

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**WIN Semiconductors Corp.**

**PARENT-COMPANY-ONLY FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**(With Independent Auditors' Report Thereon)**

**Address: No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City,  
Taiwan**

**Telephone: 886-3-397-5999**

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Parent-Company-Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~16
(4) Summary of significant accounting policies	16~31
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	31~32
(6) Explanation of significant accounts	32~63
(7) Related-party transactions	63~64
(8) Pledged assets	64
(9) Commitments and contingencies	65
(10) Losses due to major disasters	65
(11) Subsequent events	65~66
(12) Other	66
(13) Other disclosures	
(a) Information on significant transactions	67~69
(b) Information on investments	70
(c) Information on investment in Mainland China	70~71
(14) Segment information	71



安侯建業聯合會計師事務所

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## Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp. :

### Opinion

We have audited the financial statements of WIN Semiconductors Corp. (“the Company”), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors’ report was as follows:

#### Evaluation of inventory

Please refer to Note 4(g) “Inventories” for accounting policies, Note 5 for accounting assumptions, judgments and estimation uncertainty of inventories, and Note 6(d) for the amount of loss on valuation of inventories of the parent-company-only financial statements.

Due to the industry demand, WIN Semiconductors Corp. stores a high ratio of precious metals which result in a lower inventory turnover. Therefore, the Company cannot obtain sufficient information on inventories that were sold or used on the reporting date. Since the technology changes rapidly, the inventory may be out of date or may not conform to market demand, resulting in a risk wherein the carrying amount of inventories may exceed its net realizable value.

#### How the matter was addressed in our audit

Our principal audit procedures included: Testing the accuracy of the estimations of inventories at the lower of cost and net realizable value. Referring to the recent selling price and considering the amount of written-off inventories in the subsequent events to evaluate the appropriateness of the amount of loss on valuation of inventories or obsolescence. Analyzing the historical accuracy of judgments, including inspecting the amount of loss on valuation of inventories or obsolescence recognized in prior year and with reference to actual disposal to assess rationality of the judgments of the current period. Moreover, comparing with the provision for inventories valuation and obsolescence made in the current year to evaluate the appropriateness of the assumptions.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Mei-Yen Chen.

KPMG

Taipei, Taiwan (The Republic of China)  
March 22, 2018

#### **Notes to Readers**

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (note 7)	\$ 16,477,395	100	13,299,527	100
5000 Operating costs (notes 6(d), (f), (h), (l), (m), (r), 7 and 12)	(10,367,930)	(63)	(8,414,261)	(63)
Gross profit form operating	6,109,465	37	4,885,266	37
Operating expenses (notes 6(c), (f), (g), (h), (l), (m), (r), 7 and 12):				
6100 Selling expenses	(109,666)	(1)	(85,376)	(1)
6200 Administrative expenses	(734,840)	(4)	(667,364)	(5)
6300 Research and development expenses	(674,475)	(4)	(605,674)	(5)
Total operating expenses	(1,518,981)	(9)	(1,358,414)	(11)
Net operating income	4,590,484	28	3,526,852	26
Non-operating income and expenses (notes 6(c), 6(e), 6(f), 6(l) and 6(s)):				
7010 Other income	181,820	1	130,025	1
7020 Other gains and losses	(30,475)	-	297,470	2
7050 Finance costs	(54,946)	-	(20,220)	-
7070 Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	(109,323)	(1)	(30,543)	-
Total non-operating income and expenses	(12,924)	-	376,732	3
7900 Profit before tax	4,577,560	28	3,903,584	29
7950 Total tax expense (note 6(n))	(813,360)	(5)	(790,810)	(6)
Profit	3,764,200	23	3,112,774	23
8300 Other comprehensive income (loss):				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss (notes 6(m) and 6(n)):				
8311 Remeasurements of defined benefit plans	201	-	(13,272)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(34)	-	2,256	-
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	167	-	(11,016)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(e) and 6(o)):				
8361 Exchange differences on translation of foreign financial statements	(136,844)	(1)	(6,675)	-
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	617,146	4	357,577	3
8380 Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	225,769	1	27,714	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	706,071	4	378,616	3
8300 Other comprehensive income	706,238	4	367,600	3
8500 Total comprehensive income	\$ 4,470,438	27	3,480,374	26
Earnings per common share (expressed in dollars) (note 6(q))				
9750 Basic earnings per share	\$ 9.34		6.04	
9850 Diluted earnings per share	\$ 9.30		5.99	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings			Other equity interest			Treasury shares	Total equity
	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets		
Balance at January 1, 2016	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	17,209,100
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	267,163	(267,163)	-	-	-	-	-
Cash dividends	-	-	(298,333)	(298,333)	-	-	-	(298,333)
Profit for the year ended December 31, 2016	-	267,163	(565,496)	(298,333)	-	-	-	(298,333)
Other comprehensive income for the year ended December 31, 2016	-	-	3,112,774	3,112,774	-	-	-	3,112,774
Total comprehensive income for the year ended December 31, 2016	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	367,600
Capital reduction	(1,789,999)	-	3,101,758	3,101,758	(18,401)	397,017	378,616	3,480,374
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	5,549	-	-	-	-	-	(1,789,999)
Exercise of employee stock options	1,022	1,880	-	-	337	-	337	5,886
Purchase of treasury share	-	-	-	-	-	-	-	2,902
Retirement of treasury share	-	-	-	-	-	-	-	(983,491)
Balance at December 31, 2016	(63,709)	-	(472,122)	(472,122)	-	-	635,831	(983,491)
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	3,758,737	1,068,117	8,308,684	9,376,801	1,719	760,178	761,897	17,626,439
Cash dividends	-	-	(311,277)	-	-	-	-	-
Profit for the year ended December 31, 2017	-	311,277	(311,277)	-	-	-	-	-
Other comprehensive income for the year ended December 31, 2017	-	-	(1,811,999)	(1,811,999)	-	-	-	(1,811,999)
Total comprehensive income for the year ended December 31, 2017	-	-	(2,123,276)	(1,811,999)	-	-	-	(1,811,999)
Issue of shares	-	-	3,764,200	3,764,200	-	-	-	3,764,200
Purchase of treasury share	-	-	167	167	(101,927)	807,998	706,071	706,238
Retirement of treasury share	-	-	(3,764,367)	(3,764,367)	(101,927)	807,998	706,071	4,470,438
Changes in ownership interests in subsidiaries	200,000	5,340,000	-	-	-	-	-	5,540,000
Balance at December 31, 2017	9,052,896	1,379,394	9,442,293	10,821,687	(100,208)	1,568,176	1,467,968	25,589,215

Note: The appropriations for 2017 and 2016 directors and supervisors' remuneration amounting to \$89,500 and \$76,300, employee's remuneration, amounting to \$308,400 and \$263,000, were recognized and accrued in the 2017 and 2016 earnings.

See accompanying notes to financial statements.



(English Translation of Financial Statements and Report Originally Issued in Chinese)  
WIN Semiconductors Corp.

Statements of Cash Flows  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 4,577,560	3,903,584
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,487,549	2,331,155
Amortization expense	41,826	32,129
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	34,775	(13,993)
Interest expenses	54,946	20,220
Interest income	(18,285)	(9,811)
Dividend income	(70,680)	(46,681)
Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	109,323	30,543
Losses on disposal of property, plant and equipment	1,809	2,768
Gains on disposal of investments	(160,043)	(209,987)
<b>Total adjustments to reconcile profit</b>	<b>2,481,220</b>	<b>2,136,343</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in accounts receivable, net	78,009	(232,538)
Increase in accounts receivable due from related parties, net	(763,185)	(146,241)
Increase in inventories	(1,019,023)	(281,748)
Increase in other current assets	(75,862)	(159)
<b>Total changes in operating assets</b>	<b>(1,780,061)</b>	<b>(660,686)</b>
<b>Changes in operating liabilities:</b>		
Increase (decrease) in accounts payable	741,214	(368,332)
Increase in other payable	384,189	95,132
Increase (decrease) in other current liabilities	4,577	(399,734)
Increase in other non-current liabilities	1,361	1,645
<b>Total changes in operating liabilities</b>	<b>1,131,341</b>	<b>(671,289)</b>
<b>Total changes in operating assets and liabilities</b>	<b>(648,720)</b>	<b>(1,331,975)</b>
<b>Cash inflow generated from operations</b>	<b>6,410,060</b>	<b>4,707,952</b>
Income taxes paid	(764,527)	(888,336)
<b>Net cash flows from operating activities</b>	<b>5,645,533</b>	<b>3,819,616</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of current financial assets at fair value through profit or loss	(1,165,963)	(2,761,160)
Proceeds from disposal of current financial assets at fair value through profit or loss	74,230	3,669,438
Acquisition of current available-for-sale financial assets	-	(21,732)
Acquisition of non-current available-for-sale financial assets	(229,014)	(356,864)
Proceeds from disposal of current available-for-sale financial assets	181,000	-
Proceeds from disposal of non-current available-for-sale financial assets	150,745	284,140
Acquisition of investments accounted for using equity method	(1,204,000)	(540,500)
Proceeds from capital reduction of investments accounted for using equity method	39,833	109,426
Proceeds from disposal of non-current investments in debt instrument without active markets	30,400	67,000
Acquisition of property, plant and equipment	(2,201,117)	(1,986,782)
Proceeds from disposal of property, plant and equipment	3,929	891
Acquisition of investment properties	(1,258)	-
Acquisition of intangible assets	(46,839)	(44,067)
Increase in other non-current assets	(1,484)	(2,046)
Increase in prepayment for business facilities	(1,299,606)	(1,189,832)
Interest received	18,487	10,911
Dividends received	70,680	46,681
<b>Net cash flows used in investing activities</b>	<b>(5,579,977)</b>	<b>(2,714,496)</b>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in short-term loans	-	(23,656)
Proceeds from long-term debt	5,963,500	2,514,000
Repayments of long-term debt	(4,320,979)	(841,506)
Increase (decrease) in other non-current liabilities	(9,812)	6,127
Cash dividends paid	(1,811,999)	(298,333)
Proceeds from issuing shares	5,540,000	-
Capital reduction payments to shareholders	-	(1,789,999)
Exercise of employee share options	-	2,902
Payments to acquire treasury shares	(114,515)	(965,293)
Interest paid	(53,096)	(18,189)
<b>Net cash flows from (used in) financing activities</b>	<b>5,193,099</b>	<b>(1,413,947)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,258,655</b>	<b>(308,827)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,434,161</b>	<b>1,742,988</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 6,692,816</b>	<b>1,434,161</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
WIN Semiconductors Corp.

**Notes to the Parent-Company-Only Financial Statements**

**For the years ended December 31, 2017 and 2016**

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

**(1) Company history:**

Win Semiconductors Corp. (the “Company”) was incorporated on October 16, 1999 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan. The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

**(2) Approval date and procedures of the financial statements:**

The parent-company-only financial statements was authorized for issued by the Board of Directors as of March 22, 2018.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Presentation of Financial Statements-Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

Except for the following items, the Company believes that the adoption of the above IFRSs would  
(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

not have a material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value, less costs of disposal:

- 1) the level of fair value hierarchy within which the fair value measurement is categorized; and
- 2) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Company will include the required disclosures.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018, in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. As of December 31, 2017, the Company had equity investments classified as available-for-sale financial assets, with a fair value of \$2,811,397 thousand, in which the amount of \$2,198,419 thousand was held for long-term strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income. No impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The remainder, which amounted to \$612,978 thousand, was held as debt instrument investments and should not be used for other purpose such as receiving the contract’s cash inflow. At initial application of IFRS 9, the Company has designated the preceding investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. The Company estimated the application of IFRS 9’s classification requirements on January 1, 2018 resulting in a decrease and increase of \$166,337 thousand in other equity interest and retained earnings, respectively.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that the application of IFRS 9's, Impairment Requirements, on January 1, 2018, would not have any material impact on its parent-company-only financial statement.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements.

1) Sales of goods-GaAs wafers

For the sale of products, revenue is currently measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the Company’s assessment, since the timing of the delivery of goods upon arrival to a customer and the related risks and rewards of ownership transfer are broadly similar, the Company does not expect any significant influences on its profit or loss.

2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application ( i.e. January 1, 2018) will not be restated.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The Company estimates the adoption of IFRS 15, resulting in the increase of 9,237 thousand, 91,259 thousand and 9,237 thousand in accounts receivable, contract liabilities and refund liabilities (recognized as other current liabilities); and a decrease of 91,259 thousand in advance payments (recognized as other current liabilities), respectively, on January 1, 2018.

(iii) Amendment to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendment to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendment to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

Those which may be relevant to The Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> <li>• For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> <li>• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</li> <li>• If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</li> </ul>

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

<b>Issuance / Release Dates</b>	<b>Standards or Interpretations</b>	<b>Content of amendment</b>
October 12, 2017	Amendment to IAS 28 “Long-term Interests in Associates and Joint Ventures”	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: <ul style="list-style-type: none"> <li>• IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements”</li> <li>• IAS 12 “Income Taxes”</li> <li>• IAS 23 “Borrowing Costs”</li> </ul>	<ul style="list-style-type: none"> <li>• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. <ul style="list-style-type: none"> <li>– If a party maintain joint control, then the previously held interest is not remeasured.</li> <li>– If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.</li> </ul> </li> <li>• Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.</li> <li>• Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale– or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.</li> </ul>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
February 7, 2018	Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> <li>• on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and</li> <li>• the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.</li> </ul>

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

**(4) Summary of significant accounting policies:**

The parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language parent-company-only financial statements, the Chinese version shall prevail.

The significant accountings policies have been applied consistently to all periods presented in these parent-company-only financial statements.

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

**(a) Statement of compliance**

These parent-company-only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

**(b) Basis of preparation**

**(i) Basis of measurement**

The parent-company-only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments);
- 2) Available-for-sale financial assets are measured at fair value;

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

- 3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, and the effect of the plan assets ceiling disclosure in note 4(q) less plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arises from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the Company's parent-company-only financial statements at the exchange rates of the reporting date. The income and expenses of foreign operations, are translated to the reporting currency of the Company's parent-company-only financial statements at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) If the asset is cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

An entity shall classify all other liabilities as non-current.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(e) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, (which takes into account any dividend and interest income), are recognized in profit or loss, and it is included in other gains and losses, and other income, respectively.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and it is included in other gains and losses.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non-current debt instrument investment without active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. Interest income is recognized in profit or loss, and it is included in other income.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset stand that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the entity on terms that the entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses 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 lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries in respect of accounts receivable are recognized in operating expenses. Impairment losses and recoveries in respect of the financial assets other than accounts receivables are recognized in profit or loss, and it is included in other gains and losses.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity interest— unrealized gains (losses) on available-for-sale financial assets is recognized in profit or loss, and included in other gains and losses.

The Company allocates between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in other gains and losses, and finance costs, respectively.

2) Other financial liabilities

Financial liabilities comprise of short and long borrowings, and trade and other payables, are not classified as held-for-trading, or designated as at fair value through profit or loss shall be measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control over their financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which arises from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent-company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost both on initial recognition and at subsequent period. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost are eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a straight-line basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings and structures : 3 to 25 years
- 2) Machinery and equipment : 2 to 10 years
- 3) Factory and equipment : 2 to 10 years
- 4) Other equipment : 1 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(l) Leases

(i) Lesser

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Lessee

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value with the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

(m) Intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses.

Amortizable amount is the cost of an asset less its residual values. Intangible assets are amortized from the date that they are available for use by using straight-line method, the estimated useful lives for the current and comparative periods are as follows:

- (i) Technical know-how: 12 years
- (ii) Computer software and information systems: 1 to 3 years
- (iii) Others: 1.5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, deferred tax assets and assets arising from employee benefits are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for the individual asset or the cash-generating unit is the higher of its fair value less costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or cash-generating unit. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(p) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(ii) Rent income

Lease income from investment property is recognized in income on a straight-line basis over the lease term. An incentive granted to the lessee is to be recognized as part of the lease income and it is spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Income from sublease is recognized in profit or loss, and is included in other gains and losses.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; That benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability (asset)), and (3) any change in the effect of the asset ceiling (if any, excluding amounts included in the net interest on the defined benefit liability (asset)), are recognized in other comprehensive income. The Company reclassifies the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - 1) levied by the same taxing authority; or
  - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee remuneration.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(u) Operating segment

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

The preparation of the parent-company-only financial statements in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires the management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is as follows:

- Valuation of inventories:

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

The accounting policy and disclosure of the Company include that measuring the financial assets and financial liabilities at fair value. The Company uses external information to make the evaluation result agreed to market status and to confirm the data resource is independent reliable and consistent with other resource. The Company regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results are reasonable. The Company regularly evaluates investment property using the evaluation methods and related parametric assumptions announced by FSC.

When measuring the fair value of an asset or a liability, the Company usually uses market observable data. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- (a) Note 6(g)-Investment property.
- (b) Note 6(t)-Financial instruments.

**(6) Explanation of significant accounts:**

- (a) Cash and cash equivalents

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Cash on hand	\$ 163	175
Cash in bank	3,092,653	1,423,986
Time deposits	<u>3,600,000</u>	<u>10,000</u>
	<u><u>\$ 6,692,816</u></u>	<u><u>1,434,161</u></u>

Refer to note 6(t) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

- (b) Financial instruments

- (i) Current financial assets at fair value through profit or loss:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Stocks listed on domestic markets	\$ 31,671	72,750
Money market funds, equity funds and bond funds	<u>1,100,025</u>	<u>-</u>
	<u><u>\$ 1,131,696</u></u>	<u><u>72,750</u></u>

Refer to note 6(s) for the gains or losses on disposals of investments and the amount of remeasurement at fair value through profit or loss.

- (ii) Current available-for-sale financial assets:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Stocks listed on domestic markets	<u>\$ 1,661,562</u>	<u>974,767</u>

Refer to note 6(s) for the gains or losses on disposals of investments.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(iii) Non-current available-for-sale financial assets:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Stocks listed on domestic markets	\$ -	13,628
Non-public stocks	536,857	622,701
Private fund (Note)	<u>612,978</u>	<u>527,831</u>
	<u>\$ 1,149,835</u>	<u>1,164,160</u>

Note: As of December 31, 2017, part of the private fund is during the lock-up period.

Refer to note 6(s) for the gains or losses on disposals of investments.

(iv) Non-current investments in debt instrument without active market:

	<u>Issue period</u>	<u>Nominal rate (%)</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Preferred stock B	2012.11.23~2019.11.22	-	<u>\$ 62,200</u>	<u>92,600</u>

(v) Sensitivity analysis in the equity price risk:

For the years ended December 31, 2017 and 2016, the sensitivity analyses for the changes in the securities price at the reporting date as illustrated below:

Prices of securities at the reporting date	<u>2017</u>		<u>2016</u>	
	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Increasing 3%	<u>\$ 84,342</u>	<u>33,951</u>	<u>64,168</u>	<u>2,183</u>
Decreasing 3%	<u>\$ (84,342)</u>	<u>(33,951)</u>	<u>(64,168)</u>	<u>(2,183)</u>

(vi) As of December 31, 2017 and 2016, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(t).

(c) Accounts receivable, net and other receivables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 454,663	533,634
Accounts receivable due from related parties	1,285,142	521,957
Other receivables (under other current assets)	173,395	169,616
Less : allowance for doubtful accounts	<u>-</u>	<u>(962)</u>
	<u>\$ 1,913,200</u>	<u>1,224,245</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

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

	December 31, 2017	December 31, 2016
Past due 1~60 days	\$ 19,382	31,114
Past due 61~180 days	89	2,023
Past due more than 181 days	-	-
	<u>\$ 19,471</u>	<u>33,137</u>

The movements of allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	\$ 962	-	962
Impairment loss reversed	(962)	-	(962)
Balance at December 31, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>
	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	\$ 3,371	-	3,371
Impairment loss recognized	1,553	-	1,553
Uncollected amounts written off	(3,962)	-	(3,962)
Balance at December 31, 2016	<u>\$ 962</u>	<u>-</u>	<u>962</u>

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

Assessment method:

- (i) At the balance sheet date, the Company evaluates the probability of collection regarding the receivable in accordance with each customer.
- (ii) The Company may recognize 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Company also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

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

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

As of December 31, 2017 and 2016, the accounts receivable, net and other receivables were not pledged.

(d) Inventories

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Raw materials, supplies and spare parts	\$ 2,312,397	1,857,866
Work in process	1,222,053	559,185
Finished goods	<u>201,074</u>	<u>299,714</u>
	<u><b>\$ 3,735,524</b></u>	<u><b>2,716,765</b></u>

Except cost of goods sold and inventories recognized as expenses, the remaining gain or losses which were recognized as operating cost or deduction of operating cost were as follows:

	<b>2017</b>	<b>2016</b>
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	<u>\$ (29,288)</u>	<u>31,692</u>
Unallocated overheads	<u>\$ -</u>	<u>7,896</u>
Revenue from sale of scraps	<u>\$ (12,534)</u>	<u>(7,323)</u>

As of December 31, 2017 and 2016, the inventories were not pledged.

(e) Investments accounted for using equity method

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Subsidiaries	\$ 2,590,439	1,434,211
Associates	<u>69,593</u>	<u>241,398</u>
	<u><b>\$ 2,660,032</b></u>	<u><b>1,675,609</b></u>

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2017.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (ii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

	December 31, 2017	December 31, 2016
Total equity of the individually insignificant investments in associates	\$ <b>69,593</b>	<b>241,398</b>
	2017	2016
Attributable to the Company:		
Net loss	\$ (132,822)	(57,518)
Other comprehensive income	850	247
Total comprehensive income (loss)	\$ <b>(131,972)</b>	<b>(57,271)</b>

(iii) As of December 31, 2017 and 2016, the investments accounted for using equity method were not pledged.

## (f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
<b>Cost :</b>							
Balance as of January 1, 2017	\$ 2,546,534	2,119,081	15,178,622	4,003,294	249,043	270,597	24,367,171
Additions	-	10,678	1,847,437	95,057	99,811	281,625	2,334,608
Reclassification (Note 1)	-	(18,646)	1,116,888	126,832	400	(105,387)	1,120,087
Disposals	-	-	(381,463)	(6,621)	(28,106)	-	(416,190)
Balance as of December 31, 2017	\$ <b>2,546,534</b>	<b>2,111,113</b>	<b>17,761,484</b>	<b>4,218,562</b>	<b>321,148</b>	<b>446,835</b>	<b>27,405,676</b>
Balance as of January 1, 2016	\$ 2,546,534	1,000,117	12,551,818	2,820,770	227,998	2,257,410	21,404,647
Additions	-	180,543	1,182,261	504,229	92,464	235,054	2,194,551
Reclassification (Note 2)	-	967,324	1,765,380	1,112,941	58,049	(2,221,867)	1,681,827
Disposals	-	(28,903)	(320,837)	(434,646)	(129,468)	-	(913,854)
Balance as of December 31, 2016	\$ <b>2,546,534</b>	<b>2,119,081</b>	<b>15,178,622</b>	<b>4,003,294</b>	<b>249,043</b>	<b>270,597</b>	<b>24,367,171</b>
<b>Accumulated depreciation :</b>							
Balance as of January 1, 2017	\$ -	482,641	9,058,821	1,552,253	91,654	-	11,185,369
Depreciation	-	98,655	1,874,258	399,117	95,364	-	2,467,394
Disposals	-	-	(377,655)	(6,290)	(26,507)	-	(410,452)
Balance as of December 31, 2017	\$ -	<b>581,296</b>	<b>10,555,424</b>	<b>1,945,080</b>	<b>160,511</b>	-	<b>13,242,311</b>
Balance as of January 1, 2016	\$ -	429,291	7,514,001	1,681,770	156,715	-	9,781,777
Depreciation	-	80,716	1,865,387	305,128	64,408	-	2,315,639
Disposals	-	(27,366)	(320,567)	(434,645)	(129,469)	-	(912,047)
Balance as of December 31, 2016	\$ -	<b>482,641</b>	<b>9,058,821</b>	<b>1,552,253</b>	<b>91,654</b>	-	<b>11,185,369</b>
<b>Carrying value :</b>							
Balance as of December 31, 2017	\$ <b>2,546,534</b>	<b>1,529,817</b>	<b>7,206,060</b>	<b>2,273,482</b>	<b>160,637</b>	<b>446,835</b>	<b>14,163,365</b>
Balance as of January 1, 2016	\$ <b>2,546,534</b>	<b>570,826</b>	<b>5,037,817</b>	<b>1,139,000</b>	<b>71,283</b>	<b>2,257,410</b>	<b>11,622,870</b>
Balance as of December 31, 2016	\$ <b>2,546,534</b>	<b>1,636,440</b>	<b>6,119,801</b>	<b>2,451,041</b>	<b>157,389</b>	<b>270,597</b>	<b>13,181,802</b>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were adjusted by using the construction refund.

Note 2: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were classified as investment property.

(i) Pledge to secure:

As of December 31, 2017 and 2016, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(ii) For the years ended December 31, 2017 and 2016, capitalized interest expenses amounted to \$21,357 thousand and \$30,975 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.15%~1.56% and 1.37%~1.64%, respectively.

(g) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<b>Cost :</b>			
Balance as of January 1, 2017	\$ 963,127	536,008	1,499,135
Additions	-	1,258	1,258
Reclassification (Note 1)	-	(7,314)	(7,314)
Balance as of December 31, 2017	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Balance as of January 1, 2016	\$ 963,127	138,225	1,101,352
Reclassification (Note 2)	-	397,783	397,783
Balance as of December 31, 2016	<u>\$ 963,127</u>	<u>536,008</u>	<u>1,499,135</u>
<b>Accumulated depreciation :</b>			
Balance as of January 1, 2017	\$ -	31,022	31,022
Depreciation	-	20,155	20,155
Balance as of December 31, 2017	<u>\$ -</u>	<u>51,177</u>	<u>51,177</u>
Balance as of January 1, 2016	\$ -	15,506	15,506
Depreciation	-	15,516	15,516
Balance as of December 31, 2016	<u>\$ -</u>	<u>31,022</u>	<u>31,022</u>
<b>Carrying value :</b>			
Balance as of December 31, 2017	<u>\$ 963,127</u>	<u>478,775</u>	<u>1,441,902</u>
Balance as of January 1, 2016	<u>\$ 963,127</u>	<u>122,719</u>	<u>1,085,846</u>
Balance as of December 31, 2016	<u>\$ 963,127</u>	<u>504,986</u>	<u>1,468,113</u>
<b>Fair value :</b>			
Balance as of December 31, 2017			<u>\$ 1,576,821</u>
Balance as of December 31, 2016			<u>\$ 1,639,399</u>

Note1: Investment property were adjusted by using the construction refund.

Note2: Prepayments for business facilities and property, plant and equipment were reclassified as investment property.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

When measuring the fair value of its investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect its specified inherit risk on the net cash flows. The inputs to the valuation technique used for measuring fair value were categorized as a Level 2 fair value.

The yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>For the year ended December 31, 2017</u>
Hsinchu	0.22%
Taoyuan	1.97%

As of December 31, 2017 and 2016, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(h) Intangible assets

(i) The movement in intangible assets for the years ended December 31, 2017 and 2016 were as follows:

	<u>Technical know-how</u>	<u>Computer software and information systems</u>	<u>Others</u>	<u>Total</u>
<b>Cost :</b>				
Balance as of January 1, 2017	\$ 46,005	82,536	5,612	134,153
Additions	-	46,177	4,106	50,283
Reclassification (Note)	-	70	-	70
Disposals	-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	<u>\$ 46,005</u>	<u>111,822</u>	<u>5,614</u>	<u>163,441</u>
Balance as of January 1, 2016	\$ 46,005	57,702	1,843	105,550
Additions	-	38,337	4,774	43,111
Disposals	-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	<u>\$ 46,005</u>	<u>82,536</u>	<u>5,612</u>	<u>134,153</u>
<b>Amortization :</b>				
Balance as of January 1, 2017	\$ 23,642	34,930	2,229	60,801
Amortization	3,833	33,209	4,784	41,826
Disposals	-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	<u>\$ 27,475</u>	<u>51,178</u>	<u>2,909</u>	<u>81,562</u>
Balance as of January 1, 2016	\$ 19,808	22,767	605	43,180
Amortization	3,834	25,666	2,629	32,129
Disposals	-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	<u>\$ 23,642</u>	<u>34,930</u>	<u>2,229</u>	<u>60,801</u>
<b>Carrying value :</b>				
Balance as of December 31, 2017	<u>\$ 18,530</u>	<u>60,644</u>	<u>2,705</u>	<u>81,879</u>
Balance as of January 1, 2016	<u>\$ 26,197</u>	<u>34,935</u>	<u>1,238</u>	<u>62,370</u>
Balance as of December 31, 2016	<u>\$ 22,363</u>	<u>47,606</u>	<u>3,383</u>	<u>73,352</u>

Note : Other current assets were reclassified as intangible assets.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2017 and 2016, the amortization expenses of intangible assets were as follows:

	<u>2017</u>	<u>2016</u>
Operating costs	\$ 10,980	9,782
Operating expenses	<u>30,846</u>	<u>22,347</u>
	<u>\$ 41,826</u>	<u>32,129</u>

(iii) As of December 31, 2017 and 2016, the intangible assets were not pledged.

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other receivable from metal recycling	\$ 159,618	156,090
Tax refund receivable	123,766	68,579
Prepayments for purchases and prepaid expenses	71,507	54,955
Restricted assets	25,655	25,571
Refundable deposits	24,516	25,216
Others	<u>15,949</u>	<u>13,526</u>
	<u>\$ 421,011</u>	<u>343,937</u>

(j) Short-term borrowings

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unsecured short-term borrowings	\$ -	-
Unused bank credit lines for short-term borrowings	<u>\$ 2,361,382</u>	<u>1,941,748</u>
Unused bank credit lines for short-term and long-term borrowings	<u>\$ 510,778</u>	<u>1,352,188</u>
Annual interest rate	<u>1.997%~2.00%</u>	<u>0.63%~1.66%</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (k) Long-term borrowings

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Unsecured long-term borrowings (Settled in NTD)	\$ 5,578,000	2,514,000
Secured long-term borrowings (Settled in NTD)	679,536	2,099,943
Less : long-term liabilities, current portion	<u>(352,056)</u>	<u>(940,194)</u>
Total	<u>\$ 5,905,480</u>	<u>3,673,749</u>
Unused bank credit lines for long-term borrowings	<u>\$ 2,093,000</u>	<u>2,002,000</u>
Annual interest rate	<u>1.23%~1.60%</u>	<u>1.23%~1.64%</u>
Expiry date	<u>2019/2/1~2020/8/31</u>	<u>2018/2/18~2020/3/1</u>

As of December 31, 2017, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
January 1, 2018~December 31, 2018	\$ 352,056
January 1, 2019~December 31, 2019	2,168,056
January 1, 2020~December 31, 2020	<u>3,737,424</u>
	<u>\$ 6,257,536</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in note 6(j).
- (ii) The collateral for these long-term borrowings was disclosed in note 8.
- (iii) In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is \$4,800,000 thousand and has been redeemed on December 2017.

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

At the ended of the annual reporting period, current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 120%, interest coverage ratio shall not be less than 300%, and net equity shall not be less than \$6,000,000 thousand.

For the year ended December 31, 2016, the Company was in compliance with the above financial covenants and restrictions.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (l) Operating lease

## (i) Lease-lessor

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

For the years ended December 31, 2017 and 2016, the rental income recognized in other income amounting to \$84,383 thousand and \$68,793 thousand, respectively.

## (ii) Lease-lessee

The Company leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 5 years.

For the years ended December 31, 2017 and 2016, the rent expense amounted to \$31,076 thousand and \$28,298 thousand, respectively, which were recorded as operating costs and operating expenses.

## (m) Employee benefits

## (i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Present value of the defined benefit obligations	\$ 102,900	100,272
Fair value of plan assets	<u>(40,312)</u>	<u>(38,844)</u>
Net defined benefit liabilities (Note)	<u>\$ 62,588</u>	<u>61,428</u>

(Note) Recognized liabilities for defined benefit obligations were recognized as other non-current liabilities.

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary prior to six months of retirement.

## 1) Composition of plan assets

The Company set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to \$40,312 thousand as of December 31, 2017. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Funds, Ministry of Labor.

2) The movement in present value of the defined benefit obligations

For the years ended December 31, 2017 and 2016, movements in the present value of the defined benefit obligations for the Company were as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit obligations as of January 1	\$ 100,272	84,407
Current service costs and interest cost	2,980	3,030
Remeasurements of the net defined benefit liability (asset):		
— Actuarial (gains) losses arising from financial assumption	(3,234)	6,348
— Experience adjustments	<u>2,882</u>	<u>6,487</u>
Defined benefit obligations as of December 31	<u>\$ 102,900</u>	<u>100,272</u>

3) The movement in fair value of the defined benefit plan assets

For the years ended December 31, 2017 and 2016, movements in the fair value of the plan assets were as follows:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets as of January 1	\$ 38,844	37,896
Interest revenue	533	709
Remeasurements of the net defined benefit liability (asset):		
— Return on plan assets (excluding the interest revenue)	(151)	(437)
Amounts contributed to plan	<u>1,086</u>	<u>676</u>
Fair value of plan assets as of December 31	<u>\$ 40,312</u>	<u>38,844</u>

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2017 and 2016, there were no changes in the effect of plan asset ceiling.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

5) The expenses recognized in profit or losses

For the years ended December 31, 2017 and 2016, the expenses recognized in profit or losses for the Company were as follows:

	<u>2017</u>	<u>2016</u>
Current service costs	\$ 1,633	1,487
Net interest expense of net defined benefit (liabilities (assets))	<u>814</u>	<u>834</u>
	<u>\$ 2,447</u>	<u>2,321</u>
	<u>2017</u>	<u>2016</u>
Administrative expenses	<u>\$ 2,447</u>	<u>2,321</u>

6) The remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income

For the years ended December 31, 2017 and 2016, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2017</u>	<u>2016</u>
Balance as of January 1	\$ 30,867	17,595
Recognized in the current period	<u>(201)</u>	<u>13,272</u>
Balance as of December 31	<u>\$ 30,666</u>	<u>30,867</u>

7) Actuarial assumptions

At the end of the reporting date, the principal actuarial assumptions were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate	1.625 %	1.375 %
Future salary rate increases	3.000 %	3.000 %

The Company expects to make contributions of \$242 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit plans is 17.35 years.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

8) Sensitivity analysis

As of December 31, 2017 and 2016, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	<u>Influences of defined benefit obligations</u>	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
Balance as of December 31, 2017		
Discount rate	\$ (3,079)	3,234
Future salary rate increases	3,131	(3,005)
Balance as of December 31, 2016		
Discount rate	\$ (3,247)	3,337
Future salary rate increases	3,272	(3,159)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$75,340 thousand and \$61,235 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2017 and 2016, respectively.

(n) Income tax

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Current tax expense		
Current period	\$ 815,559	777,550
Adjustment for prior periods	(80)	(4,315)
	<u>815,479</u>	<u>773,235</u>
Deferred tax expense		
Origination and reversal of temporary differences	(2,119)	17,575
Income tax expense	<u>\$ 813,360</u>	<u>790,810</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Components of other comprehensive income that will not be classified to profit or loss:		
The remeasurements of defined benefit plans	\$ <u>(34)</u>	<u>2,256</u>

Reconciliation of income tax expenses (benefit) and profit before tax were as follows:

	<u>2017</u>	<u>2016</u>
Profit before tax	\$ <u>4,577,560</u>	<u>3,903,584</u>
Estimated income tax calculated using the Company's domestic tax rate	\$ 778,185	663,609
Tax-exempt income	(39,486)	(43,808)
10% surtax on unappropriated earnings	97,848	210,090
Others	<u>(23,187)</u>	<u>(39,081)</u>
	\$ <u>813,360</u>	<u>790,810</u>

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 were as follows:

	<u>Allowance for obsolete inventories</u>	<u>Difference in depreciation expense between financial and tax method</u>	<u>Others</u>	<u>Total</u>
<b>Deferred tax assets:</b>				
Balance as of January 1, 2017	\$ 32,951	13,949	28,454	75,354
Recognized in profit or loss	(9,959)	9,307	2,532	1,880
Recognized in other comprehensive income	-	-	(34)	(34)
Balance as of December 31, 2017	\$ <u>22,992</u>	<u>23,256</u>	<u>30,952</u>	<u>77,200</u>
Balance as of January 1, 2016	\$ 30,379	12,841	41,884	85,104
Recognized in profit or loss	2,572	1,108	(15,686)	(12,006)
Recognized in other comprehensive income	-	-	2,256	2,256
Balance as of December 31, 2016	\$ <u>32,951</u>	<u>13,949</u>	<u>28,454</u>	<u>75,354</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
<b>Deferred tax liabilities:</b>				
Balance as of January 1, 2017	\$ 31,718	2,010	-	33,728
Recognized in profit or loss	<u>1,771</u>	<u>(2,010)</u>	<u>-</u>	<u>(239)</u>
Balance as of December 31, 2017	<u>\$ 33,489</u>	<u>-</u>	<u>-</u>	<u>33,489</u>
Balance as of January 1, 2016	\$ 28,159	-	-	28,159
Recognized in profit or loss	<u>3,559</u>	<u>2,010</u>	<u>-</u>	<u>5,569</u>
Balance as of December 31, 2016	<u>\$ 31,718</u>	<u>2,010</u>	<u>-</u>	<u>33,728</u>

## (iii) Examination and approval

The Company's corporate income tax returns for the years through 2015 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

## (iv) The Company's integrated income tax information at the reporting date were as follows :

	December 31, 2017	December 31, 2016
Unappropriated earnings after 1997	(note)	\$ <u>8,308,684</u>
Balance of imputation credit account (ICA)	(note)	\$ <u>1,543,074</u>
	<u>2017(Estimated)</u>	<u>2016(Actual)</u>
Creditable ratio for distributed to domestic shareholders of earnings	(note)	<u>25.14 %</u>

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit-seeking income tax which was actually paid under the provisions of Article 66-9, half of the amount of the surcharge on profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(note): According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(o) Capital and other equity

(i) Ordinary share

As of December 31, 2017 and 2016, the Company's authorized share capital consisted of 1,000,000 thousand shares of ordinary share, with \$10 dollars par value per share, of which 422,666 thousand shares, and 407,666 thousand shares, respectively, were issued and outstanding. The Company has reserved \$1,000,000 thousand for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2017 and 2016:

	<b>Ordinary share (in thousands)</b>	
	<b>2017</b>	<b>2016</b>
Balance as of January 1	407,666	596,564
Issue of shares	20,000	-
Exercise of employee stock options	-	102
Capital reduction	-	(179,000)
Retirement of treasury share	(5,000)	(10,000)
Balance as of December 31	<b>422,666</b>	<b>407,666</b>

A resolution was passed during the general meeting of shareholders held on June 16, 2017 for the issuance of ordinary shares for cash within a year under private placement, a resolution was passed during the board meeting held on December 8, 2017 for the issuance of 20,000 thousands ordinary shares, with subscription price \$277 per share, amounting to \$5,540,000 thousand, with December 22, 2017 as the record date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded publicly after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

For the year ended December 31, 2016, the Company had issued 102 thousand shares resulting from the exercise of employee stock options. The record dates were agreed on the end of each calendar quarter. All issued shares were paid up upon issuances. The aforementioned stock issuance, which was authorized by and registered with the government authorities, was included in ordinary share.

The resolution was passed during the meeting of shareholders held on June 24, 2016 for the capital reduction of \$1,789,999 thousand representing 179,000 thousand shares of outstanding shares. On August 1, 2016, the authority had already approved the application and the Company's chairman of Board of Directors resolved the record date as August 2, 2016. The related registration process had been completed.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

As of December 31, 2017, the Company issued 11,121 thousand units of Global Depository Receipts (GDRs), representing 55,605 thousand ordinary shares of stock of the Company.

(ii) Capital surplus

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

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Additional paid-in capital	\$ 9,031,035	3,736,867
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	21,163	21,163
Employee stock options	<u>698</u>	<u>707</u>
	<u>\$ 9,052,896</u>	<u>3,758,737</u>

In accordance with amended Company Act, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve and a special capital reserve is likewise appropriated or the annual income or earnings are retained in accordance with the relevant laws or regulations or as requested by the authorities. Otherwise, the distribution of remaining balance of the earnings should be further proposed by the Board of Directors and resolved by the shareholders' meeting. And the cash dividends should not 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.

1) Legal reserve

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

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

2) Special reverse

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

3) Appropriations of earnings

The appropriations of earning for 2016 and 2015 had been approved in shareholders' meetings held on June 16, 2017 and June 24, 2016, respectively. The appropriations and dividends were as follows:

	2016	2015
Cash dividends	\$ 1,811,999	298,333

The above-mentioned appropriations of earning for 2016 and 2015 were consistent with the resolutions of the meeting of the Board of Directors.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(iv) Treasury shares

In 2017 and 2016, in accordance with the requirements under section 28-2 of the Securities and Exchange Act, the Company repurchased 1,080 thousand and 13,920 thousand shares, respectively, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2017 and 2016, all of the shares had been cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of the number of common shares issued. Also, the total amount of the repurchased shares should not exceed the sum of retained earnings, paid-in capital in excess of par value and other realized capital surplus. The shares and dollar amount that may be repurchased do not exceed the upper limit, which were calculated based on the audited or reviewed financial reports by a certified accountant, for the latest accounting period prior to a resolution of a meeting of the Board of Directors.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(v) Other equity interest, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) on available- for-sale financial assets</b>
Balance as of January 1, 2017	\$ 1,719	760,178
Foreign currency differences (net of tax) :		
Subsidiaries	(102,777)	-
Associates	850	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	775,201
Subsidiaries	-	190,852
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	(158,055)
Balance as of December 31, 2017	<u>\$ (100,208)</u>	<u>1,568,176</u>
	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) on available- for-sale financial assets</b>
Balance as of January 1, 2016	\$ 19,783	363,161
Foreign currency differences (net of tax):		
Subsidiaries	(18,311)	-
Associates	247	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	548,820
Subsidiaries	-	39,440
Cumulative gains (losses) reclassified to profit or loss upon disposal of available- for-sale financial assets (net of tax)	-	(191,243)
Balance as of December 31, 2016	<u>\$ 1,719</u>	<u>760,178</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (p) Share-based payment

The details of share-based payment were as follows:

<u>Item</u>	<u>Date of approval by Board of Directors</u>	<u>Date of approval by authority</u>	<u>Issue date</u>	<u>Duration</u>	<u>Estimated issued shares</u>	<u>Actual issue shares</u>	<u>Price of each share (expressed in dollars)</u>
2010	2010.07.05	2010.09.28	2011.01.26	5 Years	10,000,000	10,000,000	\$ 28.4

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

	<u>Issued in 2010</u>
Over one year	-
Over two years	60 %
Over three years	100 %
Over four years	100 %
Over five years	100 %

- (i) Fair value of those options at the measurement date and information on how that fair value was measured.

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

	<u>2010 employee stock options exercise in the 2nd year</u>	<u>2010 employee stock options exercise in the 3rd year</u>
Fair value at grant date (dollars)	\$ 4.30	5.30
Share price at grant date (dollars)	\$ 27.02	27.02
Exercise price (dollars)	\$ 27.10	27.10
Expected volatility	31.25 %	31.25 %
Expected life	2 Years	3 Years
Risk-free interest rate	0.73 %	0.86 %

Expected volatility is based on the weighted-average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. The Company determined the risk-free rate during the life of the option. These rates are determined based on the government bonds, and they are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

- (ii) For the years ended December 31, 2017 and 2016, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2017		2016	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ -	-	28.40	142
Granted	-	-	-	-
Exercised	-	-	28.40	(102)
Expired	-	-	-	(40)
Outstanding at the end	-	-	-	-

As of December 31, 2017 and 2016, there were no compensatory employee stock options outstanding.

- (iii) Compensation cost for employee stock options

For the years ended December 31, 2017 and 2016, the compensation cost for employee stock options both amounted to \$0 thousand.

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

For the years ended December 31, 2017 and 2016, the Company's earnings per share were calculated as follows:

	2017	2016
Basic earnings per share :		
Profit belonging to common shareholders	\$ <u>3,764,200</u>	<u>3,112,774</u>
Weighted average number of outstanding shares of common stock (in thousands)	<u>403,214</u>	<u>515,536</u>
Basic earnings per share (in dollars)	\$ <u>9.34</u>	<u>6.04</u>
Diluted earnings per share :		
Profit belonging to common shareholders	\$ <u>3,764,200</u>	<u>3,112,774</u>
Weighted average number of outstanding shares of common stock (in thousands)	403,214	515,536
Effect of potentially dilutive common stock		
Employee remuneration (in thousands)	<u>1,510</u>	<u>3,695</u>
Weighted average number of common stock (diluted) (in thousands)	<u>404,724</u>	<u>519,231</u>
Diluted earnings per share (in dollars)	\$ <u>9.30</u>	<u>5.99</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(r) Employees', directors' and supervisors' remuneration

According to the Company's Article of Incorporation, if there is any net profit after closing of a fiscal year, it shall be allocated according to the following principles:

- (i) Employee remuneration: not less than 5% but no more than 10% and shall be determined and pursuant to Employee Bonus Procedure of the Company. In addition, employee's profit sharing remuneration shall be distributed in the form of shares or cash. Stock-type employee remuneration may be distributed to qualified employees of affiliates of the Company.
- (ii) Remuneration of Directors and Supervisors: no more than 3%.

However, if there are any accumulated losses of the Company, the Company shall pre-reserve the amount to offset the loss. The distribution of employees' profit sharing bonus and remuneration of Directors and Supervisors shall follow the special resolution by Board of Directors, and report it to the shareholders' meeting.

For the years ended December 31, 2017 and 2016, the Company estimated its employees' and directors' and supervisors' remuneration as follows:

	<u>2017</u>	<u>2016</u>
Employee remuneration	\$ 308,400	263,000
Directors' remuneration	<u>89,500</u>	<u>76,300</u>
	<u>\$ 397,900</u>	<u>339,300</u>

The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration were included in the operating costs and operating expenses of the years ended December 31, 2017 and 2016. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2017 and 2016.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(s) Non-operating income and expenses

(i) Other income

	<u>2017</u>	<u>2016</u>
Interest income	\$ 18,285	9,811
Dividend income	70,680	46,681
Rent income	<u>92,855</u>	<u>73,533</u>
	<u>\$ 181,820</u>	<u>130,025</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (ii) Other gains and losses

	<u>2017</u>	<u>2016</u>
Foreign exchange losses	\$ (167,901)	(16,128)
Gains on disposals of investments	160,043	209,987
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(34,775)	13,993
Losses on disposals on the property, plant and equipment	(1,809)	(2,768)
Others	<u>13,967</u>	<u>92,386</u>
	<u>\$ (30,475)</u>	<u>297,470</u>

## (iii) Finance costs

	<u>2017</u>	<u>2016</u>
Interest expense on bank borrowings	\$ 76,044	50,770
Other interest expenses	259	425
Less: capitalized interest expense	<u>(21,357)</u>	<u>(30,975)</u>
	<u>\$ 54,946</u>	<u>20,220</u>

## (t) Financial instruments

## (i) Credit risk

## 1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. Cash and cash equivalents is deposited in different financial institutions to control the credit risk exposed to single financial institution. The Company owns securities by purchasing traded stocks and money market fund issued by high-credit-quality financial institutions. The Company owns debt instrument investments issued by high-credit-quality company. However, the credit risk involving securities is not expected to be significant.

## 2) Disclosures about concentrations of risk

As of December 31, 2017 and 2016, the Company's accounts receivable (included the related parties) were both concentrated on 2 and 5 customers, whose accounts represented 83% and 84% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible collectability of accounts receivable periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
<b>As of December 31, 2017</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 679,536	689,099	308,797	304,758	75,544	-
Unsecured bank loans	5,578,000	5,725,263	119,553	1,921,648	3,684,062	-
Accounts payable	1,682,749	1,682,749	1,682,749	-	-	-
Other payables	1,215,113	1,215,113	1,215,113	-	-	-
	<u>\$ 9,155,398</u>	<u>9,312,224</u>	<u>3,326,212</u>	<u>2,226,406</u>	<u>3,759,606</u>	<u>-</u>
<b>As of December 31, 2016</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans	2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable	941,535	941,535	941,535	-	-	-
Other payables	824,335	824,335	824,335	-	-	-
	<u>\$ 6,379,813</u>	<u>6,463,896</u>	<u>2,750,036</u>	<u>896,840</u>	<u>2,817,020</u>	<u>-</u>

The Company did not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

## (iii) Currency risk

## 1) Exposure to currency risk

The Company's significant exposure to foreign currency risk were as follows:

	December 31, 2017			December 31, 2016			
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	
<b>Financial assets</b>							
<u>Monetary items</u>							
USD	\$	133,142	29.76	3,962,306	74,977	32.25	2,418,000
EUR		527	35.57	18,760	27	33.90	930
JPY		392,579	0.2642	103,719	65,504	0.2756	18,053
GBP		3	40.11	118	3	39.61	104
				<u>\$ 4,084,903</u>			<u>2,437,087</u>
<u>Non-monetary items</u>							
USD		86,889	29.76	<u>\$ 2,524,603</u>	40,623	32.25	<u>1,316,726</u>
<b>Financial liabilities</b>							
<u>Monetary items</u>							
USD		36,299	29.76	1,080,259	13,628	32.25	439,503
EUR		648	35.57	23,039	442	33.90	14,993
JPY		604,535	0.2642	159,718	291,236	0.2756	80,265
				<u>\$ 1,263,016</u>			<u>534,761</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, net (included the related parties), other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, JPY and the GBP etc. for the years ended December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by \$117,108 thousand and \$78,947 thousand, respectively, and other comprehensive income by \$16,773 thousand and \$2,089 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange losses (including realized and unrealized portions) amounted to \$167,901 thousand and \$16,128 thousand, respectively.

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the non-derivatives financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases (decreases) by 0.5%, the Company's net profit after tax would have (decreased) increased by \$12,933 thousand and \$12,443 thousand for the years ended December 31, 2017 and 2016, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (v) Fair value

## 1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and available for-sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2017				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 31,671	31,671	-	-	31,671
Funds and investment	<u>1,100,025</u>	<u>1,100,025</u>	-	-	<u>1,100,025</u>
Subtotal	<u>\$ 1,131,696</u>	<u>1,131,696</u>	-	-	<u>1,131,696</u>
Available-for-sale financial assets					
Stocks listed on domestic markets	\$ 1,661,562	1,661,562	-	-	1,661,562
Non-public stocks	536,857	-	536,857	-	536,857
Private fund	<u>612,978</u>	-	<u>612,978</u>	-	<u>612,978</u>
Subtotal	<u>\$ 2,811,397</u>	<u>1,661,562</u>	<u>1,149,835</u>	-	<u>2,811,397</u>
Loans and receivables					
Cash and cash equivalents (Note)	\$ 6,692,816	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (including related parties) (Note)	1,739,805	-	-	-	-
Other receivables (Note)	<u>173,395</u>	-	-	-	-
Subtotal	<u>\$ 8,668,216</u>	-	-	-	-
Amortized cost of financial liabilities					
Bank loans (Note)	\$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,682,749	-	-	-	-
Other payables (Note)	<u>1,215,113</u>	-	-	-	-
Subtotal	<u>\$ 9,155,398</u>	-	-	-	-

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

	December 31, 2016				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 72,750	72,750	-	-	72,750
Available-for-sale financial assets					
Stocks listed on domestic markets	\$ 988,395	988,395	-	-	988,395
Non-public stocks	622,701	-	622,701	-	622,701
Private fund	527,831	-	527,831	-	527,831
Subtotal	<u>\$ 2,138,927</u>	<u>988,395</u>	<u>1,150,532</u>	<u>-</u>	<u>2,138,927</u>
Loans and receivables					
Cash and cash equivalents (Note)	\$ 1,434,161	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (including related parties) (Note)	1,054,629	-	-	-	-
Other receivables (Note)	169,616	-	-	-	-
Subtotal	<u>\$ 2,751,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost of financial liabilities					
Bank loans (Note)	\$ 4,613,943	-	-	-	-
Accounts payable (Note)	941,535	-	-	-	-
Other payables (Note)	824,335	-	-	-	-
Subtotal	<u>\$ 6,379,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note: The information on fair value is not disclosed since the carrying amount is a reasonable approximation of fair value.

2) Valuation techniques of financial instrument not valued at fair value

The valuation techniques of the Company's financial instruments not valued at fair value by using the methods and assumptions are as follows:

- Investments in debt instrument without active market and financial liability measured at amortized cost

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when:

- the bid-ask spread is increasing; or
- the bid-ask spread varies significantly; or
- there has been a significant decline in trading volume.

When the financial instrument of the Company is traded in an active market, its fair value is illustrated by the category and nature as follows:

- Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.
- Close-end funds with standard terms and conditions, such as money market funds, and bond funds; investors can require the investment trust company to redeem the fund at any time. The fair value is based on the net value of the fund.

Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Company is not traded in an active market, its fair value is illustrated by the category and nature as follows:

- Equity instruments do not have any quoted market price: the fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

b) Derivative instruments

The fair value is determined by using the models that are acceptable to the market participants, for example, discounted cash flow analyses or option pricing models. Forward exchange contracts are measured using quoted forward exchange rates. The fair value of structured interest derivative financial instruments is determined by using the proper option pricing models, such as Black-Scholes model, or other valuation technique, such as Monte Carlo simulation.

4) Transfer between level 2 and level 1

For the years ended December 31, 2017 and 2016, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy Level 3 for the years ended December 31, 2017 and 2016.

(u) Management of financial risk

(i) The Company is exposed to the extent of the risks arising from financial instruments as below :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk was listed below. The Company's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments.

(ii) Risk management framework

The Board of Directors is responsible for overseeing the Company's risk management framework. The Company's internal auditor is responsible to identify and analyze the risks faced by the Company. The management of each division sets appropriate risk limits and controls, and monitor risks that follow the adherence to limits. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arises principally from the Company's accounts receivable, investments in securities and investments in bond.

1) Notes and accounts receivable

According to the credit policy, the Company analyzes each new customer individually for their credit worthiness before granting the new customer standard payment terms and delivery terms. The Company's review includes external ratings of customers' financial information and bank references. Credit lines are established for each customer and reviewed periodically.

The Company oversees the customer's credit risk based on the aging, due date and financial information.

The allowance for doubtful accounts of the Company is estimated to reflect the loss in notes and accounts receivable for those customers graded as "high risk". The major component of the allowance account contains individually significant exposure related to the specific loss.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no compliance issues and therefore no significant credit risk.

3) Guarantees

As of December 31, 2017 and 2016, the Company did not provide guarantee.

(iv) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2017, the Company has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused bank credit lines for short-term borrowings and long-term borrowings amounted to \$2,361,382 thousand, \$510,778 thousand and \$2,093,000 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD) and US Dollars (USD).

The policy of response to currency risk :

- 1) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.
- 2) The Company uses foreign currency borrowings and forward exchange contracts to hedge the remaining nature of currency risk arising from the netting of foreign currency accounts receivable and accounts payable.
- 3) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also stays in contact with the foreign currency department to control the foreign currency trend and market information.

(v) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors and market, and to sustain future development of the business. For the goal of business sustainability, the Company monitors the expansion plan as well as the level of dividends to ordinary shareholders.

(Continued)



**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

For the years ended December 31, 2017 and 2016, the Company's return on common equity was 17.43% and 17.87%, respectively. The Company's debt ratio at the reporting date were as follows:

	<b>December 31,</b>	<b>December 31,</b>
	<b>2017</b>	<b>2016</b>
Debt ratio	<u><u>30.25 %</u></u>	<u><u>31.12 %</u></u>

As of December 31, 2017, there were no changes in the Company's approach to capital management.

**(7) Related-party transactions:**

**(a) Relationship with the parent company and its subsidiaries:**

<u>Name of related party</u>	<u>Relationship with the Company</u>
WIN SEMI. USA, INC.	The Subsidiary
WIN Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	"
WIN Venture Capital Corp.	"
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	"
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note 1)	"
Jiangsu CM/ Merit Agriculture Development Co., Ltd.	(Note 2)
Jiangsu Merit/ CM Agriculture Development Co., Ltd.	The Subsidiary
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	"
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	"
Formosa Fortune Group Co., Ltd. (abbrev. Formosa BVI)	"
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	"

(Note 1) Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd. renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

(Note 2) Jiangsu CM / Merit Agriculture Development Co., Ltd. has been no longer listed in the subsidiaries of the Company since June, 2017. Please refer to the consolidated financial statements for the years ended December 31, 2017.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant transaction with related-parties for the years ended December 31, 2017 and 2016 were as follow:

	<u>2017</u>	<u>2016</u>
Subsidiary – WIN Cayman	<u>\$ 7,198,799</u>	<u>4,497,103</u>

The prices for sales from related parties are not materially different from those of third-party customers. Receivables from related parties were not secured with collateral and did not require provisions for bad debt expenses.

(ii) Receivable from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follow:

<u>Account</u>	<u>Categories</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	Subsidiary – WIN Cayman	<u>\$ 1,285,142</u>	<u>521,957</u>

(c) Transactions with key management personnel

For the years ended December 31, 2017 and 2016, key management personnel compensation were comprised as below:

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 351,465	321,188
Post-employment benefits	<u>766</u>	<u>745</u>
	<u>\$ 352,231</u>	<u>321,933</u>

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Other non-current assets	Gas deposits	\$ 4,700	4,700
Other non-current assets	Customs guarantee	20,955	20,871
Property, plant and equipment	Long-term borrowings	2,858,234	3,176,314
Investment property	Long-term borrowings	<u>1,441,902</u>	<u>1,468,113</u>
		<u>\$ 4,325,791</u>	<u>4,669,998</u>

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

**(9) Commitments and contingencies:**

(a) Contingencies: None.

(b) Commitment:

(i) In 2015, the Company signed a shareholder's agreement with CSDC Private Limited, a Singapore company. According to the agreement, the Company should purchase a certain amount of raw material from the main shareholders of CSDC Private Limited between 2014 to 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.

(ii) The unrecognized commitment of acquisition of plant expansion and machinery equipment and purchase of raw materials by the aforementioned shareholder's agreement were as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
The unrecognized amount	<b>\$ 5,479,023</b>	<b>1,662,434</b>
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
(iii) The unused letters of credit	<b>\$ 54,918</b>	<b>234,314</b>

**(10) Losses due to major disasters: None.****(11) Subsequent events:**

(a) On January 2, 2018, the Board of Directors of the Company's subsidiary, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman), resolved to subscribe the new shares contributed by its associate, Jiangsu CM/ Merit Agriculture Development Co., Ltd., amounting to USD 12,000 thousand in cash.

(b) The Company resolved to subscribe the new shares contributed by its subsidiary, Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman), for the 12,000 thousand shares, with par value of USD 1 per share, amounting to USD 12,000 thousand in cash, as proposed in the Board of Directors' meeting held on January 11, 2018.

(c) On January 16, 2018, the Board of Directors of the Company's subsidiary, Win Cayman, resolved to subscribe the new shares contributed by its subsidiary, Chainwin Cayman, for 6,000 thousand shares (upper limit), with par value of USD 2 per share, amounting to USD 12,000 thousand (upper limit) in cash.

(Continued)

**WIN Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

- (d) According to the amendments to the “Income Tax Act” enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group’s current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by \$13,623 thousand and \$5,910 thousand, respectively.

**(12) Other:**

The followings were the summary statements of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2017 and 2016:

	2017			2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,782,998	656,191	2,439,189	1,302,384	570,406	1,872,790
Labor and health insurance	132,187	32,643	164,830	101,522	27,767	129,289
Pension	60,571	17,216	77,787	48,927	14,629	63,556
Others	52,038	99,015	151,053	44,961	84,652	129,613
Depreciation	2,320,541	167,008	2,487,549	2,191,586	139,569	2,331,155
Amortization	10,980	30,846	41,826	9,782	22,347	32,129

As of December 31, 2017 and 2016, the Company had 2,540 and 2,051 employees, respectively.

(Continued)

**Win Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

**(13) Other disclosures:****(a) Information on significant transactions:**

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

**(i) Loans to other parties:**

(In thousands of Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Jiangsu CM/ Merit Agriculture Development Co., Ltd.	Other receivables	Yes	178,560 (USD 6,000)	178,560 (USD 6,000)	178,560 (USD 6,000)	4.35%	2	-	Working Capital	-	None	-	Net equity 20% 343,536	Net equity 40% 687,072

Note 1: Company numbering as follow:

Subsidiaries to subsidiaries—0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 20% and 40%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

**(ii) Guarantees and endorsements for other parties: None.****(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):**

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
The Company	Green Seal Holding Limited / Stock	None	Current financial assets at fair value through profit or loss	490	31,671	0.30	31,671	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	24,086	300,007	-	300,007	
"	Capital Money Market Fund	"	"	12,469	200,005	-	200,005	
"	Yuanta De-Li Money Market Fund	"	"	12,340	200,005	-	200,005	
"	Yuanta De-Bao Money Market Fund	"	"	16,737	200,003	-	200,003	
"	Union Money Market Fund	"	"	15,234	200,005	-	200,005	
					<u>1,131,696</u>		<u>1,131,696</u>	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	"	"	1,238	104,859	0.50	104,859	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	995	12,393	-	12,393	
"	Capital Money Market Fund	"	"	1,082	17,352	-	17,352	
					<u>134,604</u>		<u>134,604</u>	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	CTBC Hwa-Win Money Market Fund	"	"	3,195	35,007	-	35,007	

(Continued)

**Win Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
The Company	ITEQ CORPORATION / Stock	None	Current available-for-sale financial assets	24,364	1,590,950	8.04	1,590,950	
"	MAG. LAYERS Scientific-Technics Co., Ltd. / Stock	"	"	1,096	68,388	1.17	68,388	
"	Solar Applied Meterials Technology Corp. / Stock	"	"	105	2,224	0.03	2,224	
					<u>1,661,562</u>		<u>1,661,562</u>	
"	Inventec Solar Energy Cororation / Stock	"	Non-current available-for-sale financial assets	34,000	194,970	10.51	194,970	
"	CDIB Capital Creative Industries Limited / Stock	"	"	5,000	85,413	3.33	85,413	
"	Fuh Hwa Tung-ta Fund	"	"	15,725	250,414	-	250,414	
"	MagiCap Venture Capital Co., Ltd./ Preferred Stock A	"	"	1,000	112,960	2.53	112,960	
"	New Future Capital Co., Ltd. / Stock	"	"	10,000	91,582	15.87	91,582	
"	Magicapital Fund II L.P.	"	"	-	102,944	5.81	102,944	
"	Grand Fortune Venture Corp. / Stock	"	"	5,000	51,932	6.87	51,932	
"	Fuh Hwa Oriental Fund	"	"	15,000	105,750	-	105,750	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	116,160	-	116,160	
"	CDIB Capital Growth Partners L. P.	"	"	-	37,710	4.17	37,710	
					<u>1,149,835</u>		<u>1,149,835</u>	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. / Stock	Subsidiary's main client	"	75	573,401	0.02	573,401	
"	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	"	1,264	53,295	10.05	53,295	
					<u>626,696</u>		<u>626,696</u>	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	"	3,300	6,514	7.33	6,514	
"	MOAI Electronics Corporation/Stock	None	"	300	953	0.92	953	
"	Merit Biotech INC./Stock	"	"	1,320	9,871	2.93	9,871	
					<u>17,338</u>		<u>17,338</u>	
The Company	MagiCap Venture Capital Co., Ltd / Preferred Stock B	"	Non-current investments in debt instrument without active market	6,220	62,200	15.75	(Note 1)	
Chainwin Agriculture and Animal Technology(Cayman Islands) Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	"	Non-current financial assets measured at cost	12	22,915	4.78	(Note 2)	

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

Note 2: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

(Continued)

**Win Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	22,000	718,136	40,000	1,204,000	-	-	-	-	62,000	2,421,659 (Note 1)
"	Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	26,079	324,740	1,993	24,741	24,740	1	24,086	300,007 (Note 2)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd./ Stock	Investments accounted for using equity method	(Note 3)	Investment through subsidiary	10,500	686,123	22,110	1,327,532	-	-	-	-	32,610	1,762,688 (Note 1)

Note 1: The amount of ending balance was calculated using equity method.

Note 2: The amount of ending balance includes the amount of the unrealized gains (losses) on financial assets at fair value through profit or loss.

Note 3: The total purchase amount was \$1,327,532 thousand (22,110 thousand shares), in which the amount of \$757,549 thousand (12,534 thousand shares) was increased by using cash, and the remaining shares amounting to \$569,983 thousand (9,576 thousand shares) was purchased from Merit Biotech INC.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(7,198,799)	44 %	1-2 Month	-	-	1,285,142	74%	
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	7,198,799	100 %	1-2 Month	-	-	(1,285,142)	100%	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	1,285,142	7.97	-	-	1,285,142	-

- (ix) Trading in derivative instruments: None.

(Continued)

**Win Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

## (b) Information on investments:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Remark
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00 %	6,841	(513)	(513)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	1,922,136	718,136	62,000	100.00 %	2,421,659	10,417	10,417	
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	640,197	680,029	11,768	34.52 %	23,767	(273,094)	(94,417)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	161,939	13,595	13,595	
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06 %	45,826	(120,164)	(38,405)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	(56,643)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82 %	10,059	(120,164)	(8,430)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	32,590	38	49.30 %	62,080	9,198	3,518	
"	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	Investment activities	2,009,792	682,260	32,610	88.14 %	1,762,688	(85,572)	(61,757)	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	Investment activities	38,573	38,573	1,283	100.00 %	28,788	(654)	(654)	

## (c) Information on investment in Mainland China:

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment flows taken as of January 1, 2017	Investment flows		Accumulated outflow of investment flows taken as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment Income (losses) (Note 2)	Carrying value as of December 31, 2017 (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	320,086 (RMB 70,041)	(Note 1)	-	-	-	-	7,139 (USD 235)	88.14 %	7,139 (USD 235)	412,832 (USD 13,873)	-
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	53,270 (USD 1,790)	(Note 1)	-	-	-	-	(7,019) (USD (231))	88.14 %	(7,019) (USD (231))	48,722 (USD 1,637)	-
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	437,290 (USD 14,694)	(Note 1)	107,136 (USD 3,600)	71,424 (USD 2,400)	-	178,560 (USD 6,000)	(65,795) (USD (2,162))	43.19 %	(32,890) (USD (1,081))	185,537 (USD 6,234)	-
Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	104,160 (USD 3,500)	(Note 1)	53,568 (USD 1,800)	8,928 (USD 300)	-	62,496 (USD 2,100)	(1,646) (USD (54))	52.88 %	(985) (USD (32))	61,458 (USD 2,065)	-
Jiangsu Merit/Colonycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	142,848 (USD 4,800)	(Note 1)	85,709 (USD 2,880)	-	-	85,709 (USD 2,880)	(7,173) (USD (236))	52.88 %	(4,304) (USD (141))	85,090 (USD 2,859)	-
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	73,929 (RMB 16,177)	(Note 1)	-	-	-	-	(1,320) (USD (43))	88.14 %	(1,320) (USD (43))	57,998 (USD 1,949)	-

(Continued)



**Win Semiconductors Corp.**  
**Notes to the Parent-Company-Only Financial Statements**

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
326,765 (USD 10,980 )	1,691,235 (USD 56,829 )	15,482,847

Note 1: The Company invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2017 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (losses) recognized was translated into New Taiwan Dollar at the average exchange rate for the year ended December 31, 2017. The other amounts related to foreign currency were translated into New Taiwan Dollar at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

(iii) Significant transactions: None.

**(14) Segment information:**

Please refer to the consolidated financial statements for the years ended December 31, 2017.