

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

**WIN SEMICONDUCTORS CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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

Telephone: 886-3-397-5999

The independent auditors' report and the accompanying consolidated 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~16
(4) Summary of significant accounting policies	16~38
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	38~39
(6) Explanation of significant accounts	40~85
(7) Related-party transactions	85~87
(8) Pledged assets	87
(9) Commitments and contingencies	87
(10) Losses due to major disasters	88
(11) Subsequent events	88
(12) Others	88
(13) Other disclosures	
(a) Information on significant transactions	89~92
(b) Information on investments	93
(c) Information on investment in Mainland China	93~94
(14) Segment information	94~96

Representation Letter

The entities that are required to be included in the combined financial statements of WIN Semiconductors Corp. as of and for the year ended December 31, 2018, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WIN Semiconductors Corp. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: WIN Semiconductors Corp.

Chairman: CHEN, CHIN-TSAI

Date: March 21, 2019



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

We have audited the consolidated financial statements of WIN Semiconductors Corp. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 for 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated 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 were as follows:

1. Evaluation of inventory

Please refer to Note 4(h) “Inventories” for accounting policies, Note 5(a) for accounting assumptions, judgments and estimation uncertainty of inventories, and Note 6(e) for the amount of loss on valuation of inventories of the consolidated financial statements.

Due to the high industry demand and rapid fluctuation of the price of precious metals, the Group stored a significant volume of the said material, which resulted in slow turnover of inventories. Therefore, the Group 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. Consequently, the evaluation of inventory is identified as a key matter in our audit.

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.

2. Business combination

Please refer to Note 4(u) “Business combination” for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of business combination, and Note 6(j) for the illustration of business combination of consolidated financial statements.

Since the Group had controlled over Phalanx Biotech Group, Inc., the Group subscribed the new shares contributed by Phalanx Biotech Group, Inc. and became its largest shareholder on July 12, 2018. For the requirement of the accounting policies regarding business combination, the management of WIN Semiconductors Corp. and its subsidiaries made judgments in determining the fair value of the consideration transferred, assets acquired and non-controlling interest. There is a significant judgment involved in determining the fair value if pre-existing of the acquiree, assets acquired and liabilities assumed given the specialized nature of the acquired businesses and their related technologies. Thus, the business combination is identified as a key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Challenging the valuation assumptions and methodologies, which were derived from the independent external purchase price allocation report, with the assistance of our own valuation specialists, to assess the asset valuation models used and their key inputs. Enquiring from management its performance of operation to verify whether or not it is consistent with the input assumptions on external market information in order to identify the reasonableness of assumptions underlying the identification of the fair value if the separate identifiable assets acquired and liabilities assumed in the independent external purchase price allocation report.

Other Matter

WIN Semiconductors Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC as well as SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is also responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group 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 consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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 21, 2019

Notes to Readers

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

The independent auditors' report and the accompanying consolidated 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2018		December 31, 2017		
	Amount	%	Amount	%	Amount	%	Amount	%	
Assets									
Current assets:									
1100 Cash and cash equivalents (note 6(a))	\$ 5,462,173	16	7,849,123	21	2170	1,093,074	3	1,698,485	4
1110 Current financial assets at fair value through profit or loss (note 6(b))	103,263	-	1,301,307	3	2200	2,469,630	7	2,802,419	8
1125 Current available-for-sale financial assets (note 6(b))	-	-	1,661,562	5	2320	-	-	352,056	1
1170 Notes and accounts receivable, net (notes 3(a), 6(c) and 6(w))	1,422,365	4	1,551,390	4	2399	265,679	1	224,505	1
1210 Other receivables due from related parties (notes 6(d) and 7)	-	-	182,249	1		3,828,383	11	5,077,465	14
1310 Inventories (note 6(e))	3,907,390	11	3,744,681	10		5,802,600	16	5,905,480	16
1400 Current biological assets (note 6(f))	103,289	-	96,738	-	2540	-	-	33,489	-
1470 Other current assets (notes 6(d) and 6(n))	336,049	1	400,064	1	2570	224,235	1	206,273	-
Total current assets	<u>11,334,529</u>	<u>32</u>	<u>16,787,114</u>	<u>45</u>	<u>2600</u>	<u>9,855,218</u>	<u>28</u>	<u>11,222,707</u>	<u>30</u>
Non-current assets:									
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	722,405	2	-	-		4,238,144	12	4,226,664	11
1517 Non-current financial assets at fair value through other comprehensive income (note 6(b))	2,356,132	7	-	-	3110	9,199,357	26	9,052,896	25
1523 Non-current available-for-sale financial assets (note 6(b))	-	-	1,793,869	5	3200	11,178,324	31	10,821,687	29
1535 Non-current financial assets at amortized cost (note 6(b))	29,900	-	-	-	3300	763,882	2	1,467,968	4
1543 Non-current financial assets at cost (note 6(b))	-	-	22,915	-	3400	25,379,707	71	25,569,215	69
1546 Non-current investments in debt instrument without active market (note 6(b))	-	-	62,200	-	36XX	224,678	1	235,530	1
1550 Investments accounted for using equity method (note 6(g))	532,808	2	327,269	1		25,604,385	72	25,804,745	70
1600 Property, plant and equipment (notes 6(j), 6(k) and 8)	15,568,252	44	14,468,268	39					
1760 Investment property (notes 6(l) and 8)	1,421,528	4	1,441,902	4					
1780 Intangible assets (notes 6(i) and 6(m))	586,953	2	257,844	1					
1830 Non-current biological assets (note 6(f))	31,059	-	37,450	-					
1840 Deferred tax assets (note 6(s))	135,802	-	77,200	-					
1915 Prepayments for business facilities (note 7)	2,643,202	7	1,640,765	5					
1990 Other non-current assets (notes 6(n) and 8)	97,033	-	110,656	-					
Total non-current assets	<u>24,125,074</u>	<u>68</u>	<u>20,240,338</u>	<u>55</u>		<u>35,459,603</u>	<u>100</u>	<u>37,027,452</u>	<u>100</u>
Total assets	<u>\$ 35,459,603</u>	<u>100</u>	<u>\$ 37,027,452</u>	<u>100</u>					
Liabilities and Equity									
Current liabilities:									
Notes and accounts payable									
Other payables (note 7)									
Long-term liabilities, current portion (notes 6(p) and 8)									
Other current liabilities (notes 3(a) and 6(w))									
Total current liabilities									
Non-Current liabilities:									
Long-term borrowings (notes 6(p) and 8)									
Deferred tax liabilities (note 6(s))									
Other non-current liabilities (note 6(r))									
Total non-current liabilities									
Total liabilities									
Equity (notes 3(a), 6(b), 6(b), 6(r), 6(s), 6(t) and 6(u)):									
Ordinary shares									
Capital surplus									
Retained earnings									
Other equity interests									
Total equity attributable to owners of parent									
Non-controlling interests									
Total equity									
Total liabilities and equity									

See accompanying notes to financial statements.

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue (note 6(w))	\$ 17,310,716	100	17,086,355	100
5000 Operating costs (notes 6(e), 6(f), 6(g), 6(k), 6(m), 6(q), 6(r), 6(u), 6(x), 7 and 12)	(11,895,545)	(69)	(10,758,385)	(63)
Gross profit from operating	5,415,171	31	6,327,970	37
Operating expenses (notes 6(c), 6(k), 6(l), 6(m), 6(q), 6(r), 6(u), 6(x), 7 and 12):				
6100 Selling expenses	(238,957)	(1)	(197,524)	(1)
6200 Administrative expenses	(997,791)	(6)	(868,302)	(5)
6300 Research and development expenses	(973,921)	(5)	(692,809)	(4)
6450 Gains (losses) on expected credit impairment	840	-	-	-
Total operating expenses	(2,209,829)	(12)	(1,758,635)	(10)
Net operating income	3,205,342	19	4,569,335	27
Non-operating income and expenses (notes 6(c), 6(g), 6(l), 6(j), 6(q), 6(y) and 7):				
7010 Other income	245,718	1	202,740	1
7020 Other gains and losses	415,834	2	(30,093)	-
7050 Finance costs	(22,456)	-	(54,946)	-
7770 Shares of losses of associates and joint ventures accounted for using equity method	(109,815)	-	(158,357)	(1)
Total non-operating income and expenses	529,281	3	(40,656)	-
7900 Profit before tax	3,734,623	22	4,528,679	27
7950 Total tax expense (note 6(s))	(668,561)	(4)	(813,384)	(5)
Profit	3,066,062	18	3,715,295	22
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(r), 6(s) and 6(t)):				
8311 Remeasurements of defined benefit plans	(34,051)	-	201	-
8316 Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(352,044)	(2)	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	7,730	-	(34)	-
Total components of other comprehensive income (losses) that will not be reclassified to profit or loss	(378,365)	(2)	167	-
8360 Components of other comprehensive income that will be reclassified to profit or loss (notes 6(g), 6(s) and 6(t)):				
8361 Exchange differences on translation of foreign financial statements	46,105	-	(74,329)	(1)
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	807,998	5
8370 Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(33,317)	-	9,263	-
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	12,788	-	742,932	4
8300 Other comprehensive income, net	(365,577)	(2)	743,099	4
8500 Total comprehensive income	\$ 2,700,485	16	4,458,394	26
Profit (loss) attributable to:				
8610 Profit attributable to owners of parent	3,124,454	18	3,764,200	22
8620 Losses attributable to non-controlling interests	(58,392)	-	(48,905)	-
	\$ 3,066,062	18	3,715,295	22
Comprehensive income (loss) attributable to:				
8710 Comprehensive income, attributable to owners of parent	\$ 2,811,518	16	4,470,438	26
8720 Comprehensive loss, attributable to non-controlling interests	(111,033)	-	(12,044)	-
	\$ 2,700,485	16	4,458,394	26
Earnings per common share (expressed in dollars)(note 6(v))				
9750 Basic earnings per share	\$ 7.39		9.34	
9850 Diluted earnings per share	\$ 7.35		9.30	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WIN Semiconductors Corp. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity					
	Retained earnings					Unrealized gains (losses) on financial assets at fair value through other comprehensive income						Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary share	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	Other unearned compensation for restricted shares of employees	Unrealized gains (losses) on available-for-sale financial assets	Income						
Balance at January 1, 2017	\$ 4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	-	-	-	-	761,897	(347,660)	17,626,439	691,445	18,317,884	
Appropriation and distribution of retained earnings:																
Cash dividends of ordinary shares	-	-	-	(311,277)	-	-	-	-	-	-	-	-	-	-	-	
Legal reserve appropriated	-	-	311,277	(1,811,999)	(1,811,999)	-	-	-	-	-	-	-	(1,811,999)	-	(1,811,999)	
Profit (losses) for the year ended December 31, 2017	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	-	-	-	(1,811,999)	-	(1,811,999)	
Other comprehensive income for the year ended December 31, 2017	-	-	-	3,764,200	3,764,200	-	-	-	-	-	-	-	3,764,200	(48,905)	3,715,295	
Total comprehensive income for the year ended December 31, 2017	-	-	-	167	167	(101,927)	-	807,998	-	807,998	706,071	-	706,071	36,861	743,099	
Issue of shares	200,000	-	-	-	-	(101,927)	-	807,998	-	807,998	706,071	-	4,470,438	(12,044)	4,458,394	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(96,317)	5,540,000	-	5,540,000	
Retirement of treasury shares	(50,000)	-	-	(348,136)	(348,136)	-	-	-	-	-	-	443,977	(96,317)	-	(96,317)	
Changes in ownership interests in subsidiaries	-	-	-	(159,346)	(159,346)	-	-	-	-	-	-	-	(159,346)	-	(159,346)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(443,871)	(443,871)	
Balance at December 31, 2017	4,226,664	9,052,896	1,379,394	9,442,293	10,821,687	(100,208)	-	1,568,176	-	1,401,839	1,467,968	-	25,569,215	235,530	25,804,745	
Effects of retrospective application and retrospective restatement	-	-	-	166,337	166,337	-	-	(1,568,176)	-	-	(166,337)	-	-	-	-	
Equity at beginning of period after adjustments	4,226,664	9,052,896	1,379,394	9,608,630	10,988,024	(100,208)	-	-	-	1,401,839	1,301,631	-	25,569,215	235,530	25,804,745	
Appropriation and distribution of retained earnings:																
Legal reserve appropriated	-	-	376,420	(376,420)	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	(2,938,665)	(2,938,665)	-	-	-	-	-	-	-	(2,938,665)	-	(2,938,665)	
Profit (losses) for the year ended December 31, 2018	-	-	376,420	(3,335,085)	(2,958,665)	-	-	-	-	-	-	-	(2,958,665)	-	(2,958,665)	
Other comprehensive income for the year ended December 31, 2018	-	-	-	3,124,454	3,124,454	-	-	-	-	-	-	-	3,124,454	(58,392)	3,066,062	
Total comprehensive income for the year ended December 31, 2018	-	-	-	(26,321)	(26,321)	65,429	-	(352,044)	-	(286,615)	(286,615)	-	(312,936)	(52,641)	(365,577)	
Disposal of investments accounted for using equity method	-	-	-	3,098,133	3,098,133	65,429	-	(352,044)	-	(286,615)	(286,615)	-	2,811,518	(111,033)	2,700,485	
Changes in ownership interests in subsidiaries	(21,163)	-	-	(40,573)	(40,573)	(1,421)	-	-	-	(1,421)	-	-	(22,584)	-	(22,584)	
Adjustment to share of changes in equities associates	-	-	-	-	-	-	-	-	-	-	-	-	(40,573)	-	(40,573)	
Issuance of restricted shares of employees	11,480	163,877	-	-	-	-	-	(175,357)	-	(175,357)	-	-	635	-	635	
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	17,049	-	17,049	-	-	17,049	-	17,049	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	96,486	96,486	
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	3,112	3,695	6,807	
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	91,405	91,405	-	-	(91,405)	-	(91,405)	-	-	-	-	-	
Balance at December 31, 2018	\$ 4,238,144	9,199,357	1,755,814	9,422,510	11,178,324	(36,200)	-	958,390	-	763,882	-	-	25,379,207	224,678	25,603,885	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
WIN Semiconductors Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,734,623	4,528,679
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,158,550	2,514,612
Amortization expense	63,588	47,398
Reversal of expected credit gains	(840)	-
Net losses on financial assets or liabilities at fair value through profit or loss	57,848	16,411
Interest expense	22,456	54,946
Interest income	(59,064)	(26,121)
Dividend income	(101,910)	(87,859)
Compensation cost arising from share-based payments	23,856	-
Shares of losses of associates and joint ventures accounted for using equity method	117,837	166,787
(Gains) losses on disposal of property, plant and equipment	(2,210)	1,809
Gains on disposal of investments	(286,514)	(163,028)
Impairment losses on financial assets	-	2,635
Changes in biological assets at fair value	(1,139)	17,455
Prepayments for business facilities transferred to expenses	15	-
Total adjustments to reconcile profit (loss)	<u>2,992,473</u>	<u>2,545,045</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	23,485	(831)
Decrease (increase) in notes and accounts receivable	135,566	(482,676)
Increase in inventories	(150,018)	(1,026,689)
Increase in biological assets	(12,397)	(92,323)
Decrease (increase) in other current assets	81,600	(105,198)
Total changes in operating assets	<u>77,636</u>	<u>(1,707,717)</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	(607,933)	912,344
Increase in other payables	143,905	371,790
Increase in other current liabilities	10,804	2,397
Increase in other non-current liabilities	1,827	1,361
Total changes in operating liabilities	<u>(451,397)</u>	<u>1,287,892</u>
Total changes in operating assets and liabilities	<u>(373,761)</u>	<u>(419,825)</u>
Cash inflow generated from operations	<u>6,353,335</u>	<u>6,653,899</u>
Dividends received	4,642	5,200
Income taxes paid	(878,459)	(765,072)
Net cash flows from operating activities	<u>5,479,518</u>	<u>5,894,027</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(84,704)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	244,675	-
Proceeds from disposal of non-current financial assets at amortized cost	32,300	-
Acquisition of financial assets at fair value through profit or loss	(477,593)	(1,200,963)
Proceeds from disposal of financial assets at fair value through profit or loss	1,486,555	109,289
Proceeds from disposal of current available-for-sale financial assets	-	181,000
Acquisition of non-current available-for-sale financial assets	-	(229,014)
Proceeds from disposal of non-current available-for-sale financial assets	-	150,745
Proceeds from disposal of investments in debt instrument without active market	-	30,400
Acquisition of investments accounted for using equity method	(389,970)	(30,330)
Proceeds from disposal of investments accounted for using equity method	21,925	-
Proceeds from capital reduction of investments accounted for using equity method	-	39,833
Acquisition of property, plant and equipment	(3,188,631)	(2,694,713)
Proceeds from disposal of property, plant and equipment	4,334	3,947
Decrease (increase) in other receivables due from related parties	181,200	(181,200)
Acquisition of intangible assets	(46,528)	(83,782)
Net cash inflows (outflows) from business combination	56,790	(36,959)
Acquisition of investment properties	-	(1,258)
Decrease (increase) in other non-current assets	24,295	(8,784)
Increase in prepayments for business facilities	(2,403,075)	(1,299,756)
Interest received	63,792	22,232
Dividends received	97,268	82,659
Net cash flows used in investing activities	<u>(4,377,367)</u>	<u>(5,146,654)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term debt	4,891,000	5,963,500
Repayments of long-term debt	(5,346,025)	(4,320,979)
Increase (decrease) in other non-current liabilities	(617)	14,255
Cash dividends paid	(2,958,665)	(1,811,999)
Proceeds from issuing shares	-	5,540,000
Payments to acquire treasury shares	-	(114,515)
Interest paid	(22,945)	(53,096)
Changes in non-controlling interests	(68,770)	(462,802)
Net cash flows from (used in) financing activities	<u>(3,506,022)</u>	<u>4,754,364</u>
Effect of exchange rate changes on cash and cash equivalents	16,921	(40,757)
Net increase (decrease) in cash and cash equivalents	(2,386,950)	5,460,980
Cash and cash equivalents at beginning of period	7,849,123	2,388,143
Cash and cash equivalents at end of period	<u>\$ 5,462,173</u>	<u>7,849,123</u>

See accompanying notes to financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(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 main operation the Company and its subsidiaries (together referred to as “the Group”) are as follows:

- (a) Researching, developing, manufacturing, and selling of GaAs wafers.
- (b) Developing hog farming technology and trading.
- (c) Researching, manufacturing and selling of high density gene chips, biochip optical readers and micro-electrophoresis analyzers.

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

These consolidated financial statements was authorized for issued by the Board of Directors as of March 21, 2019.

(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, 2018.

<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
Amendment 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 Unrealised Losses”	January 1, 2017
Amendment to IAS 40 “Transfers of Investment Property”	January 1, 2018

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvement 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

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

(i) 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 the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

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 Group’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 Group expect no significant influences on its profit or loss and cash flows.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

2) Impacts on financial statements

The following table summarize the impacts of adopting IFRS15 on the Group's consolidated financial statements:

<u>Impacted items on the consolidated balance sheet</u>	<u>December 31, 2018</u>			<u>January 1, 2018</u>		
	<u>Balance prior to the adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balance upon adoption of IFRS 15</u>	<u>Balance prior to the adoption of IFRS 15</u>	<u>Impact of changes in accounting policies</u>	<u>Balance upon adoption of IFRS 15</u>
Notes and accounts receivable, net	\$ 1,388,115	<u>34,250</u>	1,422,365	1,551,390	<u>41,966</u>	1,593,356
Impact on assets		<u>34,250</u>			<u>41,966</u>	
Current refund liabilities (Note)	\$ -	34,250	34,250	-	41,966	41,966
Deferred revenue (Note)	112,694	(112,694)	-	99,514	(99,514)	-
Current contract liabilities (Note)	-	<u>112,694</u>	112,694	-	<u>99,514</u>	99,514
Impact on liabilities		<u>34,250</u>			<u>41,966</u>	

(Note) Recognized under other current liabilities.

(ii) 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. Additionally, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to note 4(g).

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The adoption of IFRS 9 did not have any a significant impact on the Group's accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 5)	\$ 7,849,123	Amortized cost	\$ 7,849,123
Debt instruments	Fair value through profit or loss	1,164,777	Fair value through profit or loss	1,164,777
	Available-for-sale (Note 1)	612,978	Fair value through profit or loss	612,978
	Investments in debt instrument without active market (Note 2)	62,200	Amortized cost	62,200
Equity instruments	Fair value through profit or loss (Note 3)	136,530	Fair value through profit or loss	136,530
	Available-for-sale (Note 4)	2,842,453	Fair value through other comprehensive income	2,842,453
	Financial assets at cost (Note 4)	22,915	Fair value through other comprehensive income	22,915
Trade and other receivables-net	Loans and receivables (included related parities) (Note 5)	1,949,638	Amortized cost	1,949,638
Other financial assets (Refundable deposits)	Loans and receivables (Note 5)	51,748	Amortized cost	51,748

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Adjustment in Retained Earnings	2018.1.1 Adjustment in Other Equity
Fair value through profit or loss						
Fair value through profit or loss	\$ 1,301,307	-	-	1,301,307	-	-
Debt instruments-from available-for-sale (Note 1)	-	612,978	-	612,978	19,854	(19,854)
Total	\$ 1,301,307	612,978	-	1,914,285	19,854	(19,854)
Fair value through other comprehensive income						
Available-for-sale (including measured at cost)	\$ 3,478,346	(3,478,346)	-	-	-	-
Available-for-sale (including measured at cost) to FVOCI (Note 4)	-	2,865,368	-	2,865,368	146,483	(146,483)
Total	\$ 3,478,346	(612,978)	-	2,865,368	146,483	(146,483)

Note 1: The debt instruments are categorized as available-for-sale under IAS 39 and should not be used for other purpose such as receiving the contract's cash flow. Therefore, these assets have been classified as financial assets at FVTPL under IFRS 9. When application of IFRS 9's classification requirements on January 1, 2018 resulting in an increase and decrease of \$19,854 thousand in retained earnings and other equity interest, respectively.

Note 2: Debt instruments that were previously classified as investment in debt instrument without active market are now classified at amortized cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

Note 3: Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note 4: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application 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. When application of IFRS 9's classification requirements on January 1, 2018 resulting in an increase and decrease of \$146,483 thousand in retained earnings and other equity interest, respectively.

Note 5: Cash and cash equivalents, notes and accounts receivable, other receivables (including related parties) and other financial assets that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(iii) Amendment to IAS 7 "Disclosure Initiative"

The amendment requires 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 Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ac).

(b) The impact of IFRS endorsed by the 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 "Leases"	January 1, 2019
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 19 "Plan Amendment, Curtailment or Settlement"	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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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

- IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

- 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group will choose to apply the definition of a lease to all its contracts whether a contract is, or contains, a lease.

- 2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Group will apply the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Group will have to recognize the right-of-use assets and the lease liabilities for the operating leases of its lands, staff dormitories, parking lot, offices and factories. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$337,816 thousand and \$290,061 thousand respectively, and prepaid rent expenses, guarantee deposits and intangible assets decrease by \$13,939 thousand, \$1,902 thousand and \$31,914 thousand, respectively.

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 of 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 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

(4) Summary of significant accounting policies:

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss;
- 2) Available-for-sale financial assets and fair value through other comprehensive income are measured at fair value;
- 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(r) less plan assets.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated 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) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions, balances and any other unrealized profit or loss between the Company and other subsidiaries are all eliminated while preparing the consolidated financial reports. Comprehensive income (loss) of subsidiaries belongs to owner of the Company and the non-controlling interest respectively. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Financial reports of subsidiaries had been adjusted properly and the accounting policies used in subsidiaries are same to the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Differences between the amount paid or received from fair value and the adjustment of the non-controlling interest are directly realized to the equity and belong to the owners of the Company.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Losing control of subsidiaries

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement.

The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding	
			December 31, 2018	December 31, 2017
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00 %	100.00 %
The Company	WIN Venture Capital Corp. (abbrev. WVC)	Investment activities	100.00 %	100.00 %
The Company	Phalanx Biotech Group, Inc. (abbrev. PBL)	Researching, manufacturing and selling of high density gene chips and testing service	39.89 % (Note 1)	-
WVC	Phalanx Biotech Group, Inc. (abbrev. PBL)	Researching, manufacturing and selling of high density gene chips and testing service	5.82 % (Note 1)	-
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman) (Note 4)	Investment activities	94.71 % (Note 3)	88.14 % (Note 2)
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	90.79 % (Note 5)	60.00 %
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00 % (Note 6)	60.00 %
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed development and trading	100.00 %	100.00 %
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	- % (Note 7)	100.00 %
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 % (Note 8)	50.44 %
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	- (Note 8)	49.56 %
PBL	PhalanxBio, Inc.	Selling of high density gene chips and testing service	100.00 %	-
PBL	Phalanx Biotech Limited Inc. (abbrev. PBL (HK))	Investment activities	100.00 %	-
PBL (HK)	Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chips and testing service	100.00 %	-

Note 1: The Company and WVC do not hold more than half of the equity shares of PBL. However, the Company subscribed its new shares contribution and became the largest shareholder of PBL and obtained control over it on July 12, 2018; hence, PBL became a subsidiary of the Group since then. Please refer to note 6(j) for the further information.

Note 2: On July 1 and October 6, 2017, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD \$5,067 thousand (NTD \$154,149 thousand) and USD \$20,000 thousand (NTD \$603,400 thousand), respectively. Also, Win Cayman acquired issued shares of Chainwin Cayman amounting to USD 19,153 thousand (NTD \$69,983 thousand) on December 18, 2017. Please refer to note 6(h) for the further information.

(Continued)

Win Semiconductors Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

Note 3: On January 19 and August 24, 2018, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD \$11,888 thousand (NTD \$346,297 thousand) and USD \$40,000 thousand (NTD \$1,228,800 thousand), respectively. Plus, on January 22 and December 27, 2018, Chainwin Cayman repurchased its own shares amounting to USD \$100 thousand (NTD \$2,913 thousand) and USD \$2,250 thousand (NTD \$69,120 thousand), respectively, which were cancelled afterwards. Please refer to note 6(h) for the further information.

Note 4: Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. renamed Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. in June 2018.

Note 5: On September 26 and November 29, 2018, Chainwin Cayman subscribed new share contributed by Jiangsu Merit / CM Agriculture Development Co., Ltd. for USD \$1,900 thousand (NTD \$58,007 thousand) and USD \$9,800 thousand (NTD \$302,134 thousand). Please referred to note 6(h) for the further information.

Note 6: The meeting of shareholders of Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd. had decided to dissolve the company on October 24, 2018 and has been liquidated on January 25, 2019, respectively.

Note 7: Formosa Fortune Group Co., Ltd. has been liquidated on November 30, 2018.

Note 8: Due to its organization restructuring, Chainwin Cayman acquired 49.56% of the equity of Jiangsu Merit Runfu Agriculture Development Co., Ltd. from Fortune BVI for USD \$1,271 thousand in the third quarter of 2018.

(iv) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group 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:

- Fair value through other comprehensive income (available for sale) equity investment;
- A 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 that the hedge is effective.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(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 consolidated 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 consolidated financial statements at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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 Group 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 Group 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.

(e) 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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(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.

(f) 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.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

The Group classifies its financial assets into the following categories: measured at amortized cost, financial asset at fair value through other comprehensive income (FVOCI) and financial asset at fair value through profit or loss (FVTPL). Regular way purchase or sales of financial assets shall be recognized and derecognized, as applicable, using trade day.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of debt investments are reclassified to profit or loss. However, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial assets on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets) and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available (without undue cost or effort). This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or tWA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

An impairment loss in respect of financial assets measured at amortized cost are deducted from its carrying amount. Change in the amount of loss allowance is recognized in profit or loss.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument 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 – unrealized gains or losses on fair value through other comprehensive income (loss)" in profit or loss is included in other gains or losses.

On derecognition of a debt instrument other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. 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 no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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.

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 Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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.

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 Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group 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 Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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.

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designed as at fair value through profit or loss. 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 Group 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 Group presents financial assets and liabilities on a net basis when the Group 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.

(iv) Derivative financial instruments, including hedge accounting

The Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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.

(h) 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.

(i) Biological assets

Biological assets are measured at fair value less costs to sell on initial recognition, with any change therein recognized in profit or loss at the end of each reporting period. Costs to sell include all costs that would be necessary to sell the assets, excluding finance costs and tax expenses. Biological asset does not have a quoted market price in an active market and for which alternative fair value measurements are determined to be clearly unreliable. In such case, the asset is measured at cost less accumulated depreciation and impairment losses.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, or joint control over their financial and operating policies.

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 consolidated financial statements include the Group'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 Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group'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 Group has an obligation or has made payments on behalf of the investee.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

When the Group 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 Group's proportionate interest in the net assets of the associate. The Group 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 Group'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.

(k) 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.

(l) 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.

(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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(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 Group. 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 by using straight-line basis. 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 : 2 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.

(m) 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. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Lessee

Leases in terms of which the Group 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 Group'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.

(n) Intangible assets

(i) Goodwill

1) Initial Recognition

Goodwill arising from the acquisition has been recognized as intangible assets. The initial measurement and recognition of Goodwill please refer to note 6(j)(iii).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Other 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:

- 1) Technical know-how: 12 years
- 2) Computer software and information systems: 1 to 10 years
- 3) Land use rights: 50 years
- 4) Others: 1.5~5 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and biological assets, 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 Group 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. The reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Group 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.

(p) 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. Losses on cancellation of treasury shares should be offset against existing capital reserves.

(q) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below:

1) Sale of goods

The Group recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group often offers volume discounts to its customers based on aggregate sales of electronic components over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 60 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Revenue (policy applicable before January 1, 2018)

1) 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.

(iii) 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.

(r) 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 Group'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 Group'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 Group, 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 Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated 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 Group 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 Group 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.

(s) 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.

The grant date of the share-based payment is the date the Group inform their employees about the exercise price and shares.

(t) 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. and Subsidiaries
Notes to the Consolidated 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 reevaluated 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.

(u) Business combinations

The Group treats the business combination as acquisition. Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction cost relating to a business combination are recognized immediately as expense when incurred, except for the issuance of debt or equity instruments.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

(v) Earnings per share

The Group 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.

(w) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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 accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group 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 further description of the valuation of inventories, please refer to note 6(e).

(b) Business combinations

The related accounting of the business combinations, including consideration transferred, recognized amounts of assets acquired and liabilities assumed at the acquisition date are measured on the basis of market unobservable data. It depends on the management's subjective judgment and causes higher uncertainty. For further information, please refer to note 6(j)

The accounting policy and disclosure of the Group include that measuring the financial assets and financial liabilities at fair value. The Group 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 Group regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results is reasonable. The Group regularly evaluates investment property using the evaluation methods and parametric assumptions announced by FSC.

When measuring the fair value of an asset or a liability, the Group 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:

- (c) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (d) 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).
- (e) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group 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(l)-Investment property.
- (b) Note 6(z)-Financial instruments.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 702	286
Cash in bank	5,191,898	3,738,352
Time deposits	<u>269,573</u>	<u>4,110,485</u>
	<u>\$ 5,462,173</u>	<u>7,849,123</u>

Refer to note 6(z) for the fair value sensitivity analysis and currency risk of the financial assets and liabilities of the Group.

(b) Financial instruments

(i) Financial assets at fair value through profit or loss (FVTPL):

	December 31, 2018	December 31, 2017
Mandatorily measured at FVTPL:		
Stocks listed on domestic markets	\$ 96,955	-
Private fund (Note)	722,405	-
Money market funds	6,308	-
Financial assets held-for-trading:		
Stocks listed on domestic markets	-	136,530
Money market funds, equity funds and bond funds	-	<u>1,164,777</u>
Total	<u>\$ 825,668</u>	<u>1,301,307</u>
Current	\$ 103,263	1,301,307
Non-current	<u>722,405</u>	-
	<u>\$ 825,668</u>	<u>1,301,307</u>

Note: As of December 31, 2018, part of the private fund is during the lock-up period.

Refer to note 6(y) for the gains or losses on disposal of investment and the amount of re-measurement at fair value recognized in profit or loss.

(ii) Non-current financial assets at fair value through other comprehensive income (FVOCI):

	December 31, 2018
Stocks listed on domestic markets	\$ 1,205,785
Stocks listed on foreign markets	585,861
Non-public stocks	<u>564,486</u>
	<u>\$ 2,356,132</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group decided to hold these equity instruments, which are not held for trading, at fair value through other comprehensive income. These investments were recognized as available-for-sale financial assets and financial assets at cost on December 31, 2017.

The Group considered the change in the proportion of investment portfolio, therefore, disposed partial of its equity investments designated at fair value through other comprehensive income amounting to \$244,675 thousand in 2018, Upon derecognition, the gain of disposal, accumulated in other equity, amounting to \$91,405 thousand was transferred to retained earnings.

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

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

These investments were measured at fair value through other comprehensive income on December 31, 2018. Please refer to note 6(b)ii.

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

	December 31, 2017
Stocks listed on foreign markets	\$ 573,401
Non-public stocks	607,490
Private fund (Note)	<u>612,978</u>
	\$ <u><u>1,793,869</u></u>

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

Refer to note 6(y) for the gain or losses on disposal of investments.

Except for the private fund that was measured at fair value through profit or loss, other investments were measured at fair value through other comprehensive income on December 31, 2018. Please refer to note 6(b)ii.

- (v) Non-current financial assets at cost:

	December 31, 2017
Foreign unlisted stocks	\$ 22,915
Less: accumulated impairment	<u>-</u>
Total	\$ <u><u>22,915</u></u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The aforementioned investments held by the Group were measured at cost less any impairment loss as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group's management had determined that the fair value cannot be measured reliably. These investments were classified as fair value through other comprehensive income as of December 31, 2018. Please refer to note 6(b)ii.

(vi) Non-current financial assets at amortized cost:

	<u>Issue period</u>	<u>Nominal rate (%)</u>	<u>December 31, 2018</u>
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>29,900</u>

The Group has assessed that its financial asset is held to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. The Group has designated these investments at the date of initial application as measured at amortized cost. As of December 31, 2017, these investments were classified as non-current investments in debt instrument without an active market. Please refer to note 6(b) vii.

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

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

(viii) Sensitivity analysis in the equity price risk:

If the equity price changes, the impact to comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

<u>Prices of securities at the reporting date</u>	<u>2018</u>		<u>2017</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>70,684</u>	<u>2,909</u>	<u>103,663</u>	<u>39,039</u>
Decreasing 3%	\$ <u>(70,684)</u>	<u>(2,909)</u>	<u>(103,663)</u>	<u>(39,039)</u>

(ix) As of December 31, 2018 and 2017 the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(z).

(c) Notes and accounts receivable, net

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Notes receivable	\$ 459	-
Accounts receivable	1,424,223	1,553,476
Less : allowance for doubtful accounts	<u>(2,317)</u>	<u>(2,086)</u>
	<u>\$ 1,422,365</u>	<u>1,551,390</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information. The loss allowance provision for the segment of foundry and agriculture technology as of December 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 1,203,680	0%	-
Past due 1~60 days	196,437	0%	-
Past due 61~120 days	14,825	0%	-
Past due 121~180 days	3,148	0%~32.14%	-
Past due more than 181 days	<u>-</u>	100%	<u>-</u>
	<u>\$ 1,418,090</u>		<u>-</u>

The loss allowance provision for the segment of gene chips testing service as of December 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 2,708	0%~7.29%	63
Past due 1~60 days	1,053	7.33%~18.55%	119
Past due 61~120 days	563	14.96%~24.59%	129
Past due 121~180 days	482	34.42%~67.65%	220
Past due more than 181 days	<u>1,786</u>	100%	<u>1,786</u>
	<u>\$ 6,592</u>		<u>2,317</u>

As of December 31, 2017, the Group applies incurred loss model to consider the loss allowance provision of accounts receivable. As of December 31, 2017, the aging analysis of accounts receivable, which were past due but not impaired, were as follows:

	<u>December 31, 2017</u>
Past due 1~60 days	\$ 75,864
Past due 61~180 days	5,385
Past due more than 181 days	<u>-</u>
	<u>\$ 81,249</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The movements of allowance for doubtful accounts were as follows:

	<u>2018</u>	<u>2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Beginning balance	\$ 2,086	3,223	-
Acquisition through business combinations	3,294	-	-
Impairment loss reversed, net	(840)	(962)	-
Amount written off	(2,173)	-	-
Effect of changes in foreign exchange rates	(50)	(175)	-
Ending balance	<u>\$ 2,317</u>	<u>2,086</u>	<u>-</u>

On December 31, 2017 the Group's policy of allowance for receivables is as follows:

Assessment method:

- (i) At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.
- (ii) The Group 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 Group also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

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

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

As of December 31, 2018 and 2017, the notes and accounts receivable were not pledged.

- (d) Other receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other receivables—loans to associates	\$ -	182,249
Others (recognized as other current assets)	125,288	174,033
Less: allowance for doubtful accounts	-	-
	<u>\$ 125,288</u>	<u>356,282</u>

As of December 31, 2018 and 2017, other receivables were not past due nor impaired.

For information on the Group's credit risk was disclosed in note 6(z).

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(e) Inventories

	December 31, 2018	December 31, 2017
Raw materials, supplies and spare parts	\$ 2,641,108	2,321,414
Work in process	793,552	1,222,193
Finished goods	472,730	201,074
	<u>\$ 3,907,390</u>	<u>3,744,681</u>

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

	2018	2017
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ 39,227	(29,288)
Unallocated overheads	\$ 15,156	-
Revenues from sale of scraps	\$ (13,524)	(12,534)
Loss (gain) on physical inventory	\$ (619)	801

As of December 31, 2018 and 2017, the inventories were not pledged.

(f) Biological assets

(i) List of biological assets:

	December 31, 2018	December 31, 2017
Consumable biological assets	\$ 103,289	96,738
Bearer biological assets	\$ 31,059	37,450

(ii) Change in biological assets:

	2018	2017
Beginning balance	\$ 134,188	181,319
Increase due to purchase	5,374	46,509
Input costs	405,013	404,325
Depreciation expenses	(10,903)	(9,840)
Decrease due to sales	(397,990)	(358,511)
Changes in fair value less costs to sell due to price changes	1,139	(17,455)
Effect of changes in consolidated entities	-	(104,745)
Effect of changes in foreign exchange rates	(2,473)	(7,414)
Ending balance	<u>\$ 134,348</u>	<u>134,188</u>
Current	\$ 103,289	96,738
Non-current	31,059	37,450
	<u>\$ 134,348</u>	<u>134,188</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017, the (losses) gains of \$1,139 thousand and \$(17,455) thousand, respectively, was recognized as operating costs of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the (lower) higher of its carrying amount or fair value less costs to sell.

- (iii) As of December 31, 2018 and 2017, the numbers of the biological assets were as follows:

	December 31, 2018	December 31, 2017
Farrow, hogs and breeders	32,659	31,455

- (iv) Fair value

The Group uses valuation method to measure its biological assets to determine the fair value of the hogs and the farrows (which are required to reach a certain weight), less, cost to sell at the end of the reporting period. If biological asset does not have a quoted market price in an active market, the asset is measured at cost less accumulated depreciation and impairment losses.

Costs of the biological assets include all of the costs within the growth cycle, such as the cost of new-born farrows, the feed and the raising farm. The cost of the productive biological assets shall be depreciated on a straight-line basis over the producible term. The amortized term are within 24 to 36 months. For the years ended December 31, 2018 and 2017, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were \$10,903 thousand and \$9,840 thousand, respectively.

- (v) The Group is exposed to the following risks relating to its hog farming:

- 1) Regulations and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at complying with the local environment and other laws. Management performs regular reviews to identify environmental risks and to ensure that systems in place are adequate to manage those risks.

- 2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of hogs. When possible, the Group manages this risk by aligning its farming volume with market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected farming volumes are consistent with the expected demand.

- 3) Climate and other risks

The Group's hog farming is exposed to the risk of damage from climate change, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular pig health inspections and industry pest and disease surveys.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- (vi) As of December 31, 2018 and 2017, the biological assets were not pledged.
- (vii) Fair value valuation technique of biological assets used inputs that were categorized in level 3. Please refer to the table above regarding the movement of biological assets for a reconciliation beginning from the opening balance to the closing balance for level 3 fair value. In this period the fair value hierarchy of the biological assets were not transferred into or out of level 3. The valuation technique and significant unobservable inputs were as follows:

Items	Fair value valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Hogs in China	Price comparison: Estimated value of price comparison is compared with the biological assets of different type, quality and kinds, etc.	Evaluate the quality	Evaluate the changes in fair value, according to the quality of biological assets.

- (g) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Associates	\$ <u>532,808</u>	<u>327,269</u>

- (i) Associates

In the first quarter of 2018, the Group subscribed the new shares contributed by Jiangsu CM / Merit Agriculture Development Co., Ltd. for \$349,970 thousand in cash, and therefore, has significant influence on it. The equity shares held by the Group were not changed by the abovementioned transaction.

Affiliates which are material to the Group consisted of the followings:

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of Shareholding and Voting Rights	
			December 31, 2018	December 31, 2017
Jiangsu CM / Merit Agriculture Development Co., Ltd. (Note)	Developing hog farming technology and trading	China	49 %	49 %

(Note) Since June 2017, Jiangsu CM/Merit Agriculture Development Co., Ltd. is no longer included in the consolidated financial statements. Please refer to note 6(i) of the consolidated financial statements for other related information.

The following consolidated financial information of significant affiliates has been adjusted according to individually prepared IFRS financial statements of these affiliates.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The financial information of Jiangsu CM/Merit Agriculture Development Co., Ltd.:

	December 31, 2018
Current assets	\$ 234,687
Non-current assets	1,374,095
Current liabilities	(407,284)
Non-current liabilities	<u>(313,098)</u>
Net assets	<u>\$ 888,400</u>
Net assets attributable to non-controlling interests	<u>\$ 433,761</u>
	2018
Operating revenue	<u>\$ 144,230</u>
Loss from continuing operations	\$ (187,990)
Other comprehensive income	<u>-</u>
Total comprehensive income	<u>\$ (187,990)</u>
	2018
Shares of net assets of affiliates as of January 1, 2018	\$ 185,537
Loss attributable to the Group	(92,115)
Exchange differences on translation of foreign financial statements attributable to the Group	<u>(33,366)</u>
Shares of net assets of affiliates as of December 31, 2018	60,056
Add: Issuance of shares in cash	349,970
Effect of changes in foreign exchange rates	<u>23,735</u>
Carrying amount of equity of affiliate attributable to the Group	<u>\$ 433,761</u>

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 consolidated financial statements of the Group:

	December 31, 2018	December 31, 2017
Total equity of the individually insignificant investments in associates	<u>\$ 99,047</u>	<u>327,269</u>
	2018	2017
Attributable to the Group:		
Net loss	\$ (25,722)	(166,787)
Other comprehensive income	<u>49</u>	<u>9,263</u>
Total comprehensive loss	<u>\$ (25,673)</u>	<u>(157,524)</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Pledge to secure

As of December 31, 2018 and 2017, the investments accounted for using equity method were not pledged.

(h) Acquisition of non-controlling interests

(i) Chainwin Cayman

On January 19 and August 24, 2018, the Group subscribed the new shares contributed by Chainwin Cayman for \$346,297 thousand and \$1,228,800 thousand in cash, respectively. Plus, On January 22 and December 27, 2018, Chainwin Cayman repurchased its own shares amounting to \$2,913 thousand and \$69,120 thousand, respectively, and cancelled afterwards; therefore, the Group increased its ownership from 88.14% to 94.71%.

On July 1 and October 6, 2017, the Group subscribed the new shares contributed by Chainwin Cayman for \$154,149 thousand and \$603,400 thousand in cash, respectively, increasing its ownership from 43.75% to 62.25%, successively. On December 18, 2017, the Group acquired the shares of Chainwin Cayman amounting to \$569,983 thousand, increasing its ownership from 62.25% to 88.14%.

Based on the afore mentioned transactions, the effects of the changes in shareholdings were as follows:

	<u>2018</u>	<u>2017</u>
Carrying amount of interest on acquisition	\$ 1,537,267	1,168,186
Consideration paid	<u>(1,575,097)</u>	<u>(1,327,532)</u>
Retained earnings changes in ownership interests in subsidiaries	<u>\$ (37,830)</u>	<u>(159,346)</u>

(ii) Jiangsu CM/Merit Agriculture Development Co., Ltd.

On September 26 and November 29, 2018, the Group subscribed the new shares contributed by Jiangsu CM/Merit Agriculture Development Co., Ltd. for \$58,007 thousand and \$302,134 thousand, respectively, in cash, increasing its ownership from 60% to 90.79%, successively. For the year ended December 31, 2017, there was no such transaction.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

Based on the aforementioned transactions, the effects of the changes in shareholdings were as follows:

	2018
Carrying amount of interest on acquisition	\$ 357,398
Consideration paid	(360,141)
Retained earnings changes in ownership interests in subsidiaries	\$ (2,743)

(i) Losing control of subsidiary

The Group did not take part in the issuance of common stock for cash of Jiangsu CM / Merit Agriculture Development Co., Ltd. at the second quarter of 2017. Therefore, the percentage of the Group's ownership was reduced to 49%, and the Group lost its control over Jiangsu CM / Merit Agriculture Development Co., Ltd.

The related disposal loss which was \$1,991 thousand was recognized as other gains and losses in consolidated statements of comprehensive income.

The carrying amount of assets and liabilities of Jiangsu CM / Merit Agriculture Development Co., Ltd. on May 31, 2017 was as follows:

Cash and cash equivalents	\$ 36,959
Inventories	9,176
Other current assets	14,539
Property, plant and equipment	358,353
Biological assets	104,745
Other non-current assets	21,452
Notes and accounts payable	(189,337)
Other payables	(8,540)
Other current liabilities	(118)
Carrying amount of net assets	\$ 347,229

(j) Acquisition of subsidiary

On July 12, 2018, the Group became the largest shareholder of PBL and obtained control over it since then, increasing its ownership from 37.88% to 45.71%. PBL is mainly engaged in researching, manufacturing and selling of high density chips and providing testing service.

From the acquisition date to December 31, 2018, PBL contributed revenue and net loss of \$20,038 thousand and \$63,847 thousand, respectively. If the acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been \$41,567 thousand and the consolidated net loss would have been \$117,589 thousand. The abovementioned influences do not include adjustments on fair value.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The acquisition-date fair value of major class of consideration transferred were as follows:

(i) Consideration transferred

The Group subscribed the new shares contributed by PBL and became the largest shareholder of PBL, and obtained control over it since then. The Group expects PBL's future generated cash flow in accordance with the income approach that reflects the time value of investment and the risk of the discounted cash flow, and evaluates the implied consideration transferred of controlling over PBL.

The fair value measurement for the controlling interests has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. The key assumptions are as follows:

- 1) The discount rate is based on the weighted-average cost of capital that computed by PBL and its comparable capital structures and corresponded by the market value;
- 2) Seven years of cash flows were included in the discounted cash flow model. Budgeted annual earnings after tax, before interest, depreciation and amortization was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

The shares of PBL held by the Group were measured and the fair value per share was \$15 at the acquisition date.

(ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	\$	180,540
Notes and accounts receivable		5,651
Inventories		19,984
Other current assets		24,281
Property, plant and equipment (note 6(k))		15,881
Intangible assets (note 6(m))		842
Other non-current assets		11,240
Notes and accounts payable		(2,522)
Other payables		(13,156)
Other current liabilities		(13,071)
Total identifiable net assets acquired	<u>\$</u>	<u>229,670</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(iii) Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	\$	123,750
Fair value of pre-existing interest in Phalanx Biotech Group, Inc.		300,000
Non-controlling interest in the acquire (proportionate share of the fair value of the identifiable net assets)		124,683
Less: Fair value of identifiable net assets		<u>(229,670)</u>
Goodwill (note 6(m))	\$	<u><u>318,763</u></u>

The Group re-measured the fair value of its existing equity interest in PBL before the business combination, and the resulting gain of \$273,432 thousand was recognized as “gains on disposals of investment”.

Goodwill mainly attributed to the profitability in the microarray services market and the know-how of PLB work force.

(k) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Factory and equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost :							
Balance as of January 1, 2018	\$ 2,546,534	2,153,117	17,777,113	4,255,435	363,944	649,245	27,745,388
Acquisitions through business combinations	-	-	22,975	-	2,708	-	25,683
Additions	-	16,608	1,549,416	84,393	163,532	1,243,747	3,057,696
Reclassification (Note 1)	-	19,798	1,197,356	33,775	58,127	(146,002)	1,163,054
Disposals	-	(124)	(404,674)	(130,889)	(79,577)	-	(615,264)
Effect of changes in foreign exchange rates	-	(964)	(188)	(749)	(924)	(1,295)	(4,120)
Balance as of December 31, 2018	<u>\$ 2,546,534</u>	<u>2,188,435</u>	<u>20,141,998</u>	<u>4,241,965</u>	<u>507,810</u>	<u>1,745,695</u>	<u>31,372,437</u>
Balance as of January 1, 2017	\$ 2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Additions	-	41,307	1,847,437	99,983	110,590	751,766	2,851,083
Reclassification (Note 2)	-	(18,646)	1,131,654	112,066	400	(105,387)	1,120,087
Disposals	-	-	(381,463)	(6,621)	(28,134)	-	(416,218)
Effect of changes in consolidated entities	-	-	-	-	(4,028)	(354,533)	(358,561)
Effect of changes in foreign exchange rates	-	(84)	-	(342)	(341)	(2,503)	(3,270)
Balance as of December 31, 2017	<u>\$ 2,546,534</u>	<u>2,153,117</u>	<u>17,777,113</u>	<u>4,255,435</u>	<u>363,944</u>	<u>649,245</u>	<u>27,745,388</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Accumulated depreciation :							
Balance as of January 1, 2018	\$ -	584,763	10,563,890	1,956,057	172,410	-	13,277,120
Acquisitions through business combinations	-	-	8,267	-	1,535	-	9,802
Depreciation	-	104,835	2,465,639	416,731	140,068	-	3,127,273
Reclassification	-	-	-	(1,228)	1,228	-	-
Disposals	-	(124)	(399,874)	(130,885)	(78,418)	-	(609,301)
Effect of changes in foreign exchange rates	-	(138)	(36)	(291)	(244)	-	(709)
Balance as of December 31, 2018	<u>\$ -</u>	<u>689,336</u>	<u>12,637,886</u>	<u>2,240,384</u>	<u>236,579</u>	<u>-</u>	<u>15,804,185</u>
Balance as of January 1, 2017	\$ -	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Depreciation	-	99,495	1,879,612	404,550	100,960	-	2,484,617
Reclassification	-	-	3,076	(3,076)	-	-	-
Disposals	-	-	(377,655)	(6,290)	(26,517)	-	(410,462)
Effect of changes in consolidated entities	-	-	-	-	(208)	-	(208)
Effect of changes in foreign exchange rates	-	(20)	-	(57)	(39)	-	(116)
Balance as of December 31, 2017	<u>\$ -</u>	<u>584,763</u>	<u>10,563,890</u>	<u>1,956,057</u>	<u>172,410</u>	<u>-</u>	<u>13,277,120</u>
Carrying value :							
Balance as of December 31, 2018	<u>\$ 2,546,534</u>	<u>1,499,099</u>	<u>7,504,112</u>	<u>2,001,581</u>	<u>271,231</u>	<u>1,745,695</u>	<u>15,568,252</u>
Balance as of January 1, 2017	<u>\$ 2,546,534</u>	<u>1,645,252</u>	<u>6,120,628</u>	<u>2,489,419</u>	<u>187,243</u>	<u>359,902</u>	<u>13,348,978</u>
Balance as of December 31, 2017	<u>\$ 2,546,534</u>	<u>1,568,354</u>	<u>7,213,223</u>	<u>2,299,378</u>	<u>191,534</u>	<u>649,245</u>	<u>14,468,268</u>

Note 1: Inventories, prepayments for business facilities, and other prepaid expenses were reclassified as property, plant and equipment.

Note 2: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Also, property, plant and equipment were adjusted by using the constructional refund.

(i) Pledge to secure

As of December 31, 2018 and 2017, property, plant and equipment were subject to a registered debenture to secured bank loans and line of credit, the collateral for these long-term borrowings was disclosed in note 8.

(ii) Property, plant and equipment under construction

The Group rented some pieces of land and entered into different agreements for the construction of its new factories on the said lands. As of December 31, 2018, the Group has partially paid the price of \$375,281 thousand.

(iii) For the years ended December 31, 2018 and 2017, capitalized interest expenses amounted to \$44,164 thousand and \$21,357 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.14%~1.34% and 1.15%~1.56%, respectively.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(l) Investment property

The movements in investment property for the years ended December 31, 2018 and 2017 were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2018	\$ 963,127	529,952	1,493,079
Additions	-	-	-
Balance as of December 31, 2018	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Balance as of January 1, 2017	\$ 963,127	536,008	1,499,135
Additions	-	1,258	1,258
Reclassification (Note)	-	(7,314)	(7,314)
Balance as of December 31, 2017	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Accumulated depreciation:			
Balance as of January 1, 2018	\$ -	51,177	51,177
Depreciation	-	20,374	20,374
Balance as of December 31, 2018	<u>\$ -</u>	<u>71,551</u>	<u>71,551</u>
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>
Carrying amount:			
Balance at December 31, 2018	<u>\$ 963,127</u>	<u>458,401</u>	<u>1,421,528</u>
Balance at January 1, 2017	<u>\$ 963,127</u>	<u>504,986</u>	<u>1,468,113</u>
Balance at December 31, 2017	<u>\$ 963,127</u>	<u>478,775</u>	<u>1,441,902</u>
Fair value:			
Balance as of December 31, 2018			<u>\$ 1,632,183</u>
Balance as of December 31, 2017			<u>\$ 1,576,821</u>

Note: Investment property were adjusted by using the constructional refund.

When measuring the fair value of its investment property, the Group 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>2018</u>
Hsinchu	0.24%
Taoyuan	1.41%

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2018 and 2017, investment property were subject to a registered debenture to secured bank loans and line of credit, the collateral for these long-term borrowings was disclosed in note 8.

(m) Intangible assets

(i) The movements in intangible assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>Technical know-how</u>	<u>Computer software and information systems</u>	<u>Goodwill</u>	<u>Land use rights</u>	<u>Others</u>	<u>Total</u>
Cost:						
Balance as of January 1, 2018	\$ 46,051	119,718	123,327	31,448	26,059	346,603
Acquisition from business combinations	-	1,802	318,763	-	-	320,565
Additions	-	53,679	-	1,765	3,853	59,297
Reclassification (Note)	(46)	9,957	-	-	-	9,911
Disposals	-	(34,465)	-	-	(4,944)	(39,409)
Effect of changes in foreign exchange rates	-	180	3,978	(622)	660	4,196
Balance as of December 31, 2018	<u>\$ 46,005</u>	<u>150,871</u>	<u>446,068</u>	<u>32,591</u>	<u>25,628</u>	<u>701,163</u>
Balance as of January 1, 2017	\$ 46,051	84,736	133,645	-	27,768	292,200
Additions	-	51,873	-	31,247	4,106	87,226
Reclassification (Note)	-	70	-	-	-	70
Disposals	-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates	-	-	(10,318)	201	(1,711)	(11,828)
Balance as of December 31, 2017	<u>\$ 46,051</u>	<u>119,718</u>	<u>123,327</u>	<u>31,448</u>	<u>26,059</u>	<u>346,603</u>
Amortization:						
Balance as of January 1, 2018	\$ 27,494	52,510	-	53	8,702	88,759
Acquisitions through business combination	-	960	-	-	-	960
Amortization	3,834	50,798	-	637	8,319	63,588
Reclassification	(19)	19	-	-	-	-
Disposals	-	(34,465)	-	-	(4,944)	(39,409)
Effect of changes in foreign exchange rates	-	60	-	(13)	265	312
Balance as of December 31, 2018	<u>\$ 31,309</u>	<u>69,882</u>	<u>-</u>	<u>677</u>	<u>12,342</u>	<u>114,210</u>
Balance as of January 1, 2017	\$ 23,656	34,930	-	-	4,075	62,661
Amortization	3,838	34,542	-	52	8,966	47,398
Disposals	-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates	-	(1)	-	1	(235)	(235)
Balance as of December 31, 2017	<u>\$ 27,494</u>	<u>52,510</u>	<u>-</u>	<u>53</u>	<u>8,702</u>	<u>88,759</u>
Carrying value:						
Balance as of December 31, 2018	<u>\$ 14,696</u>	<u>80,989</u>	<u>446,068</u>	<u>31,914</u>	<u>13,286</u>	<u>586,953</u>
Balance as of January 1, 2017	<u>\$ 22,395</u>	<u>49,806</u>	<u>133,645</u>	<u>-</u>	<u>23,693</u>	<u>229,539</u>
Balance as of December 31, 2017	<u>\$ 18,557</u>	<u>67,208</u>	<u>123,327</u>	<u>31,395</u>	<u>17,357</u>	<u>257,844</u>

Note: Other current asset were reclassified as intangible assets.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2018 and 2017, the amortization expenses of intangible assets were as follows:

	<u>2018</u>	<u>2017</u>
Operating costs	\$ 18,131	15,164
Operating expenses	<u>45,457</u>	<u>32,234</u>
	<u>\$ 63,588</u>	<u>47,398</u>

(iii) Impairment testing for goodwill

1) Chainwin Cayman

The goodwill of \$132,278 thousand was derived from the acquisition of and the control over Chainwin Cayman by the Group on August 19, 2016. The goodwill was mainly attributed to the profitability of the hog farming in Mainland China. Chainwin Cayman is regarded as a cash-generating units (the "CGU") to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

Also, the Group estimated its operating revenue for certain periods based on the purchase price allocation valuation report issued by the specialist, who was entrusted by the Group. The preceding estimation was analyzed based on the financial forecasts from 2016 to 2021. The construction of certain factory farms of Chainwin Cayman had been delayed, resulting in failure to increase the scale on farm raising. Therefore, the actual operating revenue for the year of 2018 and 2017 decreased by 88% and 58%, respectively, which were lower than the original forecast.

On December 31, 2018 and 2017, the recoverable amount determined by the value-in-use for the cash-generating unit is higher than the carrying amount. Therefore, there is no impairment loss should be recognized.

The total amount of goodwill has been allocated to the agriculture technology for the Group's impairment testing purpose. The CGU are used as the minimum level for investment return of goodwill supervised by the management.

The Group's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value-in-use. The key assumption used in the estimation of the value-in-use of the CGU were as follows:

- a) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past year, and the estimated sales volume and price growth for the next five years. The assumptions were in line with the information obtained from external local market who publish a statistical analysis on market trends.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- b) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2018 and 2017, the applied before-tax discount rate of the recoverable amount of the units were 8.95% and 9.72%, respectively.

2) PLB

The goodwill of \$318,763 thousand was derived from the Group became the largest shareholder of and obtained control over PBL on July 12, 2018. The goodwill was mainly attributed to the profitability in microarray services market and the know-how of PLB work force. PBL is regarded as a CGU to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

On December 31, 2018, the recoverable amount determined by the value-in-use for the cash-generating unit is higher than the carrying amount. Therefore, there is no impairment loss should be recognized.

The total amount of goodwill has been allocated to the gene chip testing service for the Group's impairment testing purpose. The CGU are used as the minimum level for investment return of goodwill supervised by the management.

The Group's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value-in-use. The key assumption used in the estimation of the value-in-use of the CGU were as follows:

- a) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past year, and the estimated sales volume and price growth for the next seven years.
 - b) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2018, the applied before-tax discount rate of the recoverable amount of the units was 9.49%.
- (iv) As of December 31, 2018 and 2017, the intangible assets were not pledged.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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

	December 31, 2018	December 31, 2017
Other receivables from metal recycling	\$ 108,738	159,618
Tax refund receivables	70,603	123,967
Long-term prepaid rent	3,150	31,153
Prepayment for purchases and prepaid expenses	91,062	89,079
Restricted assets	41,799	25,655
Refundable deposits	46,556	51,748
Other receivables	16,550	14,415
Others	54,624	15,085
	<u>\$ 433,082</u>	<u>510,720</u>

Long-term prepaid rent, which the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease and for hog farming purpose. The durations of the agreements are 5~30 years. The payments for rental were made in accordance with the signed agreements. The Group entered into land lease agreements amounting to RMB 78,366 thousand.

(o) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured short-term borrowings	\$ -	-
Unused bank credit lines for short-term borrowings	\$ 2,190,784	2,361,382
Unused bank credit lines for short-term and long-term borrowings	\$ 3,068,629	510,778
Annual interest rate	-	1.997%~2.00%

(p) Long-term borrowings

	December 31, 2018	December 31, 2017
Unsecured long-term borrowings (settled in NTD)	\$ 4,230,000	5,578,000
Secured long-term borrowings (settled in NTD)	1,572,600	679,536
Less: long-term liabilities, current portion	-	(352,056)
Total	<u>\$ 5,802,600</u>	<u>5,905,480</u>
Unused bank credit lines for long-term borrowings	<u>\$ 5,779,000</u>	<u>2,093,000</u>
Annual interest rate	<u>1.08%~1.40%</u>	<u>1.23%~1.60%</u>
Expiry date	<u>2020/3/31~2025/8/16</u>	<u>2018/2/1~2020/8/31</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

As of December 31, 2018, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
October 1, 2020~December 31, 2020	\$ 1,558,800
October 1, 2021~December 31, 2021	2,495,600
October 1, 2022 and after	<u>1,748,200</u>
	<u>\$ 5,802,600</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in note 6(o).
- (ii) The collateral for these long-term borrowings was disclosed in note 8.
- (q) Operating lease

- (i) Lease-lessor

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

For the years ended December 31, 2018 and 2017, the rental income recognized in other income amounting to \$79,426 thousand and \$84,383 thousand, respectively.

- (ii) Lease-lessee

The Group leases a number of factories, offices, parking lots and lands etc. under operating lease.

The leases typically run for a period of 1 to 30 years. For the years ended December 31, 2018 and 2017, the rent expenses amounted to \$70,989 thousand and \$51,158 thousand, respectively, which were recorded as operating costs and operating expenses.

- (r) 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, 2018</u>	<u>December 31, 2017</u>
Present value of the defined benefit obligations	\$ 141,119	102,900
Fair value of plan assets	<u>(42,653)</u>	<u>(40,312)</u>
Net defined benefit liabilities (Note)	<u>\$ 98,466</u>	<u>62,588</u>

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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The Group 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 Group 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".

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to \$42,653 thousand as of December 31, 2018. 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 movements in present value of the defined benefit obligations

For the years ended December 31, 2018 and 2017, movements in the present value of the defined benefit obligations for the Group were as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligations as of January 1	\$ 102,900	100,272
Current service costs and interest cost	3,205	2,980
Remeasurements of the net defined benefit liability (asset):		
— Actuarial (gains) losses arising from financial assumption	26,107	(3,234)
— Experience adjustments	<u>8,907</u>	<u>2,882</u>
Defined benefit obligations as of December 31	<u>\$ 141,119</u>	<u>102,900</u>

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

For the years ended December 31, 2018 and 2017, movements in the fair value of the plan assets were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets as of January 1	\$ 40,312	38,844
Interest revenue	647	533
Remeasurements of the net defined benefit liability (asset):		
— Return on plan assets (excluding the interest revenue)	963	(151)
Amounts contributed to plan	<u>731</u>	<u>1,086</u>
Fair value of plan assets as of December 31	<u>\$ 42,653</u>	<u>40,312</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- 4) The movement in effect of plan asset ceiling

For the years ended December 31, 2018 and 2017, there were no changes in the effect of plan asset ceiling.

- 5) The expenses recognized in profit or losses

For the years ended December 31, 2018 and 2017, the expenses recognized in profit or losses for the Group were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 1,579	1,633
Net interest expense of net defined benefit liabilities (assets)	<u>979</u>	<u>814</u>
	<u>\$ 2,558</u>	<u>2,447</u>
	<u>2018</u>	<u>2017</u>
Administrative expenses	<u>\$ 2,558</u>	<u>2,447</u>

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

For the years ended December 31, 2018 and 2017, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2018</u>	<u>2017</u>
Balance as of January 1	\$ 30,666	30,867
Recognized in the current period	<u>34,051</u>	<u>(201)</u>
Balance as of December 31	<u>\$ 64,717</u>	<u>30,666</u>

- 7) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.375 %	1.625 %
Future salary rate increases	4.500 %	3.000 %

The Group expects to make contributions of \$235 thousand to the defined benefit plans in the next year starting from December 31, 2018. The weighted average duration of the defined benefit plans is 16.94 years.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

8) Sensitivity analysis

As of December 31, 2018 and 2017, 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, 2018		
Discount rate	\$ (4,288)	4,475
Future salary rate increases	4,264	(4,124)
Balance as of December 31, 2017		
Discount rate	\$ (3,079)	3,234
Future salary rate increases	3,131	(3,005)

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 2018 and 2017.

(ii) Defined contribution plans

The Group 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 Group set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside \$93,963 thousand and \$75,907 thousand, respectively, of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017.

(iii) The Group's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2018 and 2017, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$3,397 thousand and \$1,767 thousand, respectively.

(s) Income tax

The amendments to the "Income Tax Act" was passed by the office of the President of the Republic of China (Taiwan) on February 7, 2018, and the corporate income tax rate has increased from 17% to 20% from FY 2018.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense (benefit)		
Current period	\$ 764,816	815,583
Adjustment for prior periods	<u>(11,894)</u>	<u>(80)</u>
Subtotal	<u>752,922</u>	<u>815,503</u>
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(77,567)	(2,119)
Adjustment in tax rate	<u>(6,794)</u>	<u>-</u>
Subtotal	<u>(84,361)</u>	<u>(2,119)</u>
Income tax expense	<u><u>\$ 668,561</u></u>	<u><u>813,384</u></u>

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Components of other comprehensive income that will not be classified to profit or loss:		
The remeasurements of defined benefit plans	<u><u>\$ 7,730</u></u>	<u><u>(34)</u></u>

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

	<u>2018</u>	<u>2017</u>
Profit before tax	<u><u>\$ 3,734,623</u></u>	<u><u>4,528,679</u></u>
Estimated income tax calculated using the Company's domestic tax rate	\$ 746,924	769,875
Adjustment in tax rate	(6,794)	-
Tax-exempt income	(16,660)	(40,557)
Investment tax credits	(61,550)	(48,441)
Change in unrecognized deductible temporary differences	33,152	-
Change in provision in prior periods	(11,894)	(80)
10% surtax on unappropriated earnings	42,928	97,848
Others	<u>(57,545)</u>	<u>34,739</u>
	<u><u>\$ 668,561</u></u>	<u><u>813,384</u></u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Tax effect of deductible temporary differences	\$ 51,984	-
The carry forward of unused tax losses	<u>158,209</u>	<u>-</u>
	<u>\$ 210,193</u>	<u>-</u>

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unutilized business loss</u>	<u>Expiry date</u>
2009	\$ 95,967	2019
2010	48,013	2020
2011	74,383	2021
2012	44,302	2022
2013	49,138	2023
2014	53,221	2024
2015	50,740	2025
2016	77,243	2026
2017	142,749	2027
2018	<u>155,289</u>	2028
	<u>\$ 791,045</u>	

As of December 31, 2018 and 2017, there were no deferred tax liabilities have not been recognized.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- 2) Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:				
Balance as of January 1, 2018	\$ 22,992	23,256	30,952	77,200
Recognized in profit or loss	9,482	35,705	5,685	50,872
Recognized in other comprehensive income	-	-	7,730	7,730
Balance as of December 31, 2018	<u>\$ 32,474</u>	<u>58,961</u>	<u>44,367</u>	<u>135,802</u>
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>
	Unrealized investment income recognized under equity method	Unrealized exchange rate	Total	
Deferred tax liabilities:				
Balance as of January 1, 2018	\$ 33,489	-	33,489	
Recognized in profit or loss	(33,489)	-	(33,489)	
Balance as of December 31, 2018	<u>\$ -</u>	<u>-</u>	<u>-</u>	
Balance as of January 1, 2017	\$ 31,718	2,010	33,728	
Recognized in profit or loss	1,771	(2,010)	(239)	
Balance as of December 31, 2017	<u>\$ 33,489</u>	<u>-</u>	<u>33,489</u>	

- (iii) Examination and approval

The Company's corporate income tax returns for all the years through 2016 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

- (t) Capital and other equity

- (i) Ordinary share issuance

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 10,000,000 thousand shares of ordinary share, with \$10 dollars par value per share, of which 423,814 thousand shares, and 422,666 thousand shares, respectively, were issued and outstanding. The Company has reserved \$1,000,000 thousand for employee stock options.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

Reconciliations of shares outstanding for the years ended December 31, 2018 and 2017:

	<u>Ordinary share (in thousands)</u>	
	<u>2018</u>	<u>2017</u>
Balance as of January 1	422,666	407,666
Issue of shares	-	20,000
Retirement of treasury share	-	(5,000)
Restricted shares of stock issued for employees	1,148	-
Balance as of December 31	<u>423,814</u>	<u>422,666</u>

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 thousand 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.

On June 15, 2018, the shareholders' meeting approved a resolution to issue 1,700 thousand new restricted employee shares, at \$10 dollars par value per share, amounting to \$17,000 thousand, to full-time regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. In accordance with the resolution of Board of Directors meeting held on September 14, 2018, the Company issued 1,148 thousand shares, at \$10 dollars par value per share, amounting to \$11,480 thousand. The aforementioned stock issuance had been registered with the government authorities.

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.

As of December 31, 2018, the Company has terminated the GDRs.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Capital surplus

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Additional paid-in capital	\$ 9,031,035	9,031,035
Changes in equity of associates and joint ventures accounted for using equity method	635	21,163
Employee stock options	3,810	698
Restricted shares of stock issued for employees	<u>163,877</u>	<u>-</u>
	<u>\$ 9,199,357</u>	<u>9,052,896</u>

In accordance with the 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. and Subsidiaries
Notes to the Consolidated 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 earnings for 2017 and 2016 had been approved in shareholders' meetings held on June 15, 2018 and June 16, 2017, respectively. The dividends were as follows:

	2017	2016
Cash dividends	\$ 2,958,665	1,811,999

The above-mentioned appropriations of earning for 2017 and 2016 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, in accordance with the requirements under article 28-2 of the Securities and Exchange Act, the Company repurchased 1,080 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2017, all the shares repurchased by the Company have been cancelled. There was no transaction in 2018.

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. and Subsidiaries
Notes to the Consolidated Financial Statements

(v) Other equity interests, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for- sale financial assets	Other Unearned compensation for restricted shares of employees
Balance as of January 1, 2018	\$ (100,208)	-	1,568,176	-
Effects of retrospective application and retrospective restatement	-	1,401,839	(1,568,176)	-
Balances at the beginning after adjusted	(100,208)	1,401,839	-	-
Foreign currency differences (net of tax):				
The Group	95,350	-	-	-
Associates	(29,921)	-	-	-
Disposal of investments accounted for using equity method	(1,421)	-	-	-
Unrealized gain (losses) on equity instruments at fair value through other comprehensive income (net of tax)	-	(352,044)	-	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	(91,405)	-	-
Unearned compensation for restricted shares of employees	-	-	-	(158,308)
Balance as of December 31, 2018	<u>\$ (36,200)</u>	<u>958,390</u>	<u>-</u>	<u>(158,308)</u>
		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets	
Balance as of January 1, 2017	\$	1,719	760,178	
Foreign currency differences (net of tax):				
The Group		(110,108)	-	
Associates		6,190	-	
Changes in fair value of available-for-sale financial assets (net of tax)		-	973,961	
Adjustments in reclassification of the impairment of available-for-sale financial assets (net of tax)		-	(7,908)	
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(158,055)	
Other comprehensive income reclassified to profit or loss upon disposal of foreign operations		1,991	-	
Balance as of December 31, 2017	<u>\$</u>	<u>(100,208)</u>	<u>1,568,176</u>	

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(u) Share-based payment

(i) The Company insurance restricted shares of stock for employee

On June 15, 2018, the shareholders' meeting approved a resolution to issue 1,700 thousand new restricted employee shares to full-time regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. The Company decided that the grant date was set on August 22, 2018 and in accordance with the resolution of Board of Directors meeting held on September 14, 2018, the Company issued 1,148 thousand shares (the date of capital increase was set on September 14, 2018), with the fair-value on grant date amounting to \$175,357 thousand.

As of December 31, 2018, there were 1,148 thousand outstanding shares.

Those employees with the restricted stock awards (RSA) are entitled to purchase shares without cost under the conditions that these employees will continue to provide service to the Company for at least 3 years (from the grant date), and meet certain requirement. Based on the Company's requirements, the restricted employee shares should be fully vested in the third year after the grant date. These shares shall not be sold, pledged, transferred, gifted, or disposed by any other means to third parties during the custody period. The voting rights of these shareholders need not be executed by the custodian, and will act based on law and regulations. The cash and stock dividends distributed during the custody period will be granted to the employees. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares, and cancel the shares thereafter.

For the years ended December 31, 2018, the Company recognized the compensation cost of \$17,049 thousand for the aforementioned RSA. There was no transaction in 2017.

(ii) The subsidiary of PBL of employee stock option plans (ESOPs)

	<u>2018 ESOPs</u>
Grant date	2018.4.20
Number of options granted (unit)	5,560
Number of common shares eligible (share)	1,000
Contract period	2018.4.20~2026.4.19
Vesting period	2018.4.20~2021.4.19
Recipients	Employees of PBL

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

PBL used the Black-Scholes Model in measuring the fair value of its employee stock option at the date of grant. The main inputs to the valuation model were as follows:

	2018 employee stock options exercise in the 1st year	2018 employee stock options exercise in the 2nd year	2018 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	\$ 3.93	\$ 4.13	\$ 4.32
Share price at grant date (dollars)	\$ 11.29	\$ 11.29	\$ 11.29
Exercise price (dollars)	\$ 11	\$ 11	\$ 11
Expected volatility	40%	40%	40%
Expected life	4.5 years	5 years	5.5 years
Risk-free interest rate	0.70%	0.74%	0.77%

Details of the employee stock options were as follows:

	December 31, 2018	
	Weighted average exercise price (expressed in dollars)	Number of options (expressed in thousands)
Outstanding at January 1	\$ -	-
Granted during the year	11	5,560
Outstanding at December 31	11	5,560
Exercisable at December 31	-	-

From acquisition date to December 31, 2018, PLB recognized the compensation cost of \$6,807 thousand for the aforementioned ESOPs. There was no transaction for the years ended December 31, 2017.

(v) Earnings per share (“EPS”)

For the years ended December 31, 2018 and 2017, the Company’s earnings per share were calculated as follows:

	2018	2017
Basic earnings per share :		
Profit belonging to common shareholders	\$ <u>3,124,454</u>	<u>3,764,200</u>
Weighted average number of outstanding shares of common stock (in thousands)	<u>422,666</u>	<u>403,214</u>
Basic earnings per share (in dollars)	\$ <u>7.39</u>	<u>9.34</u>
Diluted earnings per share :		
Profit belonging to common shareholders	\$ <u>3,124,454</u>	<u>3,764,200</u>
Weighted average number of outstanding shares of common stock (in thousands)	422,666	403,214
Effect of potentially dilutive common stock		
Employee remuneration (in thousands)	<u>2,381</u>	<u>1,510</u>
Weighted average number of common stock (diluted) (in thousands)	<u>425,047</u>	<u>404,724</u>
Diluted earnings per share (in dollars)	\$ <u>7.35</u>	<u>9.30</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

For the years ended December 2018, the new restricted employee shares have anti-diluted effect, therefore, the new restricted employee shares were not included in the calculation of effect on potentially diluted common stock.

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018		
	Segment- Foundry	Segment- Other	Total
Primary geographical markets:			
Asia	\$ 10,011,798	357,206	10,369,004
Americas	4,169,406	-	4,169,406
Taiwan	2,111,067	20,726	2,131,793
Europe	640,513	-	640,513
	<u>\$ 16,932,784</u>	<u>377,932</u>	<u>17,310,716</u>
Main product / services lines:			
Foundry	\$ 16,932,330	-	16,932,330
Other	454	377,932	378,386
	<u>\$ 16,932,784</u>	<u>377,932</u>	<u>17,310,716</u>

(ii) Balance of contracts

	December 31, 2018	January 1, 2018
Notes receivable	\$ 459	-
Accounts receivable	1,424,223	1,595,442
Less: allowance doubtful for accounts	(2,317)	(2,086)
	<u>\$ 1,422,365</u>	<u>1,593,356</u>
Contract liabilities (Note)	<u>\$ 112,694</u>	<u>99,514</u>

(Note) Contract liabilities are included in other current liabilities.

For details of accounts receivable and allowance for impairment, please refer to note 6(c).

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liabilities balance at the beginning of the period was \$84,264 thousand.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(x) 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, 2018 and 2017, the Company estimated its employees' and directors' and supervisors' remuneration as follows:

	<u>2018</u>	<u>2017</u>
Employee remuneration	\$ 255,600	308,400
Directors' remuneration	<u>74,200</u>	<u>89,500</u>
	<u>\$ 329,800</u>	<u>397,900</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, 2018 and 2017.

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, 2018 and 2017.

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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(y) Non-operating income and expenses

(i) Other income

The details of other incomes for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest income:		
Interest income from bank deposits	\$ 57,334	21,221
Interest income from financial assets at amortized cost	697	-
Interest income from investments in debt instrument without active market	-	1,143
Other interest income	<u>1,033</u>	<u>3,757</u>
Total interest income	<u>59,064</u>	<u>26,121</u>
Dividend income	97,268	82,659
Rent income	<u>89,386</u>	<u>93,960</u>
	<u>\$ 245,718</u>	<u>202,740</u>

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Gain (losses) on disposals of property, plant and equipment	\$ 2,210	(1,809)
Gains on disposals of investments	286,391	158,112
Foreign exchange gains (losses)	129,261	(174,496)
Losses on financial assets or liabilities at fair value through profit or loss	(32,394)	(34,768)
Others	<u>30,366</u>	<u>22,868</u>
	<u>\$ 415,834</u>	<u>(30,093)</u>

(iii) Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Interest expenses	\$ 22,199	54,687
Other finance costs	<u>257</u>	<u>259</u>
	<u>\$ 22,456</u>	<u>54,946</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(z) Financial instruments

(i) Credit risk

1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets.

2) Disclosures about concentrations of risk

As of December 31, 2018 and 2017, the Group's accounts receivable were concentrated on 4 and 3 customers, respectively, whose accounts represented 66% and 61% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Group continues to evaluate the financial status of these customers and request for collaterals when necessary.

3) Receivables and debt securities

For information on credit risk regarding notes and accounts receivable, please refers to note 6(c). Other financial assets measured at amortized cost include other receivables and the financial assets at amortized cost (which were classified as investments in debt instrument without active market as of December 31, 2017.) For related information of investment and impairment, please refers to notes 6(b) and 6(d).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited 12 months expected losses.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
As of December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,572,600	1,661,678	21,294	124,638	997,014	518,732
Unsecured bank loans	4,230,000	4,350,337	48,837	1,494,684	2,560,556	246,260
Notes and accounts payable	1,093,074	1,093,074	1,093,074	-	-	-
Other payables	880,314	880,314	880,314	-	-	-
Guarantee deposits received	<u>143,068</u>	<u>143,068</u>	<u>17,487</u>	<u>9,431</u>	<u>116,150</u>	-
	<u>\$ 7,919,056</u>	<u>8,128,471</u>	<u>2,061,006</u>	<u>1,628,753</u>	<u>3,673,720</u>	<u>764,992</u>
As of December 31, 2017						
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	1,698,485	1,698,485	1,698,485	-	-	-
Other payables	1,254,346	1,254,346	1,254,346	-	-	-
Guarantee deposits received	<u>143,685</u>	<u>143,685</u>	<u>4,867</u>	<u>19,387</u>	<u>9,431</u>	<u>110,000</u>
	<u>\$ 9,354,052</u>	<u>9,510,878</u>	<u>3,386,048</u>	<u>2,245,793</u>	<u>3,769,037</u>	<u>110,000</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTS	Foreign currency	Exchange rate	NTS
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 191,938	30.72	5,896,330	140,645	29.76	4,185,590
EUR	172	35.20	6,038	531	35.57	18,902
JPY	3,014	0.2782	842	394,637	0.2642	104,265
GBP	11	38.88	428	12	40.11	481
HKD	62	3.92	241	62	3.81	237
RMB	8,884	4.47	39,713	-	-	-
			\$ 5,943,592			\$ 4,309,475
<u>Non-monetary items</u>						
USD	\$ 6,312	30.72	\$ 193,828	3,941	29.76	102,944
RMB	97,324	4.47	433,761	40,972	4.57	185,537
			\$ 627,589			\$ 288,481
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 17,126	30.72	526,123	36,711	29.76	1,092,511
EUR	509	35.20	17,922	680	35.57	24,170
JPY	328,936	0.2782	91,510	606,057	0.2642	160,121
RMB	37	4.47	167	-	-	-
			\$ 635,722			\$ 1,276,802

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through profit or loss (which were classified as available-for-sale financial assets on December 31, 2017), notes and 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, GBP, JPY, HKD, and the RMB etc. for the years ended December 31, 2018 and 2017 would have increased (decreased) the net profit after tax by \$220,129 thousand and \$125,856 thousand, respectively, and other comprehensive income would have increased (decreased) by \$0 thousand and \$16,773 thousand, respectively. The analysis assumes that all other variables remain constant.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

3) Exchange gains or losses

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$129,261 thousand and \$(174,496) thousand, respectively.

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Group'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 Group's net profit after tax would have increased (decreased) by \$11,299 thousand and \$12,933 thousand for the years ended December 31, 2018 and 2017, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) are measured on a recurring basis. The carrying amount and fair value of the Group'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, 2018				Total
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 96,955	96,955	-	-	96,955
Funds and investment	6,308	6,308	-	-	6,308
Private fund	722,405	-	-	722,405	722,405
Subtotal	<u>\$ 825,668</u>	<u>103,263</u>	<u>-</u>	<u>722,405</u>	<u>825,668</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 1,791,646	1,791,646	-	-	1,791,646
Non-public stocks	564,486	-	-	564,486	564,486
Subtotal	<u>\$ 2,356,132</u>	<u>1,791,646</u>	<u>-</u>	<u>564,486</u>	<u>2,356,132</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 5,462,173	-	-	-	-
Financial assets at amortized cost (Note)	29,900	-	-	-	-
Notes and accounts receivable (Note)	1,422,365	-	-	-	-
Other receivables (Note)	125,288	-	-	-	-
Subtotal	<u>\$ 7,039,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

	December 31, 2018				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans (Note)	\$ 5,802,600	-	-	-	-
Notes and accounts payable (Note)	1,093,074	-	-	-	-
Other payables (Note)	880,314	-	-	-	-
Guarantee deposits received (Note)	143,068	-	-	-	-
Subtotal	<u>\$ 7,919,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	\$ 136,530	136,530	-	-	136,530
Funds and investment	1,164,777	1,164,777	-	-	1,164,777
Subtotal	<u>\$ 1,301,307</u>	<u>1,301,307</u>	<u>-</u>	<u>-</u>	<u>1,301,307</u>
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	\$ 2,234,963	2,234,963	-	-	2,234,963
Non-public stocks	607,490	-	607,490	-	607,490
Private fund	612,978	-	612,978	-	612,978
Subtotal	<u>\$ 3,455,431</u>	<u>2,234,963</u>	<u>1,220,468</u>	<u>-</u>	<u>3,455,431</u>
Loans and receivables					
Cash and cash equivalents (Note)	\$ 7,849,123	-	-	-	-
Financial assets at cost (Note)	22,915	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (Note)	1,551,390	-	-	-	-
Other receivables (Note)	356,282	-	-	-	-
Subtotal	<u>\$ 9,841,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loan (Note)	\$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,698,485	-	-	-	-
Other payables (Note)	1,254,346	-	-	-	-
Guarantee deposits received (Note)	143,685	-	-	-	-
Subtotal	<u>\$ 9,354,052</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 Group's financial instruments not valued at fair value by using the methods and assumptions are as follows:

- Financial assets measured at amortized cost (investments in debt instrument without active market and financial asset at amortized cost) and financial liabilities 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- 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.

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 Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

When the financial instrument of the Group is not traded in an active market, its fair value is determined as follows:

- 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.
- The fair value is determined by using the asset based approach, whose assumptions are based on the market approach, income approach, cost approach or other valuation methods according to the nature of the assets or liabilities of the subject companies.

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, 2018 and 2017, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Private fund</u>	<u>Unquoted equity instruments</u>
January 1, 2018	\$ 612,978	630,405
Total gains or losses:		
Recognized in profit and loss	(18,166)	-
Recognized in other comprehensive income	-	(51,781)
Purchased	127,593	-
Derecognized	-	(15,837)
Effect of changes in foreign exchange rates	-	1,699
December 31, 2018	<u>\$ 722,405</u>	<u>564,486</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The preceding gains and losses were recognized as other gains and losses and unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income. As of December 31, 2018, the related information of the assets which were still held by the Group were as follows:

	2018
Total gains or losses	
Profit or loss (recognized as other gains and losses)	\$ (18,166)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	(51,781)

- 6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets at fair value through profit or loss – private funds" and "financial assets at fair value through other comprehensive income – equity investments".

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	<ul style="list-style-type: none"> • Comparable listed companies approach • Net asset value method 	<ul style="list-style-type: none"> • Price-book ratio (as of December 31, 2018 was 1.34~3.50) • Market liquidity discount rate (as of December 31, 2018 was 80%) • Net asset value 	<ul style="list-style-type: none"> • The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value Not applicable
Financial assets at fair value through profit or loss – private fund	Net asset value method	Net asset value	Not applicable

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

- 7) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurements in Level 3 of the fair value hierarchy

The fair value measurements of the Group's financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, a fluctuation in the valuation variable by 5% would have the following effect:

	Inputs	Increase or decrease	Effects of changes in fair value on profit or loss		Effects of changes in fair value on other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 36,120	(36,120)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	20,665	(20,665)
"	Market liquidity discount rate	5%	-	-	20,665	20,665
"	Net asset value	5%	-	-	7,559	(7,559)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

There were no financial assets with fair value hierarchy level 3 for the year ended December 31, 2017.

(aa) Management of financial risk

- (i) The Group 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 Group's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Risk management framework

The Board of Directors is responsible for overseeing the Group's risk management framework. The Group's internal auditor is responsible to identify and analyze the risks faced by the Group. The management of each division sets appropriate risk limits and controls, and monitor risks that follow the adherence to limits. The Group, 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 Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group'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.

(iii) Credit risk

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

1) Notes and accounts receivable

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

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and equity instruments are measured and monitored by the Group's finance department. Since the Group'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 non-compliance issues and therefore no significant credit risk.

3) Guarantees

According to the Group's policy, the Group can only provide guarantees which are listed under the regulation. The Group did not provide any guarantee not listed under the regulation as of December 31, 2018 and 2017.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(iv) Liquidity risk

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

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group 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 Group 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, 2018, the Group 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 \$2,190,784 thousand, \$5,779,000 thousand and \$3,068,629 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 Group'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 Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD) and Chinese Yen (RMB).

The policy of response to currency risk :

- 1) The Group reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.
- 2) The Group 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 Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ab) 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 Group monitors the expansion plan as well as the level of dividends to ordinary shareholders.

For the years ended December 31, 2018 and 2017, the Group's return on common equity was 12.27% and 17.43%, respectively. The Group's debt ratio at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Debt ratio	27.79 %	30.31 %

As of December 31, 2018, there were no changes in the Group's approach to capital management.

(ac) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

	Cash flows				Non-cash changes	
	January 1, 2018	Proceeds from long- term debt	Repayments of long-term debt	Others	Amortization of arranger fee of syndicated loan	December 31, 2018
Long-term borrowings	\$ 6,257,536	4,891,000	(5,346,025)	-	89	5,802,600
Guarantee deposit received	143.685	-	-	(617)	-	143.068
Total liabilities from financing activity	\$ 6,401,221	4,891,000	(5,346,025)	(617)	89	5,945,668

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Associates
Winresp INC.	//
Chainwin i-Management (Shanghai) Co., Ltd. Huaian branch	Other related parties

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Loans to related parties were as follows:

Chainwin Cayman provided an unsecured loan, with an interest rate of 4.35% to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. At December 31, 2017, the outstanding balance of the loan amounted to USD \$6,000 thousand (NTD \$178,560 thousand). Also, the amount of interest receivable arising from the aforementioned loan were USD \$124 thousand (NTD \$3,689 thousand) for the year ended December 31, 2017. Jiangsu CM/Merit Agriculture Development Co., Ltd. had repaid the loan on February 2018.

The amount of interest revenue arising from the aforementioned loan was USD \$30 thousand (NTD \$892 thousand) and USD \$124 thousand (NTD \$3,734 thousand) for the years ended December 31, 2018 and December 31, 2017, respectively.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	2018	2017
Other related parties	\$ 786	-

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. There was no such transaction at December 31, 2017.

(iii) Receivables from related parties

Account	Relationship	December 31, 2018	December 31, 2017
Other receivables—related parties	Associates-Jiangsu CM / Merit Agriculture Development Co., Ltd.	\$ -	182,249

(iv) Guarantee

As of December 31, 2018, Chainwin Cayman had provided a guarantee for loans amounting to USD \$7,350 thousand (NTD \$225,792 thousand) to its associate, Jiangsu CM/Merit Agriculture Development Co., Ltd. There was no such transaction at December 31, 2017.

(v) Property transactions

In 2018, the prepayments were amounting to USD \$704 thousand (NTD \$21,617 thousand) due to Chainwin Cayman purchase property, plant and equipment from its associates, Winresp INC. There was no such transaction for the year ended December 31, 2017.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(c) Transactions with key management personnel

Key management personnel compensation were comprised as below:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 396,899	385,172
Post-employment benefits	<u>802</u>	<u>766</u>
	<u>\$ 397,701</u>	<u>385,938</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,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Other non-current assets	Gas deposits	\$ 4,700	4,700
Other non-current assets	Customs guarantee	20,050	20,955
Other non-current assets	Government subsidy deposits	4,300	-
Other non-current assets	Plant deposits	12,749	-
Property, plant and equipment	Long-term borrowings and line of credit	2,759,181	2,858,234
Investment property	Long-term borrowings and line of credit	<u>351,631</u>	<u>1,441,902</u>
Total		<u>\$ 3,152,611</u>	<u>4,325,791</u>

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

(i) The unrecognized commitment of acquisition of plant expansion and machinery equipment were as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
The unrecognized amount	<u>\$ 4,726,547</u>	<u>6,114,772</u>

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
(ii) The unused letters of credit	<u>\$ 70,543</u>	<u>54,918</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(10) Losses due to major disasters: None.

(11) Subsequent events:

On January 11, 2019, the Board of Directors of the Company's subsidiary, Win Semiconductors Cayman Islands Co., Ltd., resolved to subscribe the new shares contributed by its subsidiary, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd, for the 22,000 thousand shares (upper limited), with par value of USD 2 per share, amounting to USD \$44,000 thousand (upper limited) in cash.

(12) Others:

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2018 and 2017:

	2018			2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	2,006,133	902,528	2,908,661	1,809,615	797,169	2,606,784
Labor and health insurance	168,800	44,871	213,671	132,238	40,809	173,047
Pension	76,207	23,711	99,918	60,578	19,543	80,121
Director remuneration	-	74,510	74,510	-	89,810	89,810
Others	62,014	15,454	77,468	52,062	13,433	65,495
Depreciation	2,922,094	236,456	3,158,550	2,334,089	180,523	2,514,612
Amortization	18,131	45,457	63,588	15,164	32,234	47,398

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated 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 Group:

(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)	Amount of used loan facilities	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		
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM / Merit Agriculture Development Co., Ltd.	Other receivables	Yes	184,320 (USD 6,000)	-	-	4.35%	1	-	Working Capital	-	None	-	Net equity 20% ^a 594,266	Net equity 40% ^a 1,188,532

Note 1: Company numbering as follows:

Issuer—0

Investee starts from 1

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 Biotech and Agrotech (Cayman Islands) Co., 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:

(In thousands of dollars)

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM / Merit Agriculture Development Co., Ltd.	6	891,399 (USD 29,017)	225,792 (USD 7,350)	225,792 (USD 7,350)	153,418 (USD 4,994)	-	7.6 %	Net equity 50% =1,485,665	-	-	Y

Note 1: Company numbering as follows:

Issuer—0

Investee starts from 1

Note 2: Relationship with the Company

1. Ordinary business relationship.
2. An entity, directly and indirectly, owned more than 50% voting shares of a guarantor.
3. A guarantor, directly and indirectly, owned more than 50% voting shares of an entity.
4. An entity, directly and indirectly, owned more than 90% voting shares of a guarantor.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

Note 3: The guarantees and endorsements limit provided by Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. to a particular single party and to other parties should not exceed 30% and 50%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(Continued)

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

(iii) Securities held as of December 31, 2018 (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			Fair value	Highest Percentage of ownership (%)	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)			
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	490	17,475	0.30	17,475	0.30	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	"	"	1,238	79,480	0.50	79,480	0.50	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	132	1,656	-	1,656	-	
"	Capital Money Market Fund	"	"	289	4,652	-	4,652	-	
					<u>103,263</u>		<u>103,263</u>		
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	183,842	5.81	183,842	5.81	
"	CDIB Capital Growth Partners L. P.	"	"	-	57,076	3.30	57,076	4.17	
"	Fuh Hwa Tung-ta Fund	"	"	15,725	299,271	-	299,271	-	
"	Fuh Hwa Oriental Fund	"	"	15,000	48,240	-	48,240	-	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	93,600	-	93,600	-	
"	LeaSun Winion LP	"	"	-	30,390	14.25	30,390	14.25	
"	NFC Fund II LP	"	"	-	9,986	19.41	9,986	19.41	
					<u>722,405</u>		<u>722,405</u>		
"	Inventec Solar Energy Corporation / Stock	"	Non-current financial assets at fair value through other comprehensive income	34,000	118,508	10.51	118,508	10.51	
"	MagiCap Venture Capital Co., Ltd./ Preferred Stock A	"	"	1,000	93,780	4.58	93,780	4.58	
"	CDIB Capital Creative Industries Limited / Stock	"	"	5,000	106,761	3.33	106,761	3.33	
"	New Future Capital Co., Ltd./ Stock	"	"	10,000	100,554	15.87	100,554	15.87	
"	Grand Fortune Venture Corp. / Stock	"	"	5,000	57,400	6.87	57,400	6.87	
"	ITEQ CORPORATION / Stock	"	"	24,116	1,205,785	7.96	1,205,785	8.04	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./ Stock	Subsidiary's main client	"	75	585,861	0.02	585,861	0.02	
"	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	"	1,264	63,829	7.93	63,829	10.05	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	"	3,300	-	8.09	-	8.09	
"	MOAI Electronics Corporation/Stock	None	"	300	-	0.92	-	0.92	
"	Merit Biotech INC./Stock	"	"	1,320	-	2.93	-	2.93	(Note 1)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	"	"	12	23,654	4.78	23,654	4.78	
					<u>2,356,132</u>		<u>2,356,132</u>	-	
The Company	MagiCap Venture Capital Co., Ltd. / Preferred Stock B	"	Non-current financial assets at amortized cost	2,990	29,900	13.70	(Note 2)	15.75	

Note 1: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company. As of December 31, 2018, the company is still within the period of liquidation.

Note 2: The Group intends to hold its asset to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Therefore, the investment was classified as non-current financial asset at amortized cost.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated 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	62,000	1,922,136	52,000	1,581,520	-	-	-	-	114,000	3,848,230 (Note 1)
"	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	-	12,469	200,000	9,342	150,000	21,811	350,293	350,000	293	-	-
"	Union Money Market Fund	"	-	-	15,234	200,000	15,204	200,000	30,438	400,105	400,000	105	-	-
"	Allianz Global Investors Taiwan Money Market Fund	"	-	-	24,086	300,000	-	-	24,086	300,715	300,000	715	-	-
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. / Stock	Investments accounted for using equity method	-	Investment through subsidiary	32,610	2,009,792	25,944	1,575,097	-	-	-	-	58,554	3,075,499 (Note 1)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/Merit Agriculture Development Co., Ltd.	Investments accounted for using equity method	-	Investment through associates	-	214,272	-	349,970	-	-	-	-	-	433,761 (Note 2)
"	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	"	-	Investment through subsidiary	-	321,285	-	643,600	-	-	-	-	-	965,551 (Note 1)
"	Jiangsu Merit/CM Agriculture Development Co., Ltd.	"	-	"	-	62,496	-	360,141	-	-	-	-	-	414,902 (Note 1)

Note 1: The amount of ending balance was calculated using equity method. The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

Note 2: The amount of ending balance was calculated using equity method.

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Factory buildings	2018/10/25	617,213	As of December 31, 2018, the price paid \$168,588 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Factory buildings	2018/11/20	772,168	As of December 31, 2018, the price paid \$172,741 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

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

- (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	(8,264,249)	49 %	1-2 Month	-	-	942,499	63%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	8,264,249	100 %	1-2 Month	-	-	(938,048)	100%	(Note)

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

- (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	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	942,499	7.42	-	-	942,499	-	(Note)

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

- (ix) Trading in derivative instruments: None.

- (x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	8,264,249	Note 3	47.74%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	942,499	"	2.66%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	938,048	"	2.65%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	8,264,249	"	47.74%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	79,594	"	0.46%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	79,594	"	0.46%

Note 1: Company numbering as follows:

Parent company—0

Subsidiary starts from 1

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

Parent company to subsidiary—1

Subsidiary to parent company—2

Subsidiary to subsidiary—3

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

(Continued)

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

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2018 (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, 2018			Highest percentage of ownership	Net income (losses) of investee	Share of profits (losses) of investee	Remark
				December 31, 2018	December 31, 2017	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 %	11,374	100.00 %	4,533	4,533	(Note 1)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	3,503,656	1,922,136	114,000	100.00 %	3,848,230	100.00 %	(200,462)	(200,462)	(Note 1)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	-	640,197	11,768	34.52 %	-	34.52 %	-	-	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	172,815	100.00 %	12,978	12,978	(Note 1)
"	Phalarex Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	304,150	180,400	24,650	39.89 %	347,216	39.89 %	(117,589)	(41,928)	(Note 1)
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	25.00 %	(200,591)	-	
WIN Venture Capital Corp.	Phalarex Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	39,600	39,600	3,600	5.82 %	50,709	6.82 %	(117,589)	(7,333)	(Note 1)
"	Winresp INC.	Taiwan	Developing and selling of water treatment system and wholesaling of medical appliances	40,000	-	2,500	18.52 %	36,227	19.38 %	1,436	(4,408)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30 %	62,820	49.30 %	(2,513)	(1,239)	
"	Chaiwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	3,584,889	2,009,792	58,554	94.71 %	3,075,499	94.71 %	(257,508)	(237,736)	(Note 1)
Chaiwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	Investment activities	-	38,573	-	-	-	100.00 %	156	156	(Note 2)
Phalarex Biotech Group, Inc.	Phalarex Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00 %	(23,953)	100.00 %	(6,906)	(6,906)	(Note 1)
"	PhalarexBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00 %	(1,293)	100.00 %	(3,139)	(3,139)	(Note 1)

Note 1: The amount of the transaction had been offset in the consolidated financial statements.

Note 2: Formosa Fortune Group Co., Ltd. has been liquidated on November 30, 2018.

(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 from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Highest percentage of ownership	Percentage of ownership	Investment income (losses) (Note 3)	Carrying value as of December 31, 2018 (Note 4)	Accumulated remittance of earnings in current period	Remarks
					Outflow	Inflow								
Jiangsu Chaiwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	959,371 (RMB 214,669)	(Note 1)	260,236 (USD 8,471)	645,128 (USD 21,000)	-	905,336 (USD 29,471)	(87,944) (USD (2,920))	94.71 %	94.71 %	(87,944) (USD (2,920))	965,551 (USD 31,431)	-	(note 8)
Jiangsu Chaiwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	300,749 (USD 9,790)	(Note 1)	32,123 (USD 1,046)	245,760 (USD 8,000)	-	277,885 (USD 9,046)	(12,108) (USD (411))	94.71 %	94.71 %	(12,108) (USD (411))	281,203 (USD 9,154)	-	(note 8)
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,203,723 (USD 39,184)	(Note 1)	333,001 (USD 10,905)	368,640 (USD 12,000)	-	703,641 (USD 22,905)	(187,990) (USD (6,166))	46.41 %	46.41 %	(92,115) (USD (3,021))	433,761 (USD 14,120)	-	
Jiansu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	466,944 (USD 15,200)	(Note 1)	107,639 (USD 3,504)	359,424 (USD 11,700)	-	467,063 (USD 15,204)	(5,672) (USD (185))	85.99 %	85.99 %	(4,788) (USD (156))	414,902 (USD 13,506)	-	(note 8)
Jiansu Merit / Cofejoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	147,456 (USD 4,800)	(Note 1)	149,664 (USD 4,872)	-	-	149,664 (USD 4,872)	(561) (USD (20))	56.83 %	56.83 %	(337) (USD (12))	82,954 (USD 2,700)	-	(note 7) (note 8)
Jiangsu Merit Ranfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	72,313 (RMB 16,177)	(Note 1)	41,009 (USD 1,335)	-	-	41,009 (USD 1,335)	(3) (USD (0.34))	94.71 %	94.71 %	(3) (USD (0.34))	56,813 (USD 1,849)	-	(note 8)
Onesray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chip and test service	8,784 (RMB 1,898)	(Note 2)	8,784 (USD 300)	-	-	8,784 (USD 300)	(6,906) (RMB (1,520))	45.71 %	45.71 %	(6,906) (RMB (1,520))	(13,953) (RMB (3,359))	-	(note 8)

(Continued)

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

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Investor Company Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 6)
The Company and subsidiaries	2,554,402 (USD 83,133)	2,805,017 (USD 91,309)	15,362,631

Note 1: The Group invested in Mainland China companies through Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd., which is established in a third region.

Note 2: The Group invested in Mainland China companies through Phalanx Biotech Limited (HK), which is established in a third region.

Note 3: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 4: Carrying value as of December 31, 2018 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 5: Investment income (loss) recognized was translated into New Taiwan Dollars at the average exchange rate for the each month from January 1, 2018 to December 31, 2018. The other amounts related to foreign currency were translated into New Taiwan Dollars at the exchange rate at the balance sheet date.

Note 6: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

Note 7: The meeting of shareholders of Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd. had decided to dissolve the company on October 24, 2018 and has been liquidated on January 25, 2019, respectively.

Note 8: The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

(iii) Significant transactions: None.

(14) Segment information:

- (a) The Group's reportable segment is the foundry segment. The foundry segment engages mainly in researching, developing, manufacturing, and selling of GaAs wafers, etc.

Other operating segments are mainly engaged in investment activities agriculture technology and gene chip and testing, which do not exceed the quantitative thresholds to be reported.

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the years ended December 31, 2018 and 2017, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in note 4 "significant accounting policies" were as follows:

2018	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ 16,932,784	377,932	-	17,310,716
Interest expenses	\$ 22,456	-	-	22,456
Depreciation and amortization	\$ 3,174,490	44,797	2,851	3,222,138
Shares of losses of associates and joint ventures accounted for using equity method	\$ (17,701)	(100,136)	-	(117,837)
Reportable segment profit or loss	\$ 3,496,670	(288,477)	(2,851)	3,205,342
Assets:				
Capital expenditures in noncurrent assets	\$ 5,135,225	503,009	-	5,638,234
2017	Foundry	Other	Reconciliation and elimination	Total
Revenue :				
Revenue from external customers	\$ 16,663,899	422,456	-	17,086,355
Interest expenses	\$ 54,946	-	-	54,946
Depreciation and amortization	\$ 2,529,494	29,639	2,877	2,562,010
Shares of losses of associates and joint ventures accounted for using equity method	\$ (129,304)	(37,483)	-	(166,787)
Reportable segment profit or loss	\$ 4,648,412	(59,939)	(19,138)	4,569,335
Assets:				
Capital expenditures in noncurrent assets	\$ 3,548,838	530,671	-	4,079,509

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The segment profit or loss, assets and liabilities of the operating segment above were consistent with the related accounts shown in the consolidated balance sheets and consolidated statements of comprehensive income of the Group.

(c) Segment information by products and services

The information from the product and the service segment coincides with the administrative segment, and its revenue from external customers was disclosed in Note 14(b).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenue from external customers for the years ended December 31, 2018 and 2017 were as follows:

<u>Area</u>	<u>2018</u>	<u>2017</u>
External Customers:		
America	\$ 4,169,406	3,141,216
Asia	10,369,004	10,564,507
Taiwan	2,131,793	2,838,695
Europe	640,513	540,249
Australia	-	1,688
Total	<u>\$ 17,310,716</u>	<u>17,086,355</u>
	<u>December 31,</u>	<u>December 31,</u>
<u>Area</u>	<u>2018</u>	<u>2017</u>
Non-current Assets:		
Taiwan	\$ 18,991,047	17,327,761
Asia	782,588	357,399
America	232	292
Total	<u>\$ 19,773,867</u>	<u>17,685,452</u>

Non-current assets include property, plant and equipment, investment property, intangible assets and prepayments for business facilities; not including financial instruments, goodwill and deferred tax assets.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(e) Major customers

For the years ended December 31, 2018 and 2017, sales to customers greater than 10% of net revenue were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Net revenue amount</u>	<u>Percentage of net revenue (%)</u>	<u>Net revenue amount</u>	<u>Percentage of net revenue (%)</u>
Operating revenue of the Group-A company	\$ 2,875,850	17	2,024,175	12
Operating revenue of the Group-B company	2,788,677	16	3,634,444	21
Operating revenue of the Group-C company	1,969,031	11	829,043	5
Operating revenue of the Group-D company	1,315,655	8	1,998,397	12
Operating revenue of the Group-E company	11	-	1,697,935	10
	<u>\$ 8,949,224</u>	<u>52</u>	<u>10,183,994</u>	<u>60</u>