

**WIN SEMICONDUCTORS CORP.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2019 and 2018**

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

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

The independent auditors' review 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' review 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. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~11
(4) Summary of significant accounting policies	11~15
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	16
(6) Explanation of significant accounts	16~50
(7) Related-party transactions	50~52
(8) Pledged assets	52
(9) Commitments and contingencies	53
(10) Losses due to major disasters	53
(11) Subsequent events	53
(12) Others	53
(13) Other disclosures	
(a) Information on significant transactions	54~57
(b) Information on investments	57
(c) Information on investment in Mainland China	58
(14) Segment information	58~59



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' Review Report

To the Board of Directors of WIN Semiconductors Corp.:

### Introduction

We have reviewed the accompanying consolidated balance sheets of WIN Semiconductors Corp. and subsidiaries (the "Group") as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently, does not enable us to obtain assurance that we would become aware of any significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 6(g), the other equity accounted investments of the Group's investments accounted for using the equity method of \$103,944 thousand and \$129,506 thousand as of March 31, 2019 and 2018, respectively; and the shares of gains (losses) of associates and joint ventures accounted for using the equity method of \$4,692 thousand and \$(10,851) thousand for the three months ended March 31, 2019 and 2018, respectively, were recognized solely in the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors’ review report are Chia-Chien Tang and Ya-Ling Chen.

KPMG

Taipei, Taiwan (The Republic of China)

May 14, 2019

### **Notes to Readers**

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

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2019 and 2018**  
**WIN Semiconductors Corp. and Subsidiaries**

**Consolidated Balance Sheets**  
**March 31, 2019, December 31, and March 31, 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	March 31, 2019		December 31, 2018		March 31, 2018		March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current assets:</b>												
1100 Cash and cash equivalents (note 6(a))	\$ 4,764,970	13	5,462,173	16	5,851,533	17	\$ 1,000,671	3	1,093,074	3	1,264,069	4
1110 Current financial assets at fair value through profit or loss (note 6(b))	137,395	-	103,263	-	710,349	2	2,474,389	7	2,469,630	7	2,308,701	6
1170 Notes and accounts receivable, net (notes 6(c) and 6(w))	1,384,808	4	1,422,365	4	1,348,250	4	57,852	-	-	-	-	-
1310 Inventories (note 6(e))	3,748,481	11	3,907,390	11	3,775,167	11	268,378	1	265,679	1	257,771	1
1400 Current biological assets (note 6(f))	116,287	-	103,289	-	109,247	-	3,801,290	11	3,828,383	11	3,830,541	11
1470 Other current assets (notes 6(d) and 6(m))	231,151	1	336,049	1	350,530	1	-	-	-	-	-	-
<b>Total current assets</b>	<b>10,383,092</b>	<b>29</b>	<b>11,334,529</b>	<b>32</b>	<b>12,145,076</b>	<b>35</b>	<b>5,104,800</b>	<b>14</b>	<b>5,802,600</b>	<b>16</b>	<b>4,399,000</b>	<b>13</b>
<b>Non-current assets:</b>												
1510 Non-current financial assets at fair value through profit or loss (note 6(b))	788,338	2	722,405	2	552,563	2	477	-	-	-	32,990	-
1517 Non-current financial assets at fair value through other comprehensive income (note 6(b))	3,353,527	9	2,356,132	7	3,056,045	9	228,881	1	224,235	1	210,739	-
1535 Non-current financial assets at amortized cost (note 6(b))	9,000	-	29,900	-	62,200	-	5,560,959	15	6,026,835	17	4,642,729	13
1550 Investments accounted for using equity method (note 6(g))	369,359	1	532,808	2	665,028	2	9,362,249	26	9,855,218	28	8,473,270	24
1600 Property, plant and equipment (notes 6(i) and 8)	16,138,441	45	15,568,252	44	14,568,071	41	4,237,944	12	4,238,144	12	4,226,664	12
1755 Right-of-use asset (note 6(i))	328,396	1	-	-	-	-	9,200,258	26	9,199,357	26	9,052,896	26
1760 Investment property (notes 6(k) and 8)	1,416,435	4	1,421,528	4	1,436,808	4	11,342,555	31	11,178,324	31	11,735,860	33
1780 Intangible assets (note 6(l))	548,161	2	586,953	2	262,223	1	1,834,971	5	763,882	2	1,393,729	4
1830 Non-current biological assets (note 6(f))	34,110	-	31,059	-	36,510	-	26,615,728	74	25,379,707	71	26,409,149	75
1840 Deferred tax assets	180,184	-	135,802	-	105,038	-	159,344	-	224,678	1	244,075	1
1915 Prepayments for business facilities (note 7)	2,447,288	7	2,643,202	7	2,122,919	6	26,775,072	74	25,604,385	72	26,653,224	76
1990 Other non-current assets (notes 6(m), 7 and 8)	140,990	-	97,033	-	114,013	-	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>25,754,229</b>	<b>71</b>	<b>24,125,074</b>	<b>68</b>	<b>22,981,418</b>	<b>65</b>	<b>36,137,321</b>	<b>100</b>	<b>35,459,603</b>	<b>100</b>	<b>35,126,494</b>	<b>100</b>
<b>Total assets</b>	<b>\$ 36,137,321</b>	<b>100</b>	<b>\$ 35,459,603</b>	<b>100</b>	<b>\$ 35,126,494</b>	<b>100</b>	<b>\$ 36,137,321</b>	<b>100</b>	<b>\$ 35,459,603</b>	<b>100</b>	<b>\$ 35,126,494</b>	<b>100</b>
<b>Liabilities and Equity</b>												
<b>Current liabilities:</b>												
2170 Notes and accounts payable (note 7)	2170											
2200 Other payables	2200											
2280 Current lease liabilities (note 6(p))	2280											
2399 Other current liabilities (6(w))	2399											
<b>Total current liabilities</b>												
<b>Non-current liabilities:</b>												
2540 Long-term borrowings (notes 6(o) and 8)	2540											
2570 Deferred tax liabilities	2570											
2580 Non-current lease liabilities (note 6(p))	2580											
2600 Other non-current liabilities	2600											
<b>Total non-current liabilities</b>												
<b>Total liabilities</b>												
<b>Equity (notes 6(b), 6(h), 6(i) and 6(u)):</b>												
3110 Ordinary shares	3110											
3200 Capital surplus	3200											
3300 Retained earnings	3300											
3400 Other equity interests	3400											
<b>Total equity attributable to owners of parent</b>												
36XX Non-controlling interests	36XX											
<b>Total equity</b>												
<b>Total liabilities and equity</b>												

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with generally accepted auditing standards**

**WIN Semiconductors Corp. and Subsidiaries**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2019 and 2018**

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

		<u>For the three months ended March 31</u>			
		<u>2019</u>		<u>2018</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	<b>Operating revenue (notes 6(g) and 6(w))</b>	\$ 3,619,289	100	4,463,906	100
5000	<b>Operating costs (notes 6(e), 6(f), 6(g), 6(i), 6(j), 6(p), 6(r), 6(u), 6(x), 7 and 12)</b>	<u>(2,716,054)</u>	<u>(75)</u>	<u>(2,942,525)</u>	<u>(66)</u>
	<b>Gross profit from operating</b>	<u>903,235</u>	<u>25</u>	<u>1,521,381</u>	<u>34</u>
	<b>Operating expenses (notes 6(c), 6(i), 6(j), 6(p), 6(r), 6(u), 6(x), 7 and 12):</b>				
6100	Selling expenses	(74,775)	(2)	(58,344)	(1)
6200	Administrative expenses	(244,742)	(7)	(227,597)	(5)
6300	Research and development expenses	(282,228)	(8)	(194,156)	(5)
6450	Losses on expected credit impairment	<u>(1,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>(603,163)</u>	<u>(17)</u>	<u>(480,097)</u>	<u>(11)</u>
	<b>Net operating income</b>	<u>300,072</u>	<u>8</u>	<u>1,041,284</u>	<u>23</u>
	<b>Non-operating income and expenses (notes 6(g), 6(i), 6(p), 6(y) and 7):</b>				
7010	Other income	44,625	1	36,557	-
7020	Other gains and losses	33,457	1	(140,903)	(3)
7050	Finance costs	(6,841)	-	(8,638)	-
7770	Shares of losses of associates and joint ventures accounted for using equity method	<u>(178,848)</u>	<u>(5)</u>	<u>(19,149)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>(107,607)</u>	<u>(3)</u>	<u>(132,133)</u>	<u>(3)</u>
7900	<b>Profit before tax</b>	192,465	5	909,151	20
7950	<b>Tax expense (note 6(s))</b>	<u>(41,719)</u>	<u>(1)</u>	<u>(179,179)</u>	<u>(4)</u>
	<b>Profit</b>	<u>150,746</u>	<u>4</u>	<u>729,972</u>	<u>16</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Components of other comprehensive income that will not be reclassified to profit or loss (note 6(t))</b>				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	997,105	28	123,788	3
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>997,105</u>	<u>28</u>	<u>123,788</u>	<u>3</u>
8360	<b>Components of other comprehensive income that will be reclassified to profit or loss (notes 6(g) and 6(t))</b>				
8361	Exchange differences on translation of foreign financial statements	53,411	1	(20,334)	-
8370	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	8,618	-	14,703	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>62,029</u>	<u>1</u>	<u>(5,631)</u>	<u>-</u>
8300	<b>Other comprehensive income, net</b>	<u>1,059,134</u>	<u>29</u>	<u>118,157</u>	<u>3</u>
8500	<b>Total comprehensive income</b>	<u>\$ 1,209,880</u>	<u>33</u>	<u>848,129</u>	<u>19</u>
	<b>Profit (loss) attributable to:</b>				
8610	Profit attributable to owners of parent	\$ 174,231	5	736,122	16
8620	Profit (losses) attributable to non-controlling interests	<u>(23,485)</u>	<u>(1)</u>	<u>(6,150)</u>	<u>-</u>
		<u>\$ 150,746</u>	<u>4</u>	<u>729,972</u>	<u>16</u>
	<b>Comprehensive income (loss) attributable to:</b>				
8710	Comprehensive income, attributable to owners of parent	\$ 1,230,707	34	845,904	19
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>(20,827)</u>	<u>(1)</u>	<u>2,225</u>	<u>-</u>
		<u>\$ 1,209,880</u>	<u>33</u>	<u>848,129</u>	<u>19</u>
	<b>Earnings per common share (expressed in dollars)(note 6(v))</b>				
9750	Basic earnings per share	<u>\$ 0.41</u>		<u>1.74</u>	
9850	Diluted earnings per share	<u>\$ 0.41</u>		<u>1.74</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent				Other equity interests				Total equity			
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Other unearned compensation for restricted shares of employees		Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests
<b>Balance at January 1, 2018</b>	\$ 4,226,664	9,052,896	1,379,394	9,442,293	(100,208)	1,401,839	1,568,176	-	1,467,988	25,569,215	235,530	25,804,745
Effects of retrospective application and retrospective restatement	-	-	-	166,337	-	1,401,839	(1,568,176)	-	(166,337)	-	-	-
Equity at beginning of period after adjustments	4,226,664	9,052,896	1,379,394	9,608,630	(100,208)	1,401,839	-	-	1,301,651	25,569,215	235,530	25,804,745
Profit (loss) for the three months ended March 31, 2018	-	-	-	736,122	-	-	-	-	(6,150)	736,122	(6,150)	729,972
Other comprehensive income for the three months ended March 31, 2018	-	-	-	-	(14,006)	123,788	-	-	109,782	109,782	8,375	118,157
Total comprehensive income for the three months ended March 31, 2018	-	-	-	736,122	(14,006)	123,788	-	-	109,782	845,904	2,225	848,129
Change in ownership interest in subsidiaries	-	-	-	(5,970)	-	-	-	-	-	(5,970)	-	(5,970)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	6,320	6,320
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	17,684	-	(17,684)	-	-	(17,684)	-	-	-
<b>Balance at March 31, 2018</b>	\$ 4,226,664	9,052,896	1,379,394	10,356,466	(114,214)	1,507,943	-	-	1,393,729	26,409,149	244,075	26,653,224
<b>Balance at January 1, 2019</b>	\$ 4,238,144	9,199,357	1,755,814	9,422,510	(36,200)	958,390	-	(158,308)	763,882	25,379,707	224,678	25,604,385
Profit (loss) for the three months ended March 31, 2019	-	-	-	174,231	-	-	-	-	-	174,231	(23,485)	150,746
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	59,371	997,105	-	-	1,056,476	1,056,476	2,658	1,059,134
Total comprehensive income for the three months ended March 31, 2019	-	-	-	174,231	59,371	997,105	-	-	1,056,476	1,230,707	(20,827)	1,209,880
Changes in ownership interests in subsidiaries	-	-	-	(10,000)	-	(10,000)	-	-	-	(10,000)	-	(10,000)
Compensation cost arising from restricted shares of stock issued to employees	(200)	-	-	-	-	-	-	14,613	14,613	14,613	-	14,613
Purchase and retirement of restricted shares of stock for employees	-	-	-	-	-	-	-	-	-	-	(45,339)	(45,339)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	832	832
Stock option compensation cost of subsidiary	-	701	-	-	-	-	-	-	-	701	-	701
<b>Balance at March 31, 2019</b>	\$ 4,237,944	9,200,258	1,755,814	9,586,741	23,171	1,955,495	-	(143,695)	1,834,971	26,615,728	159,344	26,775,072

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**WIN Semiconductors Corp. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the three months ended March 31	
	2019	2018
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 192,465	909,151
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	826,516	742,923
Amortization expense	16,614	15,150
Expected credit loss	1,418	-
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(45,012)	76,799
Interest expense	6,841	8,638
Interest income	(16,029)	(10,327)
Dividend income	(6,131)	(3,833)
Share-based payments	16,146	-
Shares of losses of associates and joint ventures accounted for using equity method	173,844	21,049
Losses (gains) on disposal of property, plant and equipment	803	(6)
Losses (gains) on disposal of investments	25,664	(410)
Changes in biological assets at fair value	(52)	(3,428)
Prepayments for business facilities transferred to expenses	-	15
<b>Total adjustments to reconcile profit (loss)</b>	<u>1,000,622</u>	<u>846,570</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease in financial assets at fair value through profit or loss	900	25,101
Decrease in notes and accounts receivable	36,165	203,140
Decrease (increase) in inventories	155,483	(30,486)
Increase in biological assets	(15,846)	(7,931)
Decrease in other current assets	84,387	67,259
<b>Total changes in operating assets</b>	<u>261,089</u>	<u>257,083</u>
<b>Changes in operating liabilities:</b>		
Decrease in notes and accounts payable	(92,403)	(434,416)
Decrease in other payables	(404,636)	(258,464)
Increase in other current liabilities	13,461	33,266
Increase in other non-current liabilities	834	559
<b>Total changes in operating liabilities</b>	<u>(482,744)</u>	<u>(659,055)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(221,655)</u>	<u>(401,972)</u>
<b>Cash inflow generated from operations</b>	971,432	1,353,749
Income taxes paid	(898)	(731)
<b>Net cash flows from operating activities</b>	<u>970,534</u>	<u>1,353,018</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	-	(124,705)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	34,252
Proceeds from disposal of non-current financial assets at amortized cost	20,900	-
Acquisition of financial assets at fair value through profit or loss	(55,951)	(155,645)
Proceeds from disposal of financial assets at fair value through profit or loss	60,284	705,528
Acquisition of investments accounted for using equity method	-	(349,970)
Acquisition of property, plant and equipment	(744,258)	(722,490)
Proceeds from disposal of property, plant and equipment	4,025	6
Decrease in other receivables due from related parties	-	181,200
Acquisition of intangible assets	(17,293)	(8,153)
Net cash outflows from business combination	(138,256)	-
Increase in other non-current assets	(49,009)	(3,357)
Increase in prepayments for business facilities	(75,974)	(1,037,281)
Interest received	17,074	14,001
Dividends received	6,131	-
<b>Net cash flows used in investing activities</b>	<u>(972,327)</u>	<u>(1,466,614)</u>
<b>Cash flows from (used in) financing activities:</b>		
Proceeds from long-term debt	2,197,000	486,000
Repayments of long-term debt	(2,894,800)	(2,344,625)
Repayments of lease liabilities	(11,797)	-
Increase (decrease) in other non-current liabilities	(6,950)	3,907
Interest paid	(5,019)	(9,972)
Changes in non-controlling interests	-	350
<b>Net cash flows used in financing activities</b>	<u>(721,566)</u>	<u>(1,864,340)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>26,156</u>	<u>(19,654)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(697,203)</u>	<u>(1,997,590)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>5,462,173</u>	<u>7,849,123</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,764,970</u>	<u>5,851,533</u>

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with generally accepted auditing standards

**WIN Semiconductors Corp. and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended March 31, 2019 and 2018**  
**(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 reported to the Board of Directors as of May 14, 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, 2019.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments 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 IFRS 16 “Leases”, 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 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”.

The Group applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(c).

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) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheets.

Leases classified as operating leases under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the result of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application.

(Continued)

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

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group decided to apply recognition exemptions to short-term leases of parts of land, transportation equipment, office and staff dormitories, etc.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized \$337,816 thousand and \$290,061 thousand of right-of-use assets and the lease liabilities, respectively, and prepaid rent expenses, guarantee deposits and intangible assets decrease by \$13,939 thousand, \$1,902 thousand and \$31,914 thousand, respectively. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.37%.

The explanation of differences between operating lease commitments immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018	\$ 398,517
Recognition exemption for:	
short-term leases	(5,696)
leases of low-value assets	(780)
Discounted cash flow of interest expense	(100,078)
Others	(1,902)
Lease liabilities recognized at January 1, 2019	<b>\$ 290,061</b>

(Continued)

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be 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:**

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2018. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2018.

- (a) Statement of compliance

The 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.

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

(Continued)

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

## (b) Basis of consolidation

## (i) List of subsidiaries in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Remark
			March 31, 2019	December 31, 2018	March 31, 2018	
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %	100.00 %	-
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00 %	100.00 %	100.00 %	-
The Company	WIN Venture Capital Corp. (abbrev. WVC)	Investment activities	100.00 %	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 %	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 %	5.82 %	-	(note 1)
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman)	Investment activities	96.10 %	94.71 %	89.76 %	(notes 2, 3 and 4)
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	90.79 %	90.79 %	60.00 %	(note 4)
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	60.00 %	60.00 %	(note 5)
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed development and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	-	-	100.00 %	(note 4)
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	50.44 %	(note 4)
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	-	49.56 %	(note 4)
PBL	PhalanxBio, Inc.	Selling of high density gene chips and testing service	100.00 %	100.00 %	-	
PBL	Phalanx Biotech Limited. (abbrev. PBL (HK))	Investment activities	100.00 %	100.00 %	-	
PBL (HK)	Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chips and testing service	100.00 %	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. For the related information, Please refer to Note 6(j) of consolidated financial statements for the year ended December 31, 2018.

Note 2: On January 11, 2019, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD \$44,000 thousand (NT \$1,352,560 thousand). The related information, please refer to Note 6(h).

Note 3: Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. renamed Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. in June 2018.

Note 4: For the related information of the shareholding percentage change, please refer to Note 4(c) of consolidated financial statements for the year ended December 31, 2018.

Note 5: Jiansu Merit/Cofcojoycome Agriculture Development Co., Ltd. had been liquidated on January 25, 2019. The losses on disposal of investments amounted to \$25,666 thousand, which was recognized as other gains and losses.

Note 6: The aforementioned subsidiaries were recognized based on the reviewed financial statements by the certified accountant.

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

(Continued)

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

(c) Leases (policy applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct the use of the asset. :
  - The Group has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.
  - In rare cases where the decision on how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
    - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the Group designed the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(Continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including substantively fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- 3) amounts expected to be payable under a residual value guarantee; and
- 4) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- 3) there is a change in the assessment on whether it will have the option to exercise a purchase; or
- 4) there is a change in the assessment on lease term as to whether it will be extended or terminated; or
- 5) there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Continued)

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

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

The lessor recognizes a finance lease receivable at an amount equal to its net investment in the lease. Initial direct costs, such as lessors to negotiate and arrange a lease, are included in the measurement of the net investment. The lessor recognizes the interest income over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(d) Income taxes

Income tax expense in the financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting."

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(Continued)



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

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

The preparation of the consolidated financial statements in conformity with IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and approved by FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2018.

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

Except for the following disclosure, the significant account disclosure in the consolidated financial statements for the three months ended March 31, 2019, which compare with the consolidated financial statements for the year ended December 31, 2018, was not changed significantly. For the related information, please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Cash on hand	\$ 525	702	371
Cash in bank	4,520,265	5,191,898	4,526,197
Time deposits	244,180	269,573	1,324,965
	<b><u>\$ 4,764,970</u></b>	<b><u>5,462,173</u></b>	<b><u>5,851,533</u></b>

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):

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
<b>Mandatorily measured at FVTPL:</b>			
Stocks listed on domestic markets	\$ 101,652	96,955	125,405
Private fund (Note)	788,338	722,405	552,563
Bond funds and money market funds	35,743	6,308	584,944
<b>Total</b>	<b><u>\$ 925,733</u></b>	<b><u>825,668</u></b>	<b><u>1,262,912</u></b>
Current	\$ 137,395	103,263	710,349
Non-current	788,338	722,405	552,563
	<b><u>\$ 925,733</u></b>	<b><u>825,668</u></b>	<b><u>1,262,912</u></b>

(Continued)

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

Note: As of March 31, 2019, December 31 and March 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):

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Stocks listed on domestic markets	\$ 2,141,474	1,205,785	1,892,667
Stocks listed on foreign markets	695,091	585,861	514,483
Non-public stocks	<u>516,962</u>	<u>564,486</u>	<u>648,895</u>
	<u><u>\$ 3,353,527</u></u>	<u><u>2,356,132</u></u>	<u><u>3,056,045</u></u>

The Group decided to hold these equity instruments, which are not held for trading, at fair value through other comprehensive income.

In the first quarter of 2018, the Group reached its investment goals, and therefore, disposed the equity investment designated at fair value through other comprehensive income. The fair value of disposal amounting to \$55,934 thousand; upon derecognition, the gain of disposal, accumulated in other equity, amounting to \$17,684 thousand was transferred to retained earnings. There was no such transaction for the three months ended March 31, 2019.

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

	<b>Issue period</b>	<b>Nominal rate (%)</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>9,000</u>	<u>29,900</u>	<u>62,200</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.

- (iv) 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:

<b>Prices of securities at the reporting date</b>	<b>For the three months ended March 31, 2019</b>		<b>For the three months ended March 31, 2018</b>	
	<b>After-tax other comprehensive income</b>	<b>After-tax profit (loss)</b>	<b>After-tax other comprehensive income</b>	<b>After-tax profit (loss)</b>
Increasing 3%	\$ <u>100,606</u>	<u>3,050</u>	<u>91,681</u>	<u>3,762</u>
Decreasing 3%	\$ <u>(100,606)</u>	<u>(3,050)</u>	<u>(91,681)</u>	<u>(3,762)</u>

(Continued)

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

(v) As of March 31, 2019, December 31 and March 31, 2018 the financial assets were not pledged. For information on the Group's credit risk and market risk was disclosed in Note 6(z).

(c) Notes and accounts receivable, net

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes receivable	\$ 631	459	1,125
Accounts receivable	1,387,937	1,424,223	1,349,165
Less : loss allowance	<u>(3,760)</u>	<u>(2,317)</u>	<u>(2,040)</u>
	<u><u>\$ 1,384,808</u></u>	<u><u>1,422,365</u></u>	<u><u>1,348,250</u></u>

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. 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 were determined as follows:

(i) The segment of foundry and agriculture technology

	<u>March 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected loss rate</u>	<u>Lifetime expected credit loss allowance</u>
Not past due	\$ 1,232,231	0%	-
Past due 1~60 days	137,621	0%	-
Past due 61~120 days	6,284	0%~21.28%	-
Past due 121~180 days	3,376	0%~32.14%	602
Past due more than 181 days	<u>-</u>	100%	<u>-</u>
	<u><u>\$ 1,379,512</u></u>		<u><u>602</u></u>
	<u>December 31, 2018</u>		
	<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><u>\$ 1,418,090</u></u>		<u><u>-</u></u>

(Continued)

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

	<b>March 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 1,232,552	0%	-
Past due 1~60 days	117,596	0%	-
Past due 61~120 days	56	0%~11.53%	-
Past due 121~180 days	-	0%~44.21%	-
Past due more than 181 days	86	100%	86
	<b>\$ 1,350,290</b>		<b>86</b>

(ii) The segment of gene chip testing service

	<b>March 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
Not past due	\$ 5,073	0.79%~8.87%	175
Past due 1~60 days	801	6.56%~27.56%	133
Past due 61~120 days	329	13.39%~34.48%	65
Past due 121~180 days	158	39.21%~68.42%	90
Past due more than 181 days	2,695	100%	2,695
	<b>\$ 9,056</b>		<b>3,158</b>

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected loss rate</b>	<b>Lifetime expected credit loss allowance</b>
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	1,786	100%	1,786
	<b>\$ 6,592</b>		<b>2,317</b>

As of March 31, 2018, the Group didn't have the segment of gene chip testing service yet.

(Continued)

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

The movements of loss allowance were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Beginning balance	\$ 2,317	2,086
Impairment loss recognized, net	1,418	-
Effect of changes in foreign exchange rates	25	(46)
Ending balance	<u>\$ 3,760</u>	<u>2,040</u>

As of March 31, 2019, December 31 and March 31, 2018, the notes and accounts receivable were not pledged.

(d) Other receivables

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other receivables (recognized as other current assets)	\$ 34,335	125,288	187,367
Less: loss allowance	-	-	-
	<u>\$ 34,335</u>	<u>125,288</u>	<u>187,367</u>

As of March 31, 2019, December 31 and March 31, 2018, other receivables were not past due nor impaired.

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

(e) Inventories

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Raw materials, supplies and spare parts	\$ 2,702,084	2,641,108	2,421,396
Work in process	618,570	793,552	1,015,786
Finished goods	427,827	472,730	337,985
	<u>\$ 3,748,481</u>	<u>3,907,390</u>	<u>3,775,167</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:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Loss on valuation of inventories and obsolescence	\$ 31,833	-
Unallocated overheads	\$ 67,129	-
Revenues from sale of scraps	\$ (6,283)	(3,649)
Gain on physical inventory	\$ (10)	-

(Continued)

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

As of March 31, 2019, December 31 and March 31, 2018, the inventories were not pledged.

(f) Biological assets

(i) List of biological assets:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Consumable biological assets	<u>\$ 116,287</u>	<u>103,289</u>	<u>109,247</u>
Bearer biological assets	<u>\$ 34,110</u>	<u>31,059</u>	<u>36,510</u>

(ii) Change in biological assets:

	<b>For the three months ended</b>	
	<b>March 31, 2019</b>	<b>March 31, 2018</b>
Beginning balance	\$ 134,348	134,188
Input costs	106,421	88,325
Depreciation expenses	(3,119)	(2,454)
Decrease due to sales	(90,575)	(80,394)
Changes in fair value less costs to sell due to price changes	52	3,428
Effect of changes in foreign exchange rates	3,270	2,664
Ending balance	<u>\$ 150,397</u>	<u>145,757</u>
Current	\$ 116,287	109,247
Non-current	34,110	36,510
	<u>\$ 150,397</u>	<u>145,757</u>

For the three months ended March 31, 2019 and 2018, the gains of \$52 thousand and \$3,428 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 higher of its carrying amount or fair value less costs to sell.

(iii) The numbers of the Group's biological assets were as follows:

Unit: head

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Farrows, hogs and breeders	<u>31,871</u>	<u>32,659</u>	<u>40,763</u>

(iv) Fair value

There were no significant addition regarding the fair value of the Group's biological assets. For the related information, please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2018.

(Continued)

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

(v) As of March 31, 2019, December 31 and March 31, 2018, the biological assets were not pledged.

(g) Investments accounted for using equity method

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Associates	\$ <u>369,359</u>	<u>532,808</u>	<u>665,028</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:

<b>Name of Affiliates</b>	<b>Nature of Relationship with the Group</b>	<b>Main Operating Location/ Registered Country of the Company</b>	<b>Proportion of Shareholding and Voting Rights</b>		
			<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	China	49 %	49 %	49 %

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

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Current assets	\$ 95,543	234,687	321,141
Non-current assets	1,259,399	1,374,095	898,687
Current liabilities	(348,354)	(407,284)	(123,919)
Non-current liabilities	(461,739)	(313,098)	-
Net assets	<u>\$ 544,849</u>	<u>888,400</u>	<u>1,095,909</u>
Net assets attributable to non-controlling interests	<u>\$ 265,415</u>	<u>433,761</u>	<u>535,522</u>

(Continued)

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

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>	
Operating revenue	\$ <u>85,060</u>	<u>22,101</u>	
Loss from continuing operations	\$ (364,360)	(20,813)	
Other comprehensive income	-	-	
Total comprehensive income	\$ <u>(364,360)</u>	<u>(20,813)</u>	
	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>	
Shares of net assets of affiliates as of January 1, 2019 and 2018	\$ 433,761	185,537	
Loss attributable to the Group	(178,536)	(10,198)	
Exchange differences on translation of foreign financial statements attributable to the Group	<u>8,618</u>	<u>14,838</u>	
Shares of net assets of affiliates as of March 31, 2019 and 2018	263,843	190,177	
Add: Issuance of shares in cash	-	349,970	
Effect of changes in foreign exchange rates	<u>1,572</u>	<u>(4,625)</u>	
Carrying amount of equity of affiliate attributable to the Group	\$ <u>265,415</u>	<u>535,522</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:			
	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Total equity of the individually insignificant investments in associates	\$ <u>103,944</u>	<u>99,047</u>	<u>129,506</u>
	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>	
Attributable to the Group:			
Net profit (loss)	\$ 4,692	(10,851)	
Other comprehensive income	-	(22)	
Total comprehensive income	\$ <u>4,692</u>	<u>(10,873)</u>	

(Continued)



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

(ii) Pledge to secure

As of March 31, 2019, December 31 and March 31, 2018, the investments accounted for using equity method were not pledged.

(iii) The unreviewed financial statements of investments accounted for using equity method

In the first quarter of 2019 and 2018, except for Jiangsu CM / Merit Agriculture Development Co., Ltd., all other associates were accounted for by using the equity method, and the shares of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(h) Acquisition of non-controlling interests

(i) Chainwin Cayman

On January 11, 2019 and January 19, 2018, the Group subscribed the new shares contributed by Chainwin Cayman for \$1,352,560 thousand and \$346,297 thousand in cash, respectively. Plus, On January 22, 2018, Chainwin Cayman repurchased its own shares amounting to \$2,913 thousand and cancelled afterwards; therefore, in the first quarter of 2019 and 2018, the Group increased its ownership from 94.71% to 96.10% and 88.14% to 89.76%, respectively.

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

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Carrying amount of interest on acquisition	\$ 1,342,560	340,327
Consideration paid	<u>(1,352,560)</u>	<u>(346,297)</u>
Retained earnings changes in ownership interests in subsidiaries	<u>\$ (10,000)</u>	<u>(5,970)</u>

(i) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the three months ended March 31, 2019 and 2018 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 and inspection- awaited devices</u>	<u>Total</u>
<b>Cost:</b>							
Balance as of January 1, 2019	\$ 2,546,534	2,188,435	20,141,998	4,241,965	507,810	1,745,695	31,372,437
Additions	-	126	71,364	20,662	19,871	854,870	966,893
Reclassification (Note 1)	-	-	382,139	7,395	8,205	(6,024)	391,715
Disposals	-	-	(2,001,287)	(37,812)	(54,074)	-	(2,093,173)
Effect of changes in foreign exchange rates	-	1,344	176	926	1,027	14,574	18,047
Balance as of March 31, 2019	<u>\$ 2,546,534</u>	<u>2,189,905</u>	<u>18,594,390</u>	<u>4,233,136</u>	<u>482,839</u>	<u>2,609,115</u>	<u>30,655,919</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Factory and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and inspection-awaired devices</u>	<u>Total</u>
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
Additions	-	741	82,042	12,110	33,491	402,243	530,627
Reclassification (Note 2)	-	1,694	300,235	-	-	(1,694)	300,235
Disposals	-	-	(281,466)	(2,032)	(49,722)	-	(333,220)
Effect of changes in foreign exchange rates	-	770	-	677	700	2,637	4,784
Balance as of March 31, 2018	<u>\$ 2,546,534</u>	<u>2,156,322</u>	<u>17,877,924</u>	<u>4,266,190</u>	<u>348,413</u>	<u>1,052,431</u>	<u>28,247,814</u>
<b>Accumulated depreciation:</b>							
Balance as of January 1, 2019	\$ -	689,336	12,637,886	2,240,384	236,579	-	15,804,185
Depreciation	-	26,644	638,036	103,063	36,868	-	804,611
Disposals	-	-	(2,000,622)	(37,812)	(53,746)	-	(2,092,180)
Effect of changes in foreign exchange rates	-	172	50	312	328	-	862
Balance as of March 31, 2019	<u>\$ -</u>	<u>716,152</u>	<u>11,275,350</u>	<u>2,305,947</u>	<u>220,029</u>	<u>-</u>	<u>14,517,478</u>
Balance as of January 1, 2018	\$ -	584,763	10,563,890	1,956,057	172,410	-	13,277,120
Depreciation	-	25,776	577,174	104,258	28,167	-	735,375
Disposals	-	-	(281,466)	(2,032)	(49,722)	-	(333,220)
Effect of changes in foreign exchange rates	-	70	-	209	189	-	468
Balance as of March 31, 2018	<u>\$ -</u>	<u>610,609</u>	<u>10,859,598</u>	<u>2,058,492</u>	<u>151,044</u>	<u>-</u>	<u>13,679,743</u>
<b>Carrying value:</b>							
Balance as of January 1, 2019	<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 March 31, 2019	<u>\$ 2,546,534</u>	<u>1,473,753</u>	<u>7,319,040</u>	<u>1,927,189</u>	<u>262,810</u>	<u>2,609,115</u>	<u>16,138,441</u>
Balance as of January 1, 2018	<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>
Balance as of March 31, 2018	<u>\$ 2,546,534</u>	<u>1,545,713</u>	<u>7,018,326</u>	<u>2,207,698</u>	<u>197,369</u>	<u>1,052,431</u>	<u>14,568,071</u>

Note 1: Prepayments for business facilities, and capitalized right-of-use depreciation expenses were reclassified as property, plant and equipment.

Note 2: Prepayments for business facilities were reclassified as property, plant and equipment.

(i) Pledge to secure

As of March 31, 2019, December 31 and March 31, 2018, 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 March 31, 2019, the Group has partially paid the price of \$762,566 thousand.

(iii) For the three months ended March 31, 2019 and 2018, capitalized interest expenses amounted to \$11,046 thousand and \$8,743 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.11%~1.34% and 1.14%~1.34%, respectively.

(Continued)

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

## (j) Right-of-use assets

The Group leases many assets including land, buildings and structures, and other equipment. Information about leases for which the Group as a lessee is presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
<b>Cost:</b>				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application	243,163	86,773	7,880	337,816
Additions	-	433	-	433
Effect of change in foreign exchange rates	<u>5,221</u>	<u>-</u>	<u>-</u>	<u>5,221</u>
Balance at March 31, 2019	<u>\$ 248,384</u>	<u>87,206</u>	<u>7,880</u>	<u>343,470</u>
<b>Accumulated depreciation:</b>				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation (Note)	5,397	8,747	920	15,064
Effect of change in foreign exchange rates	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Balance at March 31, 2019	<u>\$ 5,407</u>	<u>8,747</u>	<u>920</u>	<u>15,074</u>
<b>Carrying amount:</b>				
Balance at March 31, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at January 1, 2019	<u>\$ 242,977</u>	<u>78,459</u>	<u>6,960</u>	<u>328,396</u>

(Note) Including capitalized depreciation expenses transferred to construction in process, which amounted to \$1,371 thousand.

## (k) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<b>Carrying amount:</b>			
Balance at January 1, 2019	<u>\$ 963,127</u>	<u>458,401</u>	<u>1,421,528</u>
Balance at March 31, 2019	<u>\$ 963,127</u>	<u>453,308</u>	<u>1,416,435</u>
Balance at January 1, 2018	<u>\$ 963,127</u>	<u>478,775</u>	<u>1,441,902</u>
Balance at March 31, 2018	<u>\$ 963,127</u>	<u>473,681</u>	<u>1,436,808</u>
<b>Fair value:</b>			
Balance as of January 1, 2019			<u>\$ 1,632,183</u>
Balance as of March 31, 2019			<u>\$ 1,623,827</u>
Balance as of March 31, 2018			<u>\$ 1,565,655</u>

(Continued)

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

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2019 and 2018. Information on depreciation for the period is discussed in Note 12(a). Please refer to Note 6(l) of the 2018 consolidated financial statements for other related information.

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.

As of March 31, 2019, December 31 and March 31, 2018, 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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Hsinchu	0.24%	0.24%	0.22%
Taoyuan	1.39%	1.41%	1.73%

As of March 31, 2019, December 31 and March 31, 2018, 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.

(l) Intangible assets

	<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>
<b>Carrying value:</b>						
Balance as of January 1, 2019	\$ <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 March 31, 2019	\$ <u>13,738</u>	<u>76,395</u>	<u>446,482</u>	-	<u>11,546</u>	<u>548,161</u>
Balance as of January 1, 2018	\$ <u>18,557</u>	<u>67,208</u>	<u>123,327</u>	<u>31,395</u>	<u>17,357</u>	<u>257,844</u>
Balance as of March 31, 2018	\$ <u>17,571</u>	<u>75,467</u>	<u>120,633</u>	<u>31,811</u>	<u>16,741</u>	<u>262,223</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2019 and 2018. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(m) of the 2018 consolidated financial statements for other related information.

As of March 31, 2019, December 31 and March 31, 2018, the intangible assets were not pledged.

(Continued)

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

## (m) Other current assets and other non-current assets

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Other receivables from metal recycling	\$ 22,565	108,738	146,090
Tax refund receivables	71,292	70,603	92,756
Long-term prepaid rent	-	3,150	29,978
Prepaid expenses	65,943	90,475	56,772
Restricted assets	41,840	41,799	25,655
Refundable deposits	44,250	46,556	56,280
Other receivables	11,770	16,550	41,277
Offset against business tax payable	44,510	40,585	3,715
Others	69,971	14,626	12,020
	<b><u>\$ 372,141</u></b>	<b><u>433,082</u></b>	<b><u>464,543</u></b>

## (n) Short-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Unsecured short-term borrowings	\$ -	-	-
Unused bank credit lines for short-term borrowings	<b><u>\$ 1,929,836</u></b>	<b><u>2,190,784</u></b>	<b><u>1,604,960</u></b>
Unused bank credit lines for short-term and long-term borrowings	<b><u>\$ 4,278,650</u></b>	<b><u>3,068,629</u></b>	<b><u>472,492</u></b>
Annual interest rate	<u>-</u>	<u>-</u>	<u>-</u>

## (o) Long-term borrowings

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Unsecured long-term borrowings (in NTD)	\$ 3,042,000	4,230,000	4,399,000
Secured long-term borrowings (in NTD)	2,062,800	1,572,600	-
Less: long-term liabilities, current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<b><u>\$ 5,104,800</u></b>	<b><u>5,802,600</u></b>	<b><u>4,399,000</u></b>
Unused bank credit lines for long-term borrowings	<b><u>\$ 4,920,000</u></b>	<b><u>5,779,000</u></b>	<b><u>2,264,000</u></b>
Annual interest rate	<b><u>1.08%~1.37%</u></b>	<b><u>1.08%~1.40%</u></b>	<b><u>1.23%~1.40%</u></b>
Expiry date	<b><u>2020/8/31~2025/8/16</u></b>	<b><u>2020/3/31~2025/8/16</u></b>	<b><u>2019/5/24~2021/1/29</u></b>

(Continued)

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

As of March 31, 2019, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
April 1, 2020~March 31, 2021	\$ 675,800
April 1, 2021~March 31, 2022	1,720,100
April 1, 2022 and after	<u>2,708,900</u>
	<u>\$ 5,104,800</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in Note 6(n).
- (ii) The collateral for these long-term borrowings was disclosed in Note 8.
- (p) Lease liabilities

	<u>March 31, 2019</u>		
	<u>Future minimum payments</u>	<u>Interest</u>	<u>Present value of minimum lease payments</u>
Less than one year	\$ 59,122	1,270	57,852
Between one and five years	125,588	8,986	116,602
More than five years	<u>199,905</u>	<u>89,706</u>	<u>110,199</u>
	<u>\$ 384,615</u>	<u>99,962</u>	<u>284,653</u>
Current	<u>\$ 59,122</u>	<u>1,270</u>	<u>57,852</u>
Non-current	<u>\$ 325,493</u>	<u>98,692</u>	<u>226,801</u>

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31, 2019</b>
Interest expenses on lease liabilities	\$ <u>1,153</u>
Expenses relating to short-term leases	\$ <u>3,597</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>321</u>

(Continued)

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

The amounts recognized in the statement of cash flows for the Group was as follows:

	<b>For the three months ended March 31, 2019</b>
Total cash outflow for leases	<b>\$ <u>16,244</u></b>

(i) Real estate and buildings leases

As of March 31, 2019, the Group leases land and buildings for its factories and staff dormitories. The leases of them typically run for a period of 2 to 50 years.

(ii) Other leases

The Group leases printer and transportation equipment, with lease terms of 3 to 6 years.

(iii) Parts of the leases of land, transportation equipment, office and staff dormitories are with contract terms of less than one year. These leases are short-term. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. Also, some leases contain cancellation options exercisable by the Group. In which lessee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(q) Operating lease

There were no significant changes in operating lease for the three months ended March 31, 2018. Please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(r) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2018 and 2017.

The Group's expenses recognized in profit or loss for the three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Operating costs	\$ -	-
Operating expenses	<u>903</u>	<u>640</u>
	<b>\$ <u>903</u></b>	<b><u>640</u></b>

(Continued)

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

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Operating costs	\$ 17,980	17,953
Operating expenses	5,487	3,981
	<b><u>\$ 23,467</u></b>	<b><u>21,934</u></b>

(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 three months ended March 31, 2019 and 2018, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$1,142 thousand, \$504 thousand, respectively.

(s) Income tax

(i) Income tax expense

The amount of income tax expense for the three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Income tax expense	\$ <u>41,719</u>	<u>179,179</u>

(ii) There were no income tax expense recognized in other comprehensive income for the three months ended March 31, 2019 and 2018.

(iii) Assessment

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

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2019 and 2018. For the related information, please refer to Note 6(t) of the consolidated financial statements for the year ended December 31, 2018.

(Continued)



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

(i) Ordinary share issuance

On March 21, 2019, the Company's Board of Directors approved a resolution to redeem the unvested restricted employee share of stock amounting to 20 thousand shares, at \$10 dollars par value per share, amounting to \$200 thousand. The recognition date for capital reduction was March 31, 2019, and all related registration procedures had been completed.

(ii) Capital surplus

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

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
Additional paid-in capital	\$ 9,031,035	9,031,035	9,031,035
Changes in equity of associates and joint ventures accounted for using equity method	635	635	21,163
Employee stock options	4,511	3,810	698
Restricted shares of stock issued for employees	<u>164,077</u>	<u>163,877</u>	<u>-</u>
	<u>\$ 9,200,258</u>	<u>9,199,357</u>	<u>9,052,896</u>

(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.

The appropriations of earnings for 2018 had been proposed in the meeting of Board of Directors held on March 21, 2019, and the appropriations of earning for 2017 had been approved in shareholders' meetings held on June 15, 2018. The appropriations and dividends were as follows:

	<u>2018</u>	<u>2017</u>
Cash dividends	<u>\$ 2,118,972</u>	<u>2,958,665</u>

The above-mentioned appropriations of earning for 2017 were consistent with the resolutions of the meeting of the Board of Directors. The appropriations of 2018 is waiting for the resolutions of the meeting of the shareholders.

(Continued)

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

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

(iv) Other equity interests, net of tax

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Unrealized gains (losses) on financial assets at fair value through other comprehensive income</b>	<b>Other Unearned compensation for restricted shares of employees</b>
Balance as of January 1, 2019	\$ (36,200)	958,390	(158,308)
Foreign currency differences (net of tax):			
The Group	51,092	-	-
Associates	8,279	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	997,105	-
Unearned compensation for restricted shares of employees	-	-	14,613
Balance as of March 31, 2019	<u>\$ 23,171</u>	<u>1,955,495</u>	<u>(143,695)</u>
		<b>Unrealized gains (losses) on financial assets at fair value through other comprehensive income</b>	<b>Unrealized gains (losses) on available-for- sale financial assets</b>
Balance as of January 1, 2018	\$ (100,208)	-	1,568,176
Effects of retrospective application	-	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	(27,191)	-	-
Associates	13,185	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	123,788	-
Cumulative gains (losses) reclassified to retained earning on disposal of financial assets at fair value through other comprehensive income (net of tax)	-	(17,684)	-
Balance as of March 31, 2018	<u>\$ (114,214)</u>	<u>1,507,943</u>	<u>-</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 March 31, 2019, there were 1,128 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 three months ended March 31, 2019, the Company recognized the compensation cost of \$14,613 thousand for the aforementioned RSA. There was no such transaction in the first quarter of 2018.

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

	<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:

	<b>2018 employee stock options exercise in the 1<sup>st</sup> year</b>	<b>2018 employee stock options exercise in the 2<sup>nd</sup> year</b>	<b>2018 employee stock options exercise in the 3<sup>rd</sup> year</b>
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:

	<b>For the three months ended March 31, 2019</b>	
	<b>Weighted average exercise price (expressed in dollars)</b>	<b>Shares of options (expressed in thousands)</b>
Outstanding at January 1	\$ 11	5,560
Granted during the year	-	-
Outstanding at March 31	11	<b>5,560</b>
Exercisable at March 31	-	-

For the three months ended March 31, 2019, PLB recognized the compensation cost of \$1,533 thousand for the aforementioned ESOPs. There was no transaction for the three months ended March 31, 2018.

(Continued)

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

(v) Earnings per share (“EPS”)

For the three months ended March 31, 2019 and 2018, the Company’s earnings per share were calculated as follows:

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Basic earnings per share :		
Profit belonging to common shareholders	\$ <u>174,231</u>	<u>736,122</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	<u>422,666</u>	<u>422,666</u>
Basic earnings per share (in dollars)	\$ <u>0.41</u>	<u>1.74</u>
Diluted earnings per share :		
Profit belonging to common shareholders	\$ <u>174,231</u>	<u>736,122</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	422,666	422,666
Effect of potentially dilutive common stock		
Employee remuneration (in thousands shares)	1,197	1,066
Restricted employee shares (in thousands shares)	<u>190</u>	<u>-</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>424,053</u>	<u>423,732</u>
Diluted earnings per share (in dollars)	\$ <u>0.41</u>	<u>1.74</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2019			
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 2,160,593	84,810	1,721	2,247,124
Americas	802,379	-	-	802,379
Taiwan	337,035	-	18,332	355,367
Europe	<u>214,419</u>	<u>-</u>	<u>-</u>	<u>214,419</u>
	<u>\$ 3,514,426</u>	<u>84,810</u>	<u>20,053</u>	<u>3,619,289</u>
Main product / services lines:				
Foundry	\$ 3,513,637	-	-	3,513,637
Others	<u>789</u>	<u>84,810</u>	<u>20,053</u>	<u>105,652</u>
	<u>\$ 3,514,426</u>	<u>84,810</u>	<u>20,053</u>	<u>3,619,289</u>

(Continued)

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

For the three months ended March 31, 2018				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 2,630,784	73,685	-	2,704,469
Americas	1,081,301	-	-	1,081,301
Taiwan	569,125	-	103	569,228
Europe	<u>108,908</u>	<u>-</u>	<u>-</u>	<u>108,908</u>
	<u>\$ 4,390,118</u>	<u>73,685</u>	<u>103</u>	<u>4,463,906</u>
Main product / services lines:				
Foundry	\$ 4,389,960	-	-	4,389,960
Others	<u>158</u>	<u>73,685</u>	<u>103</u>	<u>73,946</u>
	<u>\$ 4,390,118</u>	<u>73,685</u>	<u>103</u>	<u>4,463,906</u>
(ii) Balance of contracts				
	<b>March 31,</b>	<b>December 31,</b>	<b>March 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2018</b>	
Notes receivable	\$ 631	459	1,125	
Accounts receivable	1,387,937	1,424,223	1,349,165	
Less: loss allowance	<u>(3,760)</u>	<u>(2,317)</u>	<u>(2,040)</u>	
	<u>\$ 1,384,808</u>	<u>1,422,365</u>	<u>1,348,250</u>	
Contract liabilities (Note)	<u>\$ 108,105</u>	<u>112,694</u>	<u>98,864</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 three month ended March 31, 2019 and 2018, that was included in the contract liabilities balance at the beginning of the period was \$82,729 thousand and \$67,987 thousand, respectively.

(Continued)

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

(x) Employees' and directors' 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) Employees' 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': 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 shall follow the special resolution by Board of Directors, and report it to the shareholders' meeting.

For the three months ended March 31, 2019 and 2018, the Company estimated its employees' and directors' remuneration as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Employees' remuneration	\$ 15,700	61,500
Directors' remuneration	<u>4,500</u>	<u>17,800</u>
	<b><u>\$ 20,200</u></b>	<b><u>79,300</u></b>

The amount of employee remuneration and directors' 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 three months ended March 31, 2019 and 2018. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

For the years ended December 31, 2018 and 2017 the Company accrued and recognized its employee remuneration amounting to \$255,600 thousand and \$308,400 thousand, and directors' remuneration amounting to \$74,200 thousand and \$89,500 thousand, respectively. There was no differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements.

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 three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Interest income:		
Interest income from bank deposits	\$ 15,834	9,199
Interest income from financial assets at amortized cost	163	117
Other interest income	<u>32</u>	<u>1,011</u>
Total interest income	<u>16,029</u>	<u>10,327</u>
Dividend income	6,131	3,833
Rent income	<u>22,465</u>	<u>22,397</u>
Total	<u><u>\$ 44,625</u></u>	<u><u>36,557</u></u>

(ii) Other gains and losses

The details of other gains and losses for the three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Gains (losses) on disposals of property, plant and equipment	\$ (803)	6
Gains (losses) on disposals of investments	(25,666)	307
Foreign exchange gains (losses)	2,132	(72,505)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	40,921	(73,507)
Others	<u>16,873</u>	<u>4,796</u>
Total	<u><u>\$ 33,457</u></u>	<u><u>(140,903)</u></u>

(Continued)



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

## (iii) Finance costs

The details of finance costs for the three months ended March 31, 2019 and 2018 were as follows:

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Interest expenses	\$ 6,776	8,573
Other finance costs	65	65
Total	<u>\$ 6,841</u>	<u>8,638</u>

## (z) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(z) of the consolidated financial statements for the year ended December 31, 2018.

## (i) Credit risk

## 1) 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 financial assets at amortized cost. 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:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>
<b>As of March 31, 2019</b>						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,062,800	2,179,157	27,997	161,241	1,383,445	606,474
Unsecured bank loans	3,042,000	3,163,597	37,321	577,141	2,056,110	493,025
Notes and accounts payable	1,000,671	1,000,671	1,000,671	-	-	-
Other payables	1,167,953	1,167,953	1,167,953	-	-	-
Guarantee deposits received	136,118	136,118	6,726	9,431	119,961	-
Lease liabilities	284,653	384,615	59,122	51,541	74,047	199,905
	<u>\$ 7,694,195</u>	<u>8,032,111</u>	<u>2,299,790</u>	<u>799,354</u>	<u>3,633,563</u>	<u>1,299,404</u>

(Continued)

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

	<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>
<b>As of December 31, 2018</b>						
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	143,068	143,068	17,487	9,431	116,150	-
	<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>
<b>As of March 31, 2018</b>						
Non-derivative financial liabilities						
Unsecured bank loans	\$ 4,399,000	4,510,181	54,847	1,623,745	2,831,589	-
Accounts payable	1,264,069	1,264,069	1,264,069	-	-	-
Other payables	777,154	777,154	777,154	-	-	-
Guarantee deposits received	147,592	147,592	3,326	24,835	9,431	110,000
	<u>\$ 6,587,815</u>	<u>6,698,996</u>	<u>2,099,396</u>	<u>1,648,580</u>	<u>2,841,020</u>	<u>110,000</u>

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:

	<u>March 31, 2019</u>			<u>December 31, 2018</u>			<u>March 31, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTS</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTS</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTS</u>
<b>Financial assets</b>									
<u>Monetary items</u>									
USD	\$ 121,550	30.82	3,746,157	191,938	30.72	5,896,330	155,969	29.11	4,540,252
EUR	559	34.61	19,334	172	35.20	6,038	481	35.87	17,266
JPY	142,792	0.2783	39,739	3,014	0.2782	842	415,702	0.2739	113,860
GBP	11	40.11	441	11	38.88	428	12	40.79	489
HKD	61	3.93	239	62	3.92	241	62	3.71	228
RMB	9,227	4.58	42,260	8,884	4.47	39,713	-	-	-
			<u>\$ 3,848,170</u>			<u>\$ 5,943,592</u>			<u>\$ 4,672,095</u>
<u>Non-monetary items</u>									
USD	\$ 6,170	30.82	190,151	6,312	30.72	193,828	4,392	29.11	102,081
RMB	58,294	4.58	265,415	97,324	4.47	433,761	115,511	4.65	535,522
			<u>\$ 455,566</u>			<u>\$ 627,589</u>			<u>\$ 637,603</u>

(Continued)

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

	March 31, 2019			December 31, 2018			March 31, 2018		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<b>Financial liabilities</b>									
<u>Monetary items</u>									
USD	\$ 20,762	30.82	639,891	17,126	30.72	526,123	17,657	29.11	513,996
EUR	900	34.61	31,136	509	35.20	17,922	948	35.87	33,996
JPY	624,009	0.2783	173,662	328,936	0.2782	91,510	272,343	0.2739	74,594
RMB	37	4.58	171	37	4.47	167	-	-	-
			<b>\$ 844,860</b>			<b>\$ 635,722</b>			<b>\$ 622,586</b>

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, 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 three months ended March 31, 2019 and 2018 would have increased (decreased) the net profit after tax by \$127,749 thousand and \$187,706 thousand, respectively. The analysis assumes that all other variables remain constant.

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 three months ended March 31, 2019 and 2018, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$2,132 thousand and \$(72,505) 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 \$4,023 thousand and \$4,237 thousand for the three months ended March 31, 2019 and 2018, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(Continued)

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

## (v) Fair value

## 1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income 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.

	March 31, 2019				
	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	\$ 101,652	101,652	-	-	101,652
Funds and investment	35,743	35,743	-	-	35,743
Private fund	788,338	-	-	788,338	788,338
Subtotal	<u>\$ 925,733</u>	<u>137,395</u>	<u>-</u>	<u>788,338</u>	<u>925,733</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 2,836,565	2,836,565	-	-	2,836,565
Non-public stocks	516,962	-	-	516,962	516,962
Subtotal	<u>\$ 3,353,527</u>	<u>2,836,565</u>	<u>-</u>	<u>516,962</u>	<u>3,353,527</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 4,764,970	-	-	-	-
Financial assets at amortized cost (Note)	9,000	-	-	-	-
Notes and accounts receivable (Note)	1,384,808	-	-	-	-
Other receivables (Note)	34,335	-	-	-	-
Subtotal	<u>\$ 6,193,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans (Note)	\$ 5,104,800	-	-	-	-
Notes and accounts payable (Note)	1,000,671	-	-	-	-
Other payables (Note)	1,167,953	-	-	-	-
Guarantee deposits received (Note)	136,118	-	-	-	-
Lease liabilities (Note)	284,653	-	-	-	-
Subtotal	<u>\$ 7,694,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	December 31, 2018				
	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	\$ 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>

(Continued)

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

		December 31, 2018			
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 5,462,173	-	-	-	-
Financial assets measured 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>
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>
		March 31, 2018			
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 125,405	125,405	-	-	125,405
Funds and investment	584,944	584,944	-	-	584,944
Private fund	552,563	-	-	552,563	552,563
Subtotal	<u>\$ 1,262,912</u>	<u>710,349</u>	<u>-</u>	<u>552,563</u>	<u>1,262,912</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 2,407,150	2,407,150	-	-	2,407,150
Non-public stocks	648,895	-	-	648,895	648,895
Subtotal	<u>\$ 3,056,045</u>	<u>2,407,150</u>	<u>-</u>	<u>648,895</u>	<u>3,056,045</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 5,851,533	-	-	-	-
Financial assets measured at amortized cost (Note)	62,200	-	-	-	-
Notes and accounts receivable (Note)	1,348,250	-	-	-	-
Other receivables (Note)	187,367	-	-	-	-
Subtotal	<u>\$ 7,449,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loan (Note)	\$ 4,399,000	-	-	-	-
Accounts payable (Note)	1,264,069	-	-	-	-
Other payables (Note)	777,154	-	-	-	-
Guarantee deposits received (Note)	147,592	-	-	-	-
Subtotal	<u>\$ 6,587,815</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 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 three months ended March 31, 2019 and 2018, 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>
Balance as of January 1, 2019	\$ 722,405	564,486
Total gains or losses:		
Recognized in profit and loss	39,982	-
Recognized in other comprehensive income	-	(47,702)
Purchased	25,951	-
Effect of changes in foreign exchange rates	-	178
Balance as of March 31, 2019	<u>\$ 788,338</u>	<u>516,962</u>

(Continued)

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

	<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>
Balance as of January 1, 2018	\$ 612,978	630,405
Total gains or losses:		
Recognized in profit and loss	(66,060)	-
Recognized in other comprehensive income	-	(4,523)
Purchased	5,645	40,000
Disposals	-	(15,837)
Effect of changes in foreign exchange rates	-	(1,150)
Balance as of March 31, 2018	<u>\$ 552,563</u>	<u>648,895</u>

The preceding gains and losses were recognized as “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”. As of March 31, 2019 and 2018, the related information of the assets which were still held by the Group were as follows:

	<u>For the three months ended March 31, 2019</u>	<u>For the three months ended March 31, 2018</u>
Total gains or losses		
Profit or loss (recognized as other gains and losses)	\$ 39,982	(66,060)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	(47,702)	(4,523)

- 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”.

(Continued)



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

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:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income – equity investments without an active market	<ul style="list-style-type: none"> <li>• Comparable listed companies approach</li> </ul>	<ul style="list-style-type: none"> <li>• Price-book ratio (as of March 31, 2019, December 31 and March 31, 2018 was 1.18~3.61, 1.34~3.50 and 1.34~3.98, respectively)</li> <li>• Market liquidity discount rate (as of March 31, 2019, December 31 and March 31, 2018 was 80%, 80% and 70%~80%, respectively)</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the price-book ratio, the higher the fair value</li> <li>• The higher the market liquidity discount rate, the lower the fair value</li> </ul>
	<ul style="list-style-type: none"> <li>• Net asset value method</li> </ul>	<ul style="list-style-type: none"> <li>• Net asset value</li> </ul>	Not applicable
Financial assets at fair value through profit or loss – private fund	<ul style="list-style-type: none"> <li>• Net asset value method</li> </ul>	<ul style="list-style-type: none"> <li>• Net asset value</li> </ul>	Not applicable

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:

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Effects of changes in fair value on profit or loss</u>		<u>Effects of changes in fair value on other comprehensive income</u>		
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>	
<b>March 31, 2019</b>							
<b>Financial assets at fair value through profit or loss</b>							
Private fund	Net asset value	5%	\$ 39,417	(39,417)	-	-	
<b>Financial assets at fair value through other comprehensive income</b>							
Equity investments without an active market	Price-book ratio	5%	-	-	18,874	(18,874)	
"	Market liquidity discount rate	5%	-	-	18,874	(18,874)	
"	Net asset value	5%	-	-	6,974	(6,974)	

(Continued)

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

	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
<b>December 31, 2018</b>						
<b>Financial assets at fair value through profit or loss</b>						
Private fund	Net asset value	5%	\$ 36,120	(36,120)	-	-
<b>Financial assets at fair value through other comprehensive income</b>						
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)
<b>March 31, 2018</b>						
<b>Financial assets at fair value through profit or loss</b>						
Private fund	Net asset value	5%	\$ 27,628	(27,628)	-	-
<b>Financial assets at fair value through other comprehensive income</b>						
Equity investments without an active market	Price-book ratio	5%	-	-	24,935	(24,935)
"	Market liquidity discount rate	5%	-	-	24,935	(24,935)
"	Net asset value	5%	-	-	7,510	(7,510)

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.

(aa) Management of financial risk

There was no significant change in the Group's objective and policies for the management of financial risk of the consolidated financial statements for the three months ended March 31, 2019 which compared with the consolidated financial statements Note 6(aa) for the year ended December 31, 2018.

(Continued)

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

(ab) Capital management

The Group's objective, policies and process of capital management of the consolidated financial statements for the three months ended March 31, 2019 was the same as the consolidated financial statements for the year ended December 31, 2018. There was no significant change on summary of quantitative date of capital management compared with the consolidated financial statements for the year ended December 31, 2018. For the related information, please refer to Note 6(ab) of the consolidated financial statements for the year ended December 31, 2018.

(ac) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

	<u>January 1, 2019</u>	<u>Cash flows</u>			<u>Non-cash changes</u>		<u>March 31, 2019</u>
		<u>Proceeds from long-term debt</u>	<u>Repayments of long-term debt and lease liabilities</u>	<u>Others</u>	<u>Interest expense</u>	<u>Others</u>	
Long-term borrowings	\$ 5,802,600	2,197,000	(2,894,800)	-	-	-	5,104,800
Guarantee deposit received	143,068	-	-	(6,950)	-	-	136,118
Lease liabilities	290,061	-	(11,797)	(529)	2,406	4,512	284,653
Total liabilities from financing activity	<u>\$ 6,235,729</u>	<u>2,197,000</u>	<u>(2,906,597)</u>	<u>(7,479)</u>	<u>2,406</u>	<u>4,512</u>	<u>5,525,571</u>

	<u>January 1, 2018</u>	<u>Cash flows</u>			<u>Non-cash changes</u>	<u>March 31, 2018</u>
		<u>Proceeds from long-term debt</u>	<u>Repayments of long-term debt</u>	<u>Others</u>	<u>Amortization of arranger fee of syndicated loan</u>	
Long-term borrowings	\$ 6,257,536	486,000	(2,344,625)	-	89	4,399,000
Guarantee deposit received	143,685	-	-	3,907	-	147,592
Total liabilities from financing activity	<u>\$ 6,401,221</u>	<u>486,000</u>	<u>(2,344,625)</u>	<u>3,907</u>	<u>89</u>	<u>4,546,592</u>

(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:

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

(Continued)

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

(b) Significant transactions with related parties

(i) Loans to related parties:

For the three months ended March 31, 2018, Chainwin Cayman provided an unsecured loan to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. Interest revenue arising from aforementioned transaction was amounting to USD\$30 thousand (NT\$892 thousand). The aforementioned interest had been received. There was no such transaction for the three months ended March 31, 2019.

(ii) Purchases

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

	<b>For the three months ended March 31, 2019</b>	<b>For the three months ended March 31, 2018</b>
Other related parties	\$ <b>1,623</b>	-

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors.

(iii) Payables to Related Parties

The payables to related parties were as follows:

<b>Account</b>	<b>Categories</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Accounts payable	Other related parties	\$ <b>884</b>	-	-

(iv) Guarantee

For the three months ended March 31, 2019 and 2018, Chainwin Cayman had provided a guarantee for loans amounting to USD \$7,350 thousand (NT \$226,527 thousand and NT \$213,959 thousand, respectively) to its associate, Jiangsu CM/Merit Agriculture Development Co., Ltd.

(v) Prepayments

The prepayments to related parties were as follows:

<b>Account</b>	<b>Categories</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
Prepayments for business facilities	Associates	\$ <b>21,687</b>	<b>21,617</b>	-

(Continued)

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

(vi) Property transactions

The prepayments were amounting to USD\$400 thousand (NT\$12,326 thousand) due to Chainwin Cayman purchased intelligent farming management system from its other related parties, Chainwin i-Management Co., Ltd. There was no such transaction for the three months ended March 31, 2018.

(c) Transactions with key management personnel

Key management personnel compensation were comprised as below:

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Short-term employee benefits	\$ 75,851	96,909
Post-employment benefits	205	192
	<u>\$ 76,056</u>	<u>97,101</u>

**(8) Pledged assets:**

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2019	December 31, 2018	March 31, 2018
Other non-current assets	Gas deposits	\$ 4,700	4,700	4,700
Other non-current assets	Customs guarantee	20,050	20,050	20,955
Other non-current assets	Government subsidy deposits	4,300	4,300	-
Other non-current assets	Plant deposits	12,790	12,749	-
Property, plant and equipment	Long-term borrowings	2,726,250	2,759,181	2,558,321
Investment property	Long-term borrowings	347,867	351,631	362,924
Total		<u>\$ 3,115,957</u>	<u>3,152,611</u>	<u>2,946,900</u>

(Continued)

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

**(9) Commitments and contingencies:**

(a) Contingencies: None.

(b) Commitment:

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

	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
The unrecognized amount	\$ <b>3,585,670</b>	<b>4,726,547</b>	<b>5,232,989</b>
	<b>March 31, 2019</b>	<b>December 31, 2018</b>	<b>March 31, 2018</b>
(ii) The unused letters of credit	\$ <b>36,967</b>	<b>70,543</b>	<b>638,368</b>

**(10) Losses due to major disasters: None.****(11) Subsequent events: None.****(12) Others:**

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function:

	For the three months ended March 31, 2019			For the three months ended March 31, 2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	500,060	261,409	761,469	482,055	198,075	680,130
Labor and health insurance	45,670	16,314	61,984	43,862	10,698	54,560
Pension	18,425	7,087	25,512	18,262	4,816	23,078
Director remuneration	-	4,500	4,500	-	17,845	17,845
Others	17,062	5,183	22,245	14,971	4,033	19,004
Depreciation	746,634	79,882	826,516	691,563	51,360	742,923
Amortization	4,695	11,919	16,614	4,482	10,668	15,150

(b) Seasonality of operations:

The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

## WIN Semiconductors Corp. and Its Subsidiaries

### Notes to Consolidated Financial Statements

#### (13) Other disclosures:

##### (a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2019:

(i) Loans to other parties: None.

(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	1,239,104 (USD 40,205)	226,527 (USD 7,350)	226,527 (USD 7,350)	224,413 (USD 7,281)	-	5.48 %	Net equity 50% =2,065,173	-	-	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 March 31, 2019 (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	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	18,087	0.30	18,087	
"	Allianz Global Investors Global Bond Fund	"	"	2,481	30,328	-	30,328	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	"	"	1,238	83,565	0.50	83,565	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	132	1,658	-	1,658	
"	Capital Money Market Fund	"	"	233	3,757	-	3,757	
					<u>137,395</u>		<u>137,395</u>	
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	180,165	5.81	180,165	
"	CDIB Capital Growth Partners L. P.	"	"	-	63,674	3.30	63,674	
"	Fuh Hwa Tung-ta Fund	"	"	15,725	340,281	-	340,281	
"	Fuh Hwa Oriental Fund	"	"	15,000	58,320	-	58,320	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	93,312	-	93,312	
"	LeaSun Winion LP	"	"	-	30,600	14.25	30,600	
"	NFC Fund II LP	"	"	-	9,986	19.41	9,986	
"	Foryou Venture Capital Limited Partnership	"	"	-	12,000	5.77	12,000	
					<u>788,338</u>		<u>788,338</u>	
"	ITEQ CORPORATION / Stock	"	Non-current financial assets at fair value through other comprehensive income	24,116	2,141,474	7.96	2,141,474	
"	Inventec Solar Energy Corporation / Stock	"	"	34,000	93,078	10.51	93,078	
"	MagiCap Venture Capital Co., Ltd/ Preferred Stock A	"	"	1,000	84,930	9.62	84,930	
"	CDIB Capital Creative Industries Limited / Stock	"	"	5,000	102,581	3.33	102,581	
"	New Future Capital Co., Ltd/ Stock	"	"	10,000	88,992	15.87	88,992	
"	Grand Fortune Venture Corp. / Stock	"	"	5,000	54,550	6.87	54,550	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd/ Stock	Subsidiary's main client	"	75	695,091	0.02	695,091	
"	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	"	1,264	69,099	7.93	69,099	
WIN Venture Capital Corp.	Nisho Image Technology Inc./ Stock	None	"	3,300	-	8.09	-	
"	MOAI Electronics Corporation/Stock	"	"	300	-	0.92	-	
"	Merit Biotech INC./Stock	"	"	1,320	-	2.93	-	(Note 1)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd. / Stock	"	"	12	23,732	4.78	23,732	
					<u>3,353,527</u>		<u>3,353,527</u>	
The Company	MagiCap Venture Capital Co., Ltd. / Preferred Stock B	"	Non-current financial assets at amortized cost	900	9,000	8.66	(Note 2)	

Note 1: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company. As of March 31, 2019, 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		Purchases		Sales				Ending	
					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	114,000	3,503,656	44,000	1,351,680	-	-	-	-	158,000	5,119,862 (Note)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd./ Stock	Investments accounted for using equity method	-	Investment through subsidiary	58,554	3,584,889	22,000	1,352,560	-	-	-	-	80,554	4,232,197 (Note)

Note: 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.

- (v) Information on acquisition of real estate with purchase amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- (vi) Information on acquisition of real estate with purchase amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding receivables from disposal of real estate exceeding NT\$100 million or 20% of the Company's paid-in capital:

(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 the 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	(1,140,254)	33 %	1-2 Month	-	-	496,003	34%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	1,140,254	100 %	1-2 Month	-	-	494,302	100%	(Note)

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

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

(In thousands of New Taiwan Dollars)

Company name	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	496,003	6.34	-	-	496,003	-	(Note)

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

- (ix) Information regarding trading in derivative financial instruments: None.

(Continued)

## WIN Semiconductors Corp. and Its Subsidiaries

### Notes to Consolidated Financial Statements

## (x) Business relationships and significant inter company transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of Counter-party	Nature of Relationship (Note 2)	Intercompany transactions			
				Account Name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	1,140,254	Note 3	31.50%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable – related parties	496,003	"	1.37%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable – related parties	494,302	"	1.37%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	1,140,254	"	31.50%

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

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

## (b) Information on investments:

The following is the information on investees for the three months ended March 31, 2019 (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 March 31, 2019			Net income (losses) of investee	Share of profits (losses) of investee	Remark
				March 31, 2019	December 31, 2018	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 %	9,621	(1,753)	(1,753) (Note 1)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	4,855,336	3,503,656	158,000	100.00 %	5,119,862	(243,980)	(243,980) (Note 1)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	179,613	6,744	6,744 (Note 1)	
"	Phalanx Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	304,150	304,150	24,650	39.89 %	338,051	(23,914)	(9,538) (Note 1)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	(43,790)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	39,600	39,600	3,600	5.82 %	49,370	(23,914)	(Note 2) (Note 1)	
"	Winresp INC.	Taiwan	Developing and selling of water treatment system and wholesaling of medical appliances	40,000	40,000	2,500	18.52 %	41,231	(6,405)	(Note 2)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30 %	62,713	(629)	(Note 2)	
"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	4,937,449	3,584,889	80,554	96.10 %	4,232,197	(253,192)	(Note 2) (Note 1)	
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00 %	(26,863)	(2,317)	(Note 2) (Note 1)	
"	PhalanxBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00 %	(1,548)	(250)	(Note 2) (Note 1)	

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

Note 2: The shares of profits (losses) of the investee company is not reflected herein as such amount is already included in the share of profit (losses) of the investor company.

(Continued)

## WIN Semiconductors Corp. and Its Subsidiaries

### Notes to Consolidated Financial Statements

(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, 2019	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Carrying value as of March 31, 2019 (Note 4)	Accumulated remittance of earnings in current period	Remark
					Outflow	Inflow							
Jiangsu Chainwin Kang Yun Agricultural Development Co., Ltd.	Developing hog farming technology and trading	1,082,851 (RMB 241,550)	(Note 1)	905,356 (USD 29,471)	123,280 (USD 4,000)	-	1,028,636 (USD 33,471)	(28,166) (USD (914))	96.10 %	(28,166) (USD (914))	1,083,420 (USD 35,153)	-	(note 8)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	300,749 (USD 9,790)	(Note 1)	277,885 (USD 9,046)	-	-	277,885 (USD 9,046)	(2,187) (USD (71))	96.10 %	(2,187) (USD (71))	285,728 (USD 9,271)	-	(note 8)
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,203,723 (USD 39,184)	(Note 1)	703,641 (USD 22,905)	-	-	703,641 (USD 22,905)	(364,360) (USD (11,817))	47.09 %	(178,536) (USD (5,790))	265,415 (USD 8,612)	-	(note 8)
Jiansu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	466,944 (USD 15,200)	(Note 1)	467,063 (USD 15,204)	-	-	467,063 (USD 15,204)	(6,452) (USD (209))	87.25 %	(5,857) (USD (190))	418,894 (USD 13,592)	-	(note 8)
Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	(Note 1)	149,664 (USD 4,872)	-	-	149,664 (USD 4,872)	-	-	-	-	-	(note 7)
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)	(368) (USD (12))	96.10 %	(368) (USD (12))	57,803 (USD 1,876)	-	(note 8)
Onearray 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)	(2,317) (RMB (507))	45.71 %	(2,317) (RMB (507))	(26,863) (RMB (5,865))	-	(note 8)

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Investor Company Name	Accumulated Investment in Mainland China as of March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 6)
The Company and subsidiaries	2,676,682 (USD 87,133)	4,540,068 (USD 147,309)	16,065,043

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 financial statements of the investee companies reviewed by auditors.

Note 4: Carrying value as of March 31, 2019 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, 2019 to March 31, 2019. 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: Jiansu Merit / Cofcojoycome Agriculture Development Co., Ltd. had been liquidated on January 25, 2019. However, according to the regulation of Investment Commission the remittance to Mainland China amounting to USD\$4,872 thousand (NT\$149,664 thousand) was included in the accumulated investment account.

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, and agriculture technology segment. The segment engages separately in researching, developing, manufacturing, selling of GaAs wafers and developing hog farming technology and trading, etc, respectively.

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.

(Continued)

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

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the three months ended March 31, 2019 and 2018, 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:

<b>For the three months ended March 31, 2019</b>	<b>Foundry</b>	<b>Agriculture technology</b>	<b>Others</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
Revenue :					
Revenue from external customers	\$ 3,514,426	84,810	20,053	-	3,619,289
Interest expenses	\$ 5,935	792	114	-	6,841
Depreciation and amortization	\$ 825,490	13,137	3,774	729	843,130
Shares of losses of associates and joint ventures accounted for using equity method	\$ (312)	(178,536)	5,004	-	(173,844)
<b>Reportable segment profit or loss</b>	<b>\$ 359,906</b>	<b>(42,303)</b>	<b>(16,802)</b>	<b>(729)</b>	<b>300,072</b>
Assets:					
Capital expenditures in noncurrent assets	\$ 319,820	566,492	585	-	886,897
<b>For the three months ended March 31, 2018</b>	<b>Foundry</b>	<b>Farming technology</b>	<b>Others</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
Revenue :					
Revenue from external customers	\$ 4,390,118	73,685	103	-	4,463,906
Interest expenses	\$ 8,638	-	-	-	8,638
Depreciation and amortization	\$ 748,374	9,006	-	693	758,073
Shares of losses of associates and joint ventures accounted for using equity method	\$ (8,950)	(10,198)	(1,901)	-	(21,049)
<b>Reportable segment profit or loss</b>	<b>\$ 1,083,519</b>	<b>(35,493)</b>	<b>(6,049)</b>	<b>(693)</b>	<b>1,041,284</b>
Assets:					
Capital expenditures in noncurrent assets	\$ 1,756,410	11,514	-	-	1,767,924

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.