thousands)**	**NT$**	**Remark**	**Shares (in thousands)**	**NT$**	**US$**	**Remark**
Huga Optotech Inc.	-	$ -		34,197	933,782	(Note 3)	7,351	216,223	7,256	(Note 4)
Kopin Taiwan Corporation	-	-		171	663		-	-	-	
Tainergy Tech Co., Ltd.	-	-		-	-		5,000	200,000	6,711	(Note 4)
Inventec Energy Corporation (originally named Kinmac Solar Corporation)	-	-		-	-		8,505	86,904	2,916	(Note 5)
Speed Tech Corp.	40,000	200,000	(Note 1)	-	-		-	-	-	
Stock convertible option－Huga Optotech Inc.	-	41,632	(Note 2)	-	-		-	-	-	
		$ 241,632			934,445			503,127	16,883	

(Continued)

Note 1: In 2008, the Company had invested in the equity shares of Speed Tech Corp. through a private placement. According to the ROC Securities Regulation, the Company's equity investment in this company is subject to certain restriction, even if the shares of this company are publicly traded, because the Company made such investment through private placement. Therefore, this investment was measured at cost during the restriction period. However, after the election of Board of Directors where the Company's chairman was also elected as chairman of this investee company for the year ended December 31, 2009, this investment was reclassified to long-term investments under equity method.

Note 2: For the year ended December 31, 2009, the Company exercised the stock conversion option from its investment in convertible bonds and converted the option into Huga Optotech Inc.'s common shares of stock of 17,876 thousand shares, at the carrying value of those bonds of NT$ 500,003.

Note 3: On June 7, 2010, the Board of Directors of the Company approved to swap all of the Company's equity shareholdings in Huga Optotech Inc. with the common shares of stock of EPISTAR Corp. based on the swap ratio of 2.36 shares to 1 share. On July 19, 2010, the Company had obtained ownership of 14,490 thousand common shares of stock of EPISTAR Corp. and recorded them as financial assets at fair value through profit or loss. This transaction resulted in a gain of NT$ 347,482.

Note 4: 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 (US$13,967) to available-for-sale financial assets－noncurrent as of December 31, 2011.

Note 5: For the year ended December 31, 2011, the percentage of the Company's shareholdings in Inventec Energy Corporation (originally named Kinmac Solar Corporation) increased to 20.58% due to its additional equity investment of NT$123,764 (US$4,153). Therefore, the Company's equity investment in this investee company of NT$86,904 (US$2,916) had been reclassified from financial assets carried at cost－noncurrent to long-term investments under equity method as of December 31, 2011.

(4) For the year ended December 31, 2010, the gain on disposal of financial assets carried at cost－noncurrent amounted NT$1,553.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

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

	Issue period	Nominal rate (%)	2009 NT$	2010 NT$	2011 NT$	2011 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

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Notes receivable	$ -	-	9,261	311
Accounts receivable	650,136	487,982	656,130	22,018
	650,136	487,982	665,391	22,329
Less: allowance for doubtful accounts and sales discounts	(33,759)	(6,966)	(12,569)	(422)
	$ 616,377	481,016	652,822	21,907

As of December 31, 2009, 2010 and 2011, the notes and accounts receivable were not pledged.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(d) Other financial assets－current

The components of other financial assets as of December 31, 2009, 2010 and 2011 were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Other receivable from metal recycling	$ 37,256	68,957	121,099	4,064
Other	131	23,445	8,751	293
	$ 37,387	**92,402**	**129,850**	**4,357**

(e) Inventories

1. The components of inventories as of December 31, 2009, 2010 and 2011, were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Raw materials	$ 485,289	652,700	1,031,051	34,599
Supplies	78,439	92,941	136,736	4,588
Work in process	337,508	347,196	563,134	18,897
Finished goods	69,231	276,553	162,914	5,467
	$ 970,467	**1,369,390**	**1,893,835**	**63,551**

2. For the years ended December 31, 2009, 2010 and 2011, the movements of allowance for obsolete inventories were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Beginning balance	$ 49,803	37,873	71,245	2,391
Addition	24,306	52,028	37,115	1,245
Write-off	(36,236)	(18,656)	(36,950)	(1,240)
Ending balance	**$ 37,873**	**71,245**	**71,410**	**2,396**

(Continued)

3. For the years ended December 31, 2009, 2010 and 2011, the Company recognized related gain or loss on inventories as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Loss on valuation of inventories and obsolescence	$ 24,306	52,028	37,115	1,245
Loss on physical inventory	221	32	-	-
Income from sale of scraps	-	(7,744)	(17,265)	(579)
	$ 24,527	44,316	19,850	666

(f) Long-term investments under equity method

The components of long-term investments under equity method as of December 31, 2009, 2010 and 2011 were as follows:

Investee	2009 Shareholding percentage (%)	2009 Carrying value NT$	2009 Investment income (loss) NT$	2010 Shareholding percentage (%)	2010 Carrying value NT$	2010 Investment income (loss) NT$
Speed Tech Corp.	25.63	$ 247,389	(105,638)	26.33	226,639	(23,116)
WinMEMS Technologies Holdings Co., Ltd.	34.73	156,567	(5,389)	34.73	121,166	(42,405)
		$ 403,956	(111,027)		347,805	(65,521)

Investee	Shareholding percentage (%)	2011 Carrying value NT$	2011 Carrying value US$	2011 Investment income (loss) NT$	2011 Investment income (loss) US$
Speed Tech Corp.	26.33	$ 203,742	6,837	(24,647)	(827)
WinMEMS Technologies Holdings Co., Ltd.	34.73	92,159	3,093	(25,004)	(839)
Inventec Energy Corporation	20.58	146,388	4,912	(65,047)	(2,183)
		$ 442,289	14,842	(114,698)	(3,849)

The details of additions each year to long-term investments under equity method were as follows:

	2009 Shareholding (in thousands)	2009 NT$		2011 Shareholding (in thousands)	2011 NT$	2011 US$	
WinMEMS Technologies Holdings Co., Ltd.	19,100	$ 158,039		-	-	-	
Speed Tech Corp.	61,500	335,236	(Note 1)	-	-	-	
Inventec Energy Corporation	-	-		19,757	210,668	7,069	(Note 2)
		$ 493,275			210,668	7,069	

There were no such additions for the year ended December 31, 2010.

(Continued)

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Note 1: Equity investment of forty million shares was reclassified from financial assets carried at cost-noncurrent to long-term investments under equity method for the year ended December 31, 2009, as discussed further in note 4(b).

Note 2: For the year ended December 31, 2011, the Company reclassified the financial assets carried at cost－noncurrent to long-term investments under equity method, as discussed further note 4(b).

The Board of Directors of Speed Tech Corp. also approved to distribute common shares of stock privately, and set the date for the capital increase of September 15, 2009. Such change in the percentage of the Company's shareholding increased the Company's net equity in Speed Tech Corp., which was charged to capital surplus of NT$ 17,165. In 2010, the Company's shareholding percentage in Speed Tech Corp. had increased from 25.63% to 26.33% and the capital surplus of Speed Tech Corp. had increased by NT$ 11,280 as Speed Tech Corp. wrote off its treasury stock and its employee stock options were exercised.

(g) Property, plant and equipment

1. In 2009, the Consolidated Companies had entered into an agreement to purchase land and buildings from Heran Co., Ltd. for NT$398,000. The registration process for the transfer to the Company of the ownership of these land and buildings was completed on April 13, 2010.

2. As of December 31, 2009, 2010 and 2011, the details of accumulated depreciation were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Buildings	$ 109,634	134,247	162,011	5,436
Machinery and equipment	3,575,087	3,715,995	2,096,658	70,359
Factory and equipment	598,959	733,399	834,662	28,009
Office equipment	18,213	35,994	59,247	1,988
Other equipment	58,202	89,710	80,713	2,708
	$ 4,360,095	4,709,345	3,233,291	108,500

For the years ended December 31, 2009, 2010 and 2011, capitalized interest expense amounted to NT$32,055, NT$15,301 and NT$48,311 (US$1,621), respectively. The annual interest rates at which its interest expense was capitalized ranged from 1.36% to 1.87%, 1.38% to 1.56% and 1.38% to 1.79%, respectively.

(h) Intangible assets

The movements in intangible assets for the years ended December 31, 2009, 2010 and 2011 were as follows:

		NT$			
		Technical know-how	Computer software and information systems	Others	Total
Original cost:					
Balance as of January 1, 2009	$	-	47,648	3,140	50,788
Additions		-	48,864	168	49,032
Disposal		-	(5,632)	(3,140)	(8,772)
Balance as of December 31, 2009		-	90,880	168	91,048
Additions		46,005	59,406	2,911	108,322
Disposal		-	(13,807)	(168)	(13,975)
Other (Note)		-	9,525	-	9,525
Balance as of December 31, 2010		46,005	146,004	2,911	194,920
Additions		-	34,803	3,668	38,471
Disposal		-	(35,212)	(1,591)	(36,803)
Other (Note)		-	4,268	-	4,268
Balance as of December 31, 2011	$	**46,005**	**149,863**	**4,988**	**200,856**

		NT$			
		Technical know-how	Computer software and information systems	Others	Total
Accumulated amortization:					
Balance as of January 1, 2009	$	-	12,862	1,727	14,589
Amortization in 2009		-	27,375	1,511	28,886
Disposal		-	(5,632)	(3,140)	(8,772)
Balance as of December 31, 2009		-	34,605	98	34,703
Amortization in 2010		639	40,248	779	41,666
Disposal		-	(13,807)	(168)	(13,975)
Balance as of December 31, 2010		639	61,046	709	62,394
Amortization in 2011		3,834	49,844	3,935	57,613
Disposal		-	(35,212)	(1,591)	(36,803)
Balance as of December 31, 2011	$	**4,473**	**75,678**	**3,053**	**83,204**

(Continued)

		NT$		
	Technical know-how	Computer software and information systems	Others	Total
Carrying value:				
Balance on December 31, 2009	$ -	56,275	70	56,345
Balance on December 31, 2010	$ 45,366	84,958	2,202	132,526
Balance on December 31, 2011	$ 41,532	74,185	1,935	117,652
		US$		
Balance on December 31, 2011	$ 1,394	2,489	65	3,948

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 December 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Unsecured loans	$ 226,202	365,365	-	-

The aforementioned short-term borrowings bear floating interest rates. For the years ended December 31, 2009, 2010 and 2011, these interest rates ranged from 1.09% to 1.19%, 0.93% to 1.20% and 0.84% to 1.53%, respectively. As of December 31, 2009, 2010 and 2011, the unused bank credit line for short-term borrowings amounted to NT$1,877,509, NT$1,432,393 and NT$3,746,195 (US$125,711), respectively.

WIN Semiconductors Corp. and Subsidiaries

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(j) Long-term borrowings

As of December 31, 2009, 2010 and 2011, the details of long-term borrowings were as follows:

Nature	2009 NT$	2009 Annual interest rate (%)	2010 NT$	2010 Annual interest rate (%)	2011 NT$	2011 US$	2011 Annual interest rate (%)
Syndicated loan agreement:							
China Development Industrial Bank and other twelve banks (Note 1)	$ 2,810,000	1.37~1.42	2,262,247	1.51~1.56	1,503,127	50,440	1.74~1.80
Mega International Commercial Bank and other sixteen banks (Note 2)	-	-	-	-	3,626,000	121,678	1.60~1.70
Less: Unamortized issuing cost	(10,751)		(8,535)		(16,588)	(557)	
Sub-total	2,799,249		2,253,712		5,112,539	171,561	
Secured loans	481,440	1.12~1.97	1,519,681	1.17~2.03	723,755	24,287	1.69~2.14
Unsecured loans	-	-	277,000	1.51~1.60	655,000	21,980	1.59~1.78
Total	3,280,689		4,050,393		6,491,294	217,828	
Less: current portion	(577,332)		(1,388,559)		(1,007,672)	(33,814)	
	$ 2,703,357		2,661,834		5,483,622	184,014	

As of December 31, 2009, 2010 and 2011, the unused credit lines for long-term borrowings amounted to NT$318,560, NT$73,000 and NT$1,399,000 (US$46,946), respectively. 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.

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.

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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 no 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 consumated, 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.

As of December 31, 2009, 2010 and 2011, 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 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 December 31, 2009, 2010 and 2011, the Company was in compliance with the above covenants and restrictions.

(k) Pension plans

Net retirement plan liabilities based on the actuarial calculation as of December 31, 2009, 2010 and 2011, were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Benefit obligation:				
Vested benefit obligation	$ -	-	-	-
Nonvested benefit obligation	(19,578)	(22,535)	(26,456)	(888)
Accumulated benefit obligation	(19,578)	(22,535)	(26,456)	(888)
Projected effects of salary adjustments	(16,189)	(25,514)	(27,794)	(932)
Projected benefit obligation	(35,767)	(48,049)	(54,250)	(1,820)
Plan assets at fair value	30,503	31,624	32,673	1,096
Funding status	(5,264)	(16,425)	(21,577)	(724)
Unrecognized net transaction obligation	139	122	105	3
Unrecognized pension loss	3,187	13,836	17,226	578
Accrued pension liabilities	**$ (1,938)**	**(2,467)**	**(4,246)**	**(143)**

There was no such vested benefit obligation for the years ended December 31, 2009, 2010 and 2011.

(Continued)

The components of net periodic pension cost for 2009, 2010 and 2011 were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Service cost	$ 1,034	1,057	1,710	58
Interest cost	621	805	841	28
Actual return on plan assets	(191)	(490)	(384)	(13)
Amortization	(682)	(212)	277	9
Net pension cost	**$ 782**	**1,160**	**2,444**	**82**

Actuarial assumptions at December 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011
Discount rate	2.25%	1.75%	2.00%
Rate of increase compensation	3.00%	4.00%	4.00%
Expected long-term rate of return on plan assets	2.25%	1.75%	2.00%

For the years ended December 31, 2009, 2010 and 2011, the details of the pension cost were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Defined benefit pension plan cost	$ 782	1,160	2,444	82
Defined contribution pension plan cost	23,363	28,594	35,895	1,205

(l) Income tax

1. Each consolidated entity files its own separate income tax return. According to the revised ROC Income Tax Act announced on May 27, 2009, the Company is subject to an income tax rate of 20% commencing in 2010. Also, according to the latest revised ROC Income Tax Act announced further on June 15, 2010, the statutory income tax rate will be reduced further from 20% to 17% commencing in 2010. Therefore, the Company is subject to the ROC income tax at a maximum rate of 25%, 17% and 17% for the years ended December 31, 2009, 2010 and 2011, respectively. 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%.

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2. The components of income tax expense (benefit) for the years ended December 31, 2009, 2010 and 2011, were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Current income tax expense	$ 3,649	150,787	191,224	6,417
Deferred income tax benefit	-	(150,737)	(300,103)	(10,071)
Income tax expense (benefit)	**$ 3,649**	**50**	**(108,879)**	**(3,654)**

3. The deferred income tax benefits for the years ended December 31, 2009, 2010 and 2011,were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Investment tax credits	$ (192,574)	(48,159)	142,036	4,766
Loss carry-forwards	60,581	1	705	24
Pension expense adjustment for tax purpose	447	(90)	(300)	(10)
Depreciation expense adjusted for tax purposes	(22,446)	(18,952)	(10,513)	(353)
Reversal (provision) of allowance for inventory obsolescence	2,982	(5,673)	(448)	(15)
Unrealized valuation loss or gain on financial assets	12,939	41,751	(105,692)	(3,547)
Unrealized exchange loss or gain	5,520	7,778	(10,418)	(350)
Unrealized commission expense	(1,274)	(1,619)	(1,097)	(37)
(Unrealized) realized cost of goods sold	(2,000)	1,360	(2,905)	(97)
(Unrealized) realized sales discounts and allowances	(6,811)	4,349	(928)	(31)
Unrealized investment loss or gain recognized under equity method	(6,744)	2,990	12,546	421
Effect of change in income tax rate on valuation allowance for deferred income tax assets	42,923	25,754	-	-
Valuation allowance for deferred income tax assets	106,457	(160,227)	(323,089)	(10,842)
Deferred income tax benefit	**$ -**	**(150,737)**	**(300,103)**	**(10,071)**

(Continued)

WIN Semiconductors Corp. and Subsidiaries

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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 years ended December 31, 2009, 2010 and 2011, as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Income tax calculated on pre-tax financial income at statutory income tax rate	$ 140,773	290,586	198,854	6,673
Investment tax credits	(202,121)	(72,868)	(35,601)	(1,195)
Research and development tax credits according to “Industrial Innovation Act”	-	(26,471)	(22,527)	(756)
Loss carry-forwards	(72,920)	-	-	-
Five-year tax holiday	(33,080)	-	-	-
Gain on disposal of investment	(8,286)	(55,998)	(31)	(1)
Dividend income	(1,670)	(1,713)	(13,343)	(448)
Meal expense disallowed for tax reporting purposes	1,320	1,097	1,421	48
Depreciation expense adjusted for tax purposes	(2,217)	(464)	905	30
Gain on disposal of financial assets incurred for tax purposes	-	(10,216)	-	-
Loss on valuation of financial assets	8,648	-	-	-
Basic tax	3,623	-	-	-
Discrepancy caused by different tax rates applied to the Company’s subsidiaries	20	42	20	1
Investment loss recognized under equity method (domestic)	26,409	3,930	15,248	512
Effect of change in statutory income tax rate	42,923	25,754	-	-
10% surtax on unappropriated earnings	-	-	66,429	2,229
Others	(6,230)	6,598	2,835	95
Valuation allowance for deferred income tax assets	106,457	(160,227)	(323,089)	(10,842)
Income tax expense (benefit)	**$ 3,649**	**50**	**(108,879)**	**(3,654)**

(Continued)

WIN Semiconductors Corp. and Subsidiaries

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5. The components of the deferred income tax assets (liabilities) as of December 31, 2009, 2010 and 2011, were as follows:

	2009 NT$	2010 NT$	2011 NT$	2011 US$
Deferred income tax assets (liabilities) － current				
Allowance for obsolete inventories	$ 7,575	12,112	12,560	422
Unrealized commission expense	1,019	2,486	3,583	120
Unrealized cost of goods sold	1,600	-	2,905	97
Unrealized sales discounts and allowances	5,449	282	1,210	41
Unused investment tax credits	11,016	79,455	115,704	3,883
Unused loss carry-forwards	-	-	162,475	5,452
Unrealized exchange loss (gain)	(1,904)	(9,396)	1,022	34
Unrealized valuation loss (gain) on financial assets	(3,433)	(44,670)	61,022	2,048
Less: Valuation allowance for deferred income tax assets	(21,322)	-	-	-
Deferred income tax assets, net－current	$ -	40,269	360,481	12,097
Deferred income tax assets (liabilities) － noncurrent				
Unused loss carry-forwards	$ 191,978	163,180	-	-
Unused investment tax credits	382,464	362,185	183,900	6,171
Unrealized pension expense for tax purpose	387	419	719	24
Unrealized investment loss (income) recognized under equity method	9,182	4,814	(7,732)	(259)
Difference in depreciation expense between financial and tax purposes	(40,157)	(15,182)	(4,669)	(157)
Others	(1,319)	(418)	(628)	(21)
Less: Valuation allowance for deferred income tax assets	(543,854)	(404,948)	(81,859)	(2,747)
Deferred income tax assets (liabilities), net－noncurrent	$ (1,319)	110,050	89,731	3,011

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 December 31, 2011, the unused loss carry-forwards and their expiry year were as follows:

Year granted	Unused loss carry forward amount NT$	Unused loss carry forward amount US$	Expiry year
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 December 31, 2011, unused investment tax credits available to the Company were as follows:

Year granted	**Unused investment tax credits**		**Expiry year**
	NT$	**US$**	
2008 (assessed)	$ 115,704	3,883	2012
2009 (assessed)	87,095	2,923	2013
2010 (filed)	57,915	1,943	2014
2011 (estimated)	38,890	1,305	2015
	$ 299,604	**10,054**	

8. As of December 31, 2009, 2010 and 2011, imputation credit account (ICA) and creditable ratio were as follows:

	2009	**2010**	**2011**	
	NT$	**NT$**	**NT$**	**US$**
Unappropriated earnings after 1997	$ (400,860)	1,308,424	1,942,901	65,198
ICA	$ 7,750	14,151	90,149	3,025

	2009	**2010**	**2011**
Creditable ratio for earnings distributed to domestic shareholders	- (actual)	12.66% (actual)	14.45% (estimated)

9. As of December 31, 2011, 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 December 31, 2009, 2010 and 2011, 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 597,970 thousand shares, 617,568 thousand shares and 648,593 thousand shares, respectively, were issued and outstanding. The Company has reserved NT$1,000,000 for employee stock options.

On October 27, 2011, the Company’s Board of Directors approved to increase the common shares of stock in cash of NT$116,800 by issuing 11,680 thousand shares, with NT$10 par value per share. The aforementioned capital increase in cash was approved by and registered with the government authorities on December 9, 2011.

In 2009, 2010 and 2011, the Company had issued 4,354 thousand shares, 19,598 thousand shares and 19,345 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 December 31, 2009, 2010 and 2011 were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Additional paid-in capital in excess of par value of shares	$ 1,250,000	1,279,842	1,529,719	51,333
Long-term equity investments	17,165	28,445	28,469	955
Employee stock options	12,291	50,205	148,934	4,998
	$ 1,279,456	1,358,492	1,707,122	57,286

(Continued)

(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:

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

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.

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

	2010 NT$
Cash dividends	$ 513,291
Bonuses to employees	58,100
Remuneration to directors and supervisors	17,400

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The above-mentioned appropriations of 2010 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.

For the year ended December 31, 2009, the Company did not appropriate dividends, employees' bonuses, and directors' and supervisors' remuneration because of accumulated deficit.

As of December 31, 2010 and 2011, the Company accrued and recognized employees' bonus amounting to NT$58,100 and NT$92,900 (US$3,117), respectively, and directors' and supervisors' remuneration amounting to NT$17,400 and NT$27,800 (US$933) respectively. The difference between the actual appropriation of 2010 and 2011 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)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

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	1.06 years	2.01 years
Market value of per share (NT dollars)	$ 6.6	8.4
Expected volatility	45.07%	45.07%
Risk free interest rate	0.86%	0.88%

For the years ended December 31, 2009, 2010 and 2011, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2009		2010		2011		
	Shares (in thousands)	Weighted-average exercise price NT$ (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price NT$ (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price NT$ (expressed in dollars)	Weighted-average exercise price US$ (expressed in dollars)
Outstanding at the beginning	23,005	$ 10.00	47,976	10.29	27,824	10.50	0.35
Granted	30,000	10.47	-	-	10,000	25.50	0.86
Exercised	(4,354)	10.00	(19,598)	10.00	(19,345)	10.06	0.34
Expired	(675)	-	(554)	-	(588)	-	-
Outstanding at the end	47,976	10.29	27,824	10.50	17,891	18.41	0.62

(Continued)

For the years ended December 31, 2009, 2010 and 2011, the compensation cost for employee stock options amounted to NT$12,291, NT$67,756 and NT$160,569 (US$5,388), respectively, which had been recorded under cost of goods sold and operating expenses in accordance with SFAS No. 39.

As of December 31, 2011, 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)
2007.07.16	$ 10.00	0.34	7	0.54	7	10.00	0.34
2009.09.30	10.10	0.34	8,230	2.75	349	10.10	0.34
2011.01.26	25.50	0.86	9,654	4.07	-	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 years ended December 31, 2009, 2010 and 2011, will be as follows:

		2009 NT$	2010 NT$	2011 NT$	2011 US$
Net Income	Net income in statements of operations	$ 559,444	1,709,284	1,278,610	42,906
	Compensation cost	(18,915)	(18,491)	(105)	(3)
	Pro-forma net income	$ 540,529	1,690,793	1,278,505	42,903
Basic EPS (dollars)	EPS in statements of operations (after income tax)	0.94	2.84	2.04	0.07
	Pro-forma EPS	0.91	2.81	2.04	0.07
Diluted EPS (dollars)	EPS in statements of operations (after income tax)	0.94	2.79	1.99	0.07
	Pro-forma EPS	0.91	2.76	1.99	0.07

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(n) Earnings per share

For the years ended December 31, 2009, 2010 and 2011, the Company's earnings per share were calculated as follows:

(Shares expressed in thousands)

	2009 before income tax NT$	2010 before income tax NT$	2011 before income tax NT$	2011 before income tax US$
Basic earnings per share				
Net income	$ 563,067	1,709,284	1,169,707	39,252
Weighted-average number of shares outstanding during the period	593,978	601,981	625,342	625,342
Basic earnings per share (dollars)	$ 0.95	2.84	1.87	0.06
Diluted earnings per share				
Net income	$ 563,067	1,709,284	1,169,707	39,252
Weighted-average number of shares outstanding during the period	593,978	601,981	625,342	625,342
Employees' bonuses	-	4,043	4,932	4,932
Employee stock options	2,140	5,652	11,247	11,247
Weighted-average number of shares outstanding during the period - diluted	596,118	611,676	641,521	641,521
Diluted earnings per share (dollars)	$ 0.94	2.79	1.82	0.06

	2009 after income tax NT$	2010 after income tax NT$	2011 after income tax NT$	2011 after income tax US$
Basic earnings per share				
Net income	$ 559,444	1,709,284	1,278,610	42,906
Weighted-average number of shares outstanding during the period	593,978	601,981	625,342	625,342
Basic earnings per share (dollars)	$ 0.94	2.84	2.04	0.07
Diluted earnings per share				
Net income	$ 559,444	1,709,284	1,278,610	42,906
Weighted-average number of shares outstanding during the period	593,978	601,981	625,342	625,342
Employees' bonuses	-	4,043	4,932	4,932
Employee stock options	2,140	5,652	11,247	11,247
Weighted-average number of shares outstanding during the period - diluted	596,118	611,676	641,521	641,521
Diluted earnings per share (dollars)	$ 0.94	2.79	1.99	0.07

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to 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:

	2009 NT$			2010 NT$		
		Fair value			Fair value	
	Carrying value	Public quote value	Assessment value	Carrying value	Public quote value	Assessment value
Financial assets:						
Cash and cash equivalents	$ 471,060	-	471,060	408,801	-	408,801
Financial assets at fair value through profit or loss－funds	494,864	494,864	-	-	-	-
Financial assets at fair value through profit or loss－stock	-	-	-	1,576,807	1,576,807	-
Financial assets at fair value through profit or loss－convertible bonds	-	-	-	24,875	24,875	-
Financial assets at fair value through profit or loss－depositary receipts	66,576	66,576	-	-	-	-
Available-for-sale financial assets－noncurrent	45,089	45,089	-	66,223	66,223	-
Financial assets carried at cost－noncurrent	1,070,182	-	-	988,433	-	-
Investment in bonds with no active market－noncurrent	-	-	-	344,783	-	-
Notes and accounts receivable (including other receivables－related parties)	616,387	-	616,387	481,016	-	481,016
Other financial assets－current	37,387	-	37,387	92,402	-	92,402
Restricted assets－noncurrent	23,024	-	23,024	23,128	-	23,128
Stock conversion option	-	-	-	15,217	-	-
Financial liabilities:						
Short-term borrowings	226,202	-	226,202	365,365	-	365,365
Notes and accounts payable	868,986	-	868,986	871,479	-	871,479
Accrued expenses, payable on equipment and other current liabilities	348,025	-	348,025	725,301	-	725,301
Long-term borrowings (including current portion)	3,280,689	-	3,280,689	4,050,393	-	4,050,393
Off-balance-sheet financial instruments:						
Letters of credit	-	-	371,414	-	-	766,799

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

	2011					
	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	$ 799,376	-	799,376	26,825	-	26,825
Financial assets at fair value through profit or loss－funds	621,452	621,452	-	20,854	20,854	-
Financial assets at fair value through profit or loss－stock	957,190	957,190	-	32,121	32,121	-
Financial assets at fair value through profit or loss－convertible bonds	21,350	21,350	-	716	716	-
Available-for-sale financial assets－noncurrent	228,417	228,417	-	7,665	7,665	-
Financial assets carried at cost－noncurrent	485,306	-	-	16,285	-	-
Investment of bonds with no active market－noncurrent	344,783	-	-	11,570	-	-
Notes and accounts receivable	652,822	-	652,822	21,907	-	21,907
Other financial assets－current	129,850	-	129,850	4,357	-	4,357
Restricted assets－noncurrent	23,284	-	23,284	781	-	781
Stock conversion option	15,217	-	-	511	-	-
Financial liabilities:						
Notes and accounts payable	1,090,011	-	1,090,011	36,578	-	36,578
Accrued expense, payable on equipment and other current liabilities	967,999	-	967,999	32,483	-	32,483
Long-term borrowings (including current portion)	6,491,294	-	6,491,294	217,828	-	217,828
Off-balance-sheet financial instruments:						
Letters of credit	-	-	171,392	-	-	5,751

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 (including other receivables－related parties), other financial assets－current, restricted assets, short-term borrowings, notes and accounts payable, accrued expenses, 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) 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.

(5) 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.

(6) 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 is 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 owns 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 December 31, 2009, 2010 and 2011, the Consolidated Companies' notes and accounts receivables were concentrated on 4, 5 and 5 customers, whose accounts represented 64%, 62% and 66% 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 flow. If the market interest rate increases by 1%, the Company's future yearly cash outflow would increase by approximately NT$64,913 (US$2,178).

(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
Directors, supervisors', general managers and vice general managers	Key management of the Consolidated Companies

(b) Significant transactions with related parties

1. Probe cleaning ,testing, consulting services and rent revenue

For the year ended December 31, 2009, the Company had provided probe cleaning , testing and consulting services, and leasing of office space to WinMEMS Technologies Co., Ltd. amounting to NT$ 1,019 and NT$ 3,241, respectively. The service income and rental income, which were billed monthly, were recorded as other income. As of December 31, 2009, the other receivable arising from these transactions was NT$10.

(Continued)

For the year ended December 31, 2010, the Company had provided probe cleaning, testing and consulting services and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, thereon amounted to NT$2,168 and NT$3,546, respectively, which were billed monthly, and were recorded as other income, amounted to NT$2,168 and NT$3,546, respectively. As of December 31, 2010, the receivables arising from these transactions were fully collected.

For the year ended December 31, 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$1,140 (US$38) and NT$4,444 (US$149), respectively. As of December 31, 2011, the receivables arising from these transactions were fully collected.

2. Property transaction

For the years ended December 31, 2009, 2010 and 2011, the Company purchased machinery from HIWIN Technologies Corp. worth NT$9,545, NT$4,460 and NT$4,945 (US$166), respectively. As of December 31, 2009, 2010 and 2011, the accounts payable arising from this transaction amounted to NT$0, NT$898 and NT$580 (US$19), respectively.

(c) Key management compensation

For the years ended December 31, 2009, 2010 and 2011, the remuneration of the Consolidated Companies' directors, supervisors, CEO and vice presidents were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Salary	$ 34,848	51,783	88,186	2,959
Bonus and special allowances	6,003	13,171	26,569	892
Other bonus	-	22,393	25,053	841

Please see note 4(m) for the details of the above remuneration, including estimated employees' bonus and directors' and supervisors' emoluments.

Due to the operating loss, the Consolidated Companies did not accrue and disclose employee's bonus and directors' and supervisors' remuneration in 2009.

(Continued)

(6) Pledged Assets

The carrying values of the pledged assets as of December 31, 2009, 2010 and 2011 were as follows:

Pledged assets	Object	2009 NT$	2010 NT$	2011 NT$	2011 US$
Restricted assets－noncurrent	Gas deposits	$ 3,000	3,000	3,000	101
Restricted assets－noncurrent	Customs guarantee	20,024	20,128	20,284	680
Land	Long-term borrowings	597,510	599,602	599,602	20,121
Buildings	Long-term borrowings	422,634	582,171	554,635	18,612
Machinery and equipment	Long-term borrowings	2,601,891	3,296,311	4,337,722	145,561
Factory and equipment	Long-term borrowings	682,106	619,080	575,545	19,314
Office equipment	Long-term borrowings	1,206	192	8,930	300
Other equipment	Long-term borrowings	289	905	3,878	130
Construction in progress	Long-term borrowings	30,530	4,500	450,650	15,122
Prepayment for purchases of equipment	Long-term borrowings	635,679	324,471	562,734	18,884
		$ 4,994,869	5,450,360	7,116,980	238,825

(7) Commitments and Contingencies

(a) As of December 31, 2009, 2010 and 2011, the unused letters of credit amounted to NT$371,414, NT$766,799 and NT$171,392 (US$5,751), respectively.

(b) As of December 31, 2009, 2010 and 2011, the Company entered into contracts of construction of buildings and purchase of machinery equipment with contract prices aggregating to NT$1,399,047, NT$4,344,075 and NT$2,025,976 (US$67,986), of which NT$316,565, NT$2,987,504 and NT$415,788 (US$13,953), respectively, were unpaid.

(c) In 2008, the Company had entered into a technical development cooperation agreement with the Ministry of Economic Affairs, which is effective until November 30, 2010. Under this agreement, the Company receives a reimbursement of NT$21,200 for every stage of development of integrated circuits. For the years ended December 31, 2009 and 2010, the Company received reimbursements of NT$6,271 and NT$6,318, which were recorded as other income.

(d) 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 costs 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). For the years ended December 31, 2010 and 2011, the Company received costs reimbursements of NT$1,959 and accrued the related income thereon of NT$1,544 (US$52), which were recorded as other income.

(Continued)

(e) 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.

(f) 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.

(g) In order to obtain bank loans and industrial development project, the Company had issued promissory notes amounting to US$6,000 and NT$5,866,810 for the year ended December 31, 2009, US$15,000 and NT$5,438,625 for the year ended December 31, 2010, and US$25,000 and NT$12,915,105 (US$ 433,393) for the year ended December 31, 2011.

(8) Important Damage Loss: None.

(9) Important Subsequent Events: None.

(10) Others

(a) Total personnel expenses, depreciation and amortization, categorized by function, for the years ended December 31, 2009, 2010 and 2011, were as follows:

	2009 NT$			2010 NT$		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Personnel expenses						
Salary	$ 404,030	228,233	632,263	583,954	325,204	909,158
Insurance	29,234	13,275	42,509	38,079	17,311	55,390
Pension	17,069	7,076	24,145	20,229	9,525	29,754
Others	23,200	17,610	40,810	41,681	62,404	104,085
Depreciation	591,769	79,641	671,410	863,696	73,948	937,644
Amortization	6,968	21,918	28,886	9,265	32,401	41,666

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

	2011					
	NT$			US$		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Personnel expenses						
Salary	$ 679,553	335,423	1,014,976	22,804	11,256	34,060
Insurance	51,692	21,901	73,593	1,735	735	2,470
Pension	25,806	12,533	38,339	866	421	1,287
Others	65,616	139,198	204,814	2,202	4,671	6,873
Depreciation	911,327	64,642	975,969	30,582	2,169	32,751
Amortization	19,365	38,248	57,613	650	1,283	1,933

(b) Reclassification

Certain accounts in the consolidated financial statements as of and for the years ended December 31, 2009 and 2010 have been reclassified to conform to the presentations of the financial statements as of and for the year ended December 31, 2011 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:

	2009			2010			2011		
Financial assets Monetary	**Foreign currency**	**Exchange rate**	**NT$**	**Foreign currency**	**Exchange rate**	**NT$**	**Foreign currency**	**Exchange rate**	**NT$**
USD	$ 25,184	31.99	805,574	21,939	29.13	639,077	42,199	30.28	1,277,801
EUR	19	46.10	855	561	38.92	21,820	164	39.18	6,416
JPY	403,087	0.3472	139,952	147,872	0.3582	52,968	155,644	0.3906	60,795
GBP	7	51.60	382	20	45.19	917	9	46.73	430
HKD	69	4.13	283	67	3.748	250	66	3.90	256
			$ 947,046			715,032			1,345,698
Non-monetary									
USD	$ 4,892	31.99	$ 156,481	4,484	29.13	130,631	3,608	30.28	109,253
Financial liabilities									
Monetary									
USD	$ 31,153	31.99	996,575	40,215	29.13	1,171,458	19,291	30.28	584,126
EUR	42	46.10	1,936	24	38.92	940	355	39.18	13,900
JPY	325,354	0.3472	112,963	280,779	0.3582	100,575	522,534	0.3906	204,102
GBP	-	-	-	32	45.19	1,458	13	46.73	613
			$ 1,111,474			1,274,431			802,741

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to 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 December 31,2011 were as follows:"

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)

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Notes to 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	Actively in Progress
◎ Gather information for preparation of Balance Sheet and Comparative Financial Statements in conformity with IFRSs on the date of first-time adoption	Accounting Department	Actively in Progress
◎ Prepare Financial Statements based on IFRSs	Accounting Department	In Progress according to the plan

(e) The significant differences between the Consolidated Companies' current accounting standards and IFRSs were initially identified as follows:

Accounting Issue	Brief Descriptions of Difference	
Accounting for financial instruments	Taiwan:	In accordance with Criteria Governing the Preparation of Financial Reports by Securities Issuer, investment in unlisted or emerging stock companies is measured at cost and is classified as financial assets measured at cost.
	International:	Investment in unlisted and emerging stock companies is measured in accordance with IAS 39.
Accounting for long-term investments under equity method	Taiwan:	The difference between investment cost and underlying equity in net assets of investee is analyzed and dealt with by following the procedures for allocating the acquisition cost specified in the Statement of Financial Accounting Standards No. 25: Business Combinations. If the fair value of identifiable net assets exceeds the investment cost, the excess is reduced from the carrying amounts of noncurrent assets in proportion to their fair values. If there is still a difference when the carrying amounts become zero, the difference is recognized as an extraordinary gain.
	International:	Any excess of the investor's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized as other income
Accounting for property, plant and equipment	Taiwan:	Prepayments for the acquisition of fixed assets and payables for fixed assets construction in progress are recorded as property, plant, and equipment.
	International:	Prepayments for the acquisition of fixed assets and payables for fixed assets construction in progress are recorded as other assets.

(Continued)

Accounting Issue	Brief Descriptions of Difference	
Accounting for foreign currency transactions	Taiwan:	All indicators are simultaneously in identifying whether a foreign entity's currency is the functional currency.
	International:	The primary indicators and the secondary indicators are considered in determining the functional currency of a foreign operation unit in accordance with IAS 21.
Accounting for income tax	Taiwan:	Deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or noncurrent based on the expected length of time for realization or settlement.
	International:	Deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used. Deferred tax asset or liability is classified as noncurrent asset or liability.
Accounting for employee benefits	Taiwan:	The expected cost of employee benefits in the form of accumulated compensated absences at the end of reporting periods is not recognized.
	International:	When the employees render services that increase their entitlement to future compensated absences, the expected cost of employee benefits at the end of reporting periods is recognized.
	Taiwan:	Actuarial gains and losses are amortized using the corridor approach.
	International:	Actuarial gains and losses may be recognized immediately as other comprehensive income (OCI).

The Company's aforementioned assessment 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, the result of management's assessment above may be affected by the future additions or amendments to IFRSs to be issued or proposed by International Accounting Standards Board and the possible future rules to be issued by the ROC authorities governing the adoption of IFRSs by companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to 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: 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$)	Period-end: Market value (or net value) (US$)	Maximum shares in midterm: Shares/ Units (in thousands)	Maximum shares in midterm: Percentage of ownership (%)	Note
The Company	Pegatron Corporation/stock	-	Financial assets at fair value through profit and loss －current	773	25,470	855	0.03	25,470	855	800	0.04	
〃	EPISTAR Corporation /stock	〃	〃	14,490	931,720	31,266	1.69	931,720	31,266	14,490	1.69	
〃	I-Chiun Precision Industry Co., Ltd. /Convertible bond	〃	〃	250	21,350	716	-	21,350	716	250	-	
〃	Capital Money Market Fund	〃	〃	3,216	50,015	1,678	-	50,015	1,678	6,772	-	
〃	Polaris De-Bao Money Market Securities Investment Trust Fund	〃	〃	4,316	50,017	1,679	-	50,017	1,679	5,888	-	
〃	Fuh Hwa Money Market Fund	〃	〃	9,677	135,019	4,531	-	135,019	4,531	9,677	-	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	3,843	50,009	1,678	-	50,009	1,678	3,843	-	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	19,540	236,029	7,920	-	236,029	7,920	19,540	-	
〃	Polaris Global ETF of Bond Securities Investment Trust Fund	〃	〃	10,000	100,363	3,368	-	100,363	3,368	10,000	-	
					1,599,992	53,691		1,599,992	53,691			
〃	Huga Optotech Inc. /Stock	-	Available-for-sale financial assets－noncurrent	7,351	99,246	3,330	1.42	99,246	3,330	7,351	1.42	
〃	Tainergy Tech Co., Ltd. /Stock	〃	〃	5,451	60,775	2,040	3.73	60,775	2,040	5,451	3.73	
					160,021	5,370		160,021	5,370			
〃	Shin Sheng Ⅲ Venture Capital Investment Corporation /Stock	-	Financial assets carried at cost－noncurrent	15,000	150,000	5,033	11.03	(Note 1)	(Note 1)	15,000	11.03	
〃	Inventec Solar Energy Corporation /Stock	〃	〃	33,000	330,000	11,074	11.00	(Note 1)	(Note 1)	33,000	11.00	
〃	IntelliEPI Inc.(Cayman)/Stock	〃	〃	500	5,306	178	1.92	(Note 1)	(Note 1)	500	1.92	
〃	Bright Led Electronics Corp. /Convertible Right	〃	〃	-	15,217	511	-	(Note 5)	(Note 5)	-	-	
					500,523	16,796						

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Company holding securities	Security type and name	Relationship with the issuing company	Account	Period-end						Maximum shares in midterm		Note
				Shares/Units (in thousands)	Carrying value (NT$)	Carrying value (US$)	Percentage of ownership (%)	Market value (or net value) (NT$)	Market value (or net value) (US$)	Shares/ Units (in thousands)	Percentage of ownership (%)	
The Company	Speed Tech Corp./Stock	Common owner as the Company	Long-term investments under equity method	61,500	203,742	6,837	26.33	375,622	12,605	61,500	26.33	(Note 2)
〃	WIN SEMI. USA, INC. ／Stock	Subsidiary	〃	1,000	9,190	308	100.00	9,190	308	1,000	100.00	(Note 3)
〃	Win Semiconductors Cayman Islands Co., Ltd. ／Stock	〃	〃	7,000	321,395	10,785	100.00	321,395	10,785	7,000	100.00	(Note 3)
〃	Inventec Energy Corporation /Stock	Common owner as the Company	〃	19,757	146,388	4,912	20.58	134,687	4,520	19,757	20.58	(Note 4)
					680,715	22,842						
〃	Bright Led Electronics Corp. /Convertible bond	-	Investment of bonds with no active market －noncurrent	4	344,783	11,570	-	(Note 5)	(Note 5)	4	-	

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		Purchase		Sale				Security cost on 2011.12.31		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	Inventec Energy Corporation	Long-term investments under equity method (Note 1)	Kinsus Interconnect Technology Corp. etc.	-	8,505	86,904	11,252	123,764	-	-	-	-	19,757	210,668	(64,280) (Note 2)	19,757	146,388
〃	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	100,000	363	10,000	100,363
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	-	-	44,788	540,000	25,248	304,162	304,000	162	19,540	236,000	29	19,540	236,029
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	-	-	-	-	10,204	118,000	5,888	68,028	68,000	28	4,316	50,000	17	4,316	50,017
〃	Fuh Hwa Money Market Fund	〃	-	-	-	-	27,664	385,000	17,987	250,137	250,000	137	9,677	135,000	19	9,677	135,019
〃	Capital Money Market Fund	〃	-	-	-	-	16,446	255,000	13,230	205,058	205,000	58	3,216	50,000	15	3,216	50,015

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(US$)

Company holding securities	Security type and Name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				Security cost on 2011.12.31		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	Inventec Energy Corporation	Long-term investments under equity method (Note 1)	Kinsus Interconnect Technology Corp. etc.	-	8,505	2,916	11,252	4,153	-	-	-	-	19,757	7,069	(2,157) (Note 2)	19,757	4,912
〃	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	3,356	12	10,000	3,368
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	-	-	44,788	18,121	25,248	10,206	10,201	5	19,540	7,920	-	19,540	7,920
〃	Polaris De-Bao Money Market Securities Investment Trust Fund	〃	-	-	-	-	10,204	3,960	5,888	2,282	2,281	1	4,316	1,679	-	4,316	1,679
〃	Fuh Hwa Money Market Fund	〃	-	-	-	-	27,664	12,920	17,987	8,394	8,389	5	9,677	4,531	-	9,677	4,531
〃	Capital Money Market Fund	〃	-	-	-	-	16,446	8,557	13,230	6,881	6,879	2	3,216	1,678	-	3,216	1,678

Note 1：The Company reclassified the financial assets carried at cost-noncurrent amounting to NT$86,904 (US$2,916) to long-term investments under equity method and the Company invested in Inventec Energy Corporation (originally named Kinmac Solar Corporation) amounting to NT$123,764 (US$4,153).

Note 2: For the year ended December 31, 2011, translation adjustments and investment loss recognized by Inventec Energy corporation amount to NT$64,280 (US$2,157).

5. Information on acquisition of real estate with purchase amount exceeding NT$ 100 million or 20% of the Company’s paid-in capital: None.

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	5,132,866	172,244	(59)%	1~2 Month	-	-	280,103	9,399	54%	(Note)

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

(Continued)

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	280,103	9,399	18.26%	-	-	280,103	9,399	-	(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: Please see note 4 (b).

(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 December 31, 2011			Net value of investee	Net Income (loss) of the Investee	Investment income (loss) recognized by the company	Investee		Note
				December 31, 2011	January 1, 2011	Shares (in Thousands)	Percentage	Carrying Value				Stock dividend	Cash dividend	
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	8,203	8,203	1,000	100.00%	9,190	9,190	(3,151)	(3,151)	-	-	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	321,395	321,395	76,951	76,951	-	-	(Note)
〃	Speed Tech Corp.	Taiwan	Manufacturing ITC	335,236	335,236	61,500	26.33%	203,742	375,622	(93,607)	(24,647)	-	-	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	293,873	170,109	19,757	20.58%	146,388	134,687	(358,550)	(65,047)	-	-	
Win Semiconductors Cayman Islands Co., Ltd.	WinMEMS Technologies Holdings Co., Ltd.	Cayman Islands	Investing activities	158,039	158,039	19,100	34.73%	92,159	43,712	(72,519)	(25,004)	-	-	

(US$)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2011			Net value of investee	Net Income (loss) of the Investee	Investment income (loss) recognized by the company	Investee		Note
				December 31, 2011	January 1, 2011	Shares (in Thousands)	Percentage	Carrying Value				Stock dividend	Cash dividend	
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	275	275	1,000	100.00%	308	308	(106)	(106)	-	-	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Island	Selling of GaAs wafers	7,639	7,639	7,000	100.00%	10,785	10,785	2,582	2,582	-	-	(Note)
〃	Speed Tech Corp.	Taiwan	Manufacturing ITC	11,250	11,250	61,500	26.33%	6,837	12,605	(3,141)	(827)	-	-	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	9,862	9,862	19,757	20.58%	4,912	4,520	(12,032)	(2,183)	-	-	
Win Semiconductors Cayman Islands Co., Ltd.	WinMEMS Technologies Holdings Co., Ltd.	Cayman Island	Investing activities	5,303	5,303	19,100	34.73%	3,093	1,467	(2,434)	(839)	-	-	

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

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

2. Lending to other parties: None.

3. Guarantees and endorsements for other parties: None.

4. Information regarding securities held:

Company holding securities	Security type and name	Relationship with the issuing company	Account	Period-end						Maximum shares in midterm		Note
				Shares (in thousands)	Carrying value (NT$)	Carrying value (US$)	Percentage	Market value (or net value) (NT$)	Market value (or net value) (US$)	Shares/ Units (in thousands)	Percentage of ownership (%)	
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	92,159	3,093	34.73%	43,712	1,467	19,100	34.73	(Note)
"	Avago Technologies Ltd./Stock	Subsidiary's main client	Available-for-sale financial assets	75	68,396	2,295	0.03%	68,396	2,295	75	0.03	

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	5,132,866	172,244	100%	1~2 Month	-	-	(280,103)	(9,399)	(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 Consolidated Financial Statements

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

1. For the year ended December 31, 2011

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	5,132,866	172,244	-	57.66%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	280,103	9,399	-	1.51%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	280,103	9,399	-	1.51%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	5,132,866	172,244	-	57.66%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	45,624	1,531	-	0.51%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	45,624	1,531	-	0.51%

2. For the year ended December 31, 2010

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	4,117,074	-	58.97%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	281,991	-	1.89%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	281,991	-	1.89%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	4,117,074	-	58.97%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	39,736	-	0.57%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	39,736	-	0.57%

3. For the year ended December 31, 2009

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	2,849,907	-	59.50%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	377,623	-	3.26%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	377,623	-	3.26%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	2,849,907	-	59.50%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	42,618	-	0.89%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	42,622	-	0.89%

(Continued)

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.

(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 years ended December 31, 2009, 2010 and 2011, were as follows:

	2009	2010	2011	
	NT$	NT$	NT$	US$
Revenue				
Revenue from outside customers	$ 4,790,143	6,981,651	8,901,273	298,700
Interest Income	322	354	813	27
Net revenue	$ 4,790,465	6,982,005	8,902,086	298,727
Interest Expense	$ (10,951)	(42,118)	(58,346)	(1,958)
Depreciation and amortization	(700,296)	(979,310)	(1,033,582)	(34,684)
Investment loss	(111,027)	(65,521)	(114,698)	(3,849)
Impairment loss	(18,501)	(43,527)	-	-
Assets				
Long-term investments under equity method	403,956	347,805	442,289	14,842
Capital expenditures in noncurrent assets	1,260,760	2,575,030	3,384,863	113,586

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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

(c) Industry Financial Information

(1) Geographical segments

The revenue and noncurrent assets were based on where the customers and assets are located.

Revenues from external customers for the years ended December 31, 2009, 2010 and 2011 were as follows:

Area	2009 Amount NT$	2010 Amount NT$	2011 Amount NT$	2011 Amount US$
America	$ 2,728,699	4,192,807	3,587,464	120,385
Asia	1,213,524	1,663,698	3,068,873	102,982
Africa	-	-	1,189,250	39,908
Australia	85,865	-	-	-
Taiwan	666,941	1,052,648	937,379	31,455
Europe	95,114	72,498	118,307	3,970
Total	$ 4,790,143	6,981,651	8,901,273	298,700

Non－Current Assets

Area	2009 Amount NT$	2010 Amount NT$	2011 Amount NT$	2011 Amount US$
Taiwan	$ 7,339,712	8,889,347	11,403,847	382,680
America	332	260	205	7
Total	$ 7,340,044	8,889,607	11,404,052	382,687

(2) Major customers

For the years ended December 31, 2009, 2010 and 2011, sales to customers greater than 10% of net revenue, were as follow:

customer	2009 NT$	2009 Percentage of net revenue (%)	2010 NT$	2010 Percentage of net revenue (%)	2011 NT$	2011 US$	2011 Percentage of net revenue (%)
A company	$ 1,951,606	41	2,715,691	38	2,291,437	76,894	26
B company	566,687	12	739,811	11	1,271,233	42,659	14
C company	-	-	-	-	1,189,250	39,908	13
	$ 2,518,293	53	3,455,502	49	4,751,920	159,461	53