

**WIN SEMICONDUCTORS CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2019 and 2018**

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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.

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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 September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, as well as the changes in equity and cash flows for the nine months ended September 30, 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 \$100,827 thousand and \$86,524 thousand as of September 30, 2019 and 2018, respectively; and the shares of gains (losses) of associates and joint ventures accounted for using the equity method of \$(1,703) thousand, \$(592) thousand, \$1,116 thousand and \$(20,986) thousand, for the three months and nine months ended September 30, 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 September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, and its consolidated cash flows for the nine months ended September 30, 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)
November 13, 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 September 30, 2019 and 2018

WIN Semiconductors Corp. and Subsidiaries

Consolidated Balance Sheets

September 30, 2019, December 31, and September 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2019		December 31, 2018		September 30, 2018		Liabilities and Equity		September 30, 2019		December 31, 2018		September 30, 2018	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 4,993,252	12	5,462,173	16	5,224,340	15	2170	Notes and accounts payable	\$ 1,753,748	4	1,093,074	3	1,015,123	3
1110	Current financial assets at fair value through profit or loss (note 6(b))	720,476	2	103,263	-	96,418	-	2200	Other payables	2,809,030	7	2,469,630	7	2,062,249	6
1170	Notes and accounts receivable, net (notes 6(c) and 6(x))	2,219,930	5	1,422,365	4	1,454,717	4	2280	Current lease liabilities (note 6(q))	75,596	-	-	-	-	-
1310	Inventories (note 6(e))	4,364,423	11	3,907,390	11	3,755,130	11	2320	Long-term liabilities, current portion (notes 6(p) and 8)	-	-	-	-	87,600	-
1400	Current biological assets (note 6(f))	28,365	-	103,289	-	115,184	-	2399	Other current liabilities (6(x))	332,319	1	265,679	1	232,983	1
1470	Other current assets (notes 6(d) and 6(n))	265,181	1	336,049	1	319,059	1		Total current liabilities	4,970,693	12	3,828,383	11	3,397,955	10
	Total current assets	<u>12,591,627</u>	<u>31</u>	<u>11,334,529</u>	<u>32</u>	<u>10,964,848</u>	<u>31</u>		Non-current liabilities:						
Non-current assets:								2540	Long-term borrowings (notes 6(p) and 8)	6,520,520	16	5,802,600	16	6,467,400	18
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	695,840	2	722,405	2	595,865	2	2570	Deferred tax liabilities	-	-	-	-	15,977	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	4,911,873	12	2,356,132	7	2,625,723	8	2580	Non-current lease liabilities (note 6(q))	306,104	1	-	-	-	-
1535	Non-current financial assets at amortized cost (note 6(b))	-	-	29,900	-	41,300	-	2600	Other non-current liabilities	226,196	1	224,235	1	205,739	1
1550	Investments accounted for using equity method (note 6(g))	583,398	2	532,808	2	576,895	2		Total non-current liabilities	7,052,820	18	6,026,835	17	6,689,116	19
1600	Property, plant and equipment (notes 6(i), 6(j), 6(k), 7 and 8)	17,569,406	43	15,568,252	44	14,942,742	42		Total liabilities	12,023,513	30	9,855,218	28	10,087,071	29
1755	Right-of-use asset (note 6(k))	451,126	1	-	-	-	-		Equity (notes 6(b), 6(h), 6(u) and 6(v)):						
1760	Investment property (notes 6(l) and 8)	1,406,248	4	1,421,528	4	1,426,622	4	3110	Ordinary shares	4,240,564	10	4,238,144	12	4,238,144	12
1780	Intangible assets (notes 6(i) and 6(m))	543,053	1	586,953	2	580,327	2	3200	Capital surplus	9,249,412	23	9,199,357	26	9,210,184	26
1830	Non-current biological assets (note 6(f))	9,312	-	31,059	-	34,414	-	3300	Retained earnings	11,643,096	29	11,178,324	31	10,459,253	30
1840	Deferred tax assets	197,943	-	135,802	-	120,935	-	3400	Other equity interests	3,293,703	8	763,882	2	950,562	2
1915	Prepayments for business facilities (note 7)	1,456,163	4	2,643,202	7	3,189,318	9		Total equity attributable to owners of parent	28,426,775	70	25,379,707	71	24,858,143	70
1960	Non-current prepayments for investments	-	-	-	-	30,000	-	36XX	Non-controlling interests	129,777	-	224,678	1	302,563	1
1990	Other non-current assets (notes 6(n), 7 and 8)	164,076	-	97,033	-	118,788	-		Total equity	28,556,552	70	25,604,385	72	25,160,706	71
	Total non-current assets	<u>27,988,438</u>	<u>69</u>	<u>24,125,074</u>	<u>68</u>	<u>24,282,929</u>	<u>69</u>		Total liabilities and equity	<u>\$ 40,580,065</u>	<u>100</u>	<u>35,459,603</u>	<u>100</u>	<u>35,247,777</u>	<u>100</u>
	Total assets	<u>\$ 40,580,065</u>	<u>100</u>	<u>35,459,603</u>	<u>100</u>	<u>35,247,777</u>	<u>100</u>								

(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 and nine months ended September 30, 2019 and 2018

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

	For the three months ended September 30				For the nine months ended September 30				
	2019		2018		2019		2018		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (notes 6(g) and 6(x))								
	\$ 6,403,619	100	4,065,623	100	14,474,088	100	13,096,599	100	
5000	Operating costs (notes 6(e), 6(f), 6(g), 6(j), 6(k), 6(m), 6(q), 6(s), 6(v), 6(y), 7 and 12)								
	<u>(3,710,845)</u>	<u>(58)</u>	<u>(3,025,100)</u>	<u>(74)</u>	<u>(9,365,453)</u>	<u>(65)</u>	<u>(9,055,444)</u>	<u>(69)</u>	
	Gross profit from operating								
	<u>2,692,774</u>	<u>42</u>	<u>1,040,523</u>	<u>26</u>	<u>5,108,635</u>	<u>35</u>	<u>4,041,155</u>	<u>31</u>	
	Operating expenses (notes 6(c), 6(j), 6(k), 6(m), 6(q), 6(s), 6(v), 6(y), 7 and 12):								
6100	Selling expenses	(84,634)	(2)	(71,237)	(2)	(243,572)	(2)	(174,499)	(1)
6200	Administrative expenses	(324,154)	(5)	(264,958)	(6)	(801,689)	(5)	(751,740)	(6)
6300	Research and development expenses	(272,713)	(4)	(275,077)	(7)	(831,268)	(6)	(698,509)	(5)
6450	Losses on expected credit impairment	781	-	-	-	(2,340)	-	-	-
	Total operating expenses	<u>(680,720)</u>	<u>(11)</u>	<u>(611,272)</u>	<u>(15)</u>	<u>(1,878,869)</u>	<u>(13)</u>	<u>(1,624,748)</u>	<u>(12)</u>
	Net operating income	<u>2,012,054</u>	<u>31</u>	<u>429,251</u>	<u>11</u>	<u>3,229,766</u>	<u>22</u>	<u>2,416,407</u>	<u>19</u>
	Non-operating income and expenses (notes 6(g), 6(i), 6(j), 6(q), 6(z) and 7):								
7010	Other income	120,791	2	111,171	2	227,844	2	193,161	1
7020	Other gains and losses	(127,159)	(2)	278,501	7	(58,060)	(1)	326,820	2
7050	Finance costs	(16,513)	-	(2,914)	-	(29,403)	-	(13,570)	-
7770	Shares of losses of associates and joint ventures accounted for using equity method	(6,439)	-	(8,257)	-	(195,604)	(1)	(48,867)	-
	Total non-operating income and expenses	<u>(29,320)</u>	<u>-</u>	<u>378,501</u>	<u>9</u>	<u>(55,223)</u>	<u>-</u>	<u>457,544</u>	<u>3</u>
7900	Profit before tax	1,982,734	31	807,752	20	3,174,543	22	2,873,951	22
7950	Tax expense (note 6(t))	<u>(346,018)</u>	<u>(5)</u>	<u>(109,863)</u>	<u>(3)</u>	<u>(613,430)</u>	<u>(4)</u>	<u>(540,944)</u>	<u>(4)</u>
	Profit	<u>1,636,716</u>	<u>26</u>	<u>697,889</u>	<u>17</u>	<u>2,561,113</u>	<u>18</u>	<u>2,333,007</u>	<u>18</u>
8300	Other comprehensive income:								
8310	Components of other comprehensive income that will not be reclassified to profit or loss (note 6(u))								
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	1,146,949	18	(269,721)	(7)	2,571,678	18	(121,904)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>1,146,949</u>	<u>18</u>	<u>(269,721)</u>	<u>(7)</u>	<u>2,571,678</u>	<u>18</u>	<u>(121,904)</u>	<u>(1)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss (notes 6(g) and 6(u))								
8361	Exchange differences on translation of foreign financial statements	(104,215)	(2)	(25,530)	(1)	(57,741)	(1)	16,444	-
8370	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(11,630)	-	(18,731)	-	(8,480)	-	(33,953)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(115,845)</u>	<u>(2)</u>	<u>(44,261)</u>	<u>(1)</u>	<u>(66,221)</u>	<u>(1)</u>	<u>(17,509)</u>	<u>-</u>
8300	Other comprehensive income, net	<u>1,031,104</u>	<u>16</u>	<u>(313,982)</u>	<u>(8)</u>	<u>2,505,457</u>	<u>17</u>	<u>(139,413)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 2,667,820</u>	<u>42</u>	<u>383,907</u>	<u>9</u>	<u>5,066,570</u>	<u>35</u>	<u>2,193,594</u>	<u>17</u>
	Profit (loss) attributable to:								
8610	Profit attributable to owners of parent	\$ 1,649,955	26	717,803	17	2,612,583	18	2,364,811	18
8620	Profit (losses) attributable to non-controlling interests	<u>(13,239)</u>	<u>-</u>	<u>(19,914)</u>	<u>-</u>	<u>(51,470)</u>	<u>-</u>	<u>(31,804)</u>	<u>-</u>
		<u>\$ 1,636,716</u>	<u>26</u>	<u>697,889</u>	<u>17</u>	<u>2,561,113</u>	<u>18</u>	<u>2,333,007</u>	<u>18</u>
	Comprehensive income (loss) attributable to:								
8710	Comprehensive income, attributable to owners of parent	\$ 2,686,678	42	410,962	10	5,122,899	35	2,279,439	18
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>(18,858)</u>	<u>-</u>	<u>(27,055)</u>	<u>(1)</u>	<u>(56,329)</u>	<u>-</u>	<u>(85,845)</u>	<u>(1)</u>
		<u>\$ 2,667,820</u>	<u>42</u>	<u>383,907</u>	<u>9</u>	<u>5,066,570</u>	<u>35</u>	<u>2,193,594</u>	<u>17</u>
	Earnings per common share (expressed in New Taiwan dollars) (note 6(w))								
9750	Basic earnings per share	<u>\$ 3.90</u>		<u>1.70</u>		<u>6.18</u>		<u>5.59</u>	
9850	Diluted earnings per share	<u>\$ 3.89</u>		<u>1.69</u>		<u>6.16</u>		<u>5.57</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 nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other equity interests							
	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	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings								
Balance at January 1, 2018	\$ 4,226,664	9,052,896	1,379,394	9,442,293	10,821,687	(100,208)	-	1,568,176	-	1,467,968	25,569,215	235,530	25,804,745
Effects of retrospective application and retrospective restatement	-	-	-	166,337	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	10,988,024	(100,208)	1,401,839	-	-	1,301,631	25,569,215	235,530	25,804,745
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	376,420	(376,420)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	(2,958,665)	(2,958,665)	-	-	-	-	-	(2,958,665)	-	(2,958,665)
	-	-	376,420	(3,335,085)	(2,958,665)	-	-	-	-	-	(2,958,665)	-	(2,958,665)
Profit (loss) for the nine months ended September 30, 2018	-	-	-	2,364,811	2,364,811	-	-	-	-	-	2,364,811	(31,804)	2,333,007
Other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	-	36,532	(121,904)	-	-	(85,372)	(85,372)	(54,041)	(139,413)
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	2,364,811	2,364,811	36,532	(121,904)	-	-	(85,372)	2,279,439	(85,845)	2,193,594
Disposal of investments accounted for using equity method	-	(7,871)	-	-	-	(1,371)	-	-	-	(1,371)	(9,242)	-	(9,242)
Change in ownership interest in subsidiaries	-	-	-	(26,322)	(26,322)	-	-	-	-	-	(26,322)	-	(26,322)
Issuance of restricted shares of employees	11,480	163,877	-	-	-	-	-	-	(175,357)	(175,357)	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	2,436	2,436	2,436	-	2,436
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	151,355	151,355
Stock option compensation cost of subsidiary	-	1,282	-	-	-	-	-	-	-	-	1,282	1,523	2,805
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	91,405	91,405	-	(91,405)	-	-	(91,405)	-	-	-
Balance at September 30, 2018	\$ 4,238,144	9,210,184	1,755,814	8,703,439	10,459,253	(65,047)	1,188,530	-	(172,921)	950,562	24,858,143	302,563	25,160,706
Balance at January 1, 2019	\$ 4,238,144	9,199,357	1,755,814	9,422,510	11,178,324	(36,200)	958,390	-	(158,308)	763,882	25,379,707	224,678	25,604,385
Appropriation and distribution of retained earnings:													
Legal reserve appropriated	-	-	312,446	(312,446)	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	(2,118,972)	(2,118,972)	-	-	-	-	-	(2,118,972)	-	(2,118,972)
	-	-	312,446	(2,431,418)	(2,118,972)	-	-	-	-	-	(2,118,972)	-	(2,118,972)
Profit (loss) for the nine months ended September 30, 2019	-	-	-	2,612,583	2,612,583	-	-	-	-	-	2,612,583	(51,470)	2,561,113
Other comprehensive income for the nine months ended September 30, 2019	-	-	-	-	-	(61,362)	2,571,678	-	-	2,510,316	2,510,316	(4,859)	2,505,457
Total comprehensive income for the nine months ended September 30, 2019	-	-	-	2,612,583	2,612,583	(61,362)	2,571,678	-	-	2,510,316	5,122,899	(56,329)	5,066,570
Changes in ownership interests in subsidiaries	-	-	-	(12,198)	(12,198)	-	-	-	-	-	(12,198)	-	(12,198)
Change in equity of investments in associates accounted for using equity method	-	8	-	-	-	-	-	-	-	-	8	-	8
Issuance of restricted shares of employees	2,620	47,744	-	-	-	-	-	-	(50,364)	(50,364)	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	53,228	53,228	53,228	-	53,228
Purchase and retirement of restricted shares of stock for employees	(200)	200	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(41,069)	(41,069)
Stock option compensation cost of subsidiary	-	2,103	-	-	-	-	-	-	-	-	2,103	2,497	4,600
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	(16,641)	(16,641)	-	16,641	-	-	16,641	-	-	-
Balance at September 30, 2019	\$ 4,240,564	9,249,412	2,068,260	9,574,836	11,643,096	(97,562)	3,546,709	-	(155,444)	3,293,703	28,426,775	129,777	28,556,552

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 nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,174,543	2,873,951
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,477,128	2,319,423
Amortization expense	48,905	46,962
Expected credit loss (gain)	2,340	(1,853)
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(86,139)	131,625
Interest expense	29,403	13,570
Interest income	(49,556)	(35,004)
Dividend income	(115,772)	(95,785)
Share-based payments	57,828	5,241
Shares of losses of associates and joint ventures accounted for using equity method	193,553	52,481
Losses on disposal of property, plant and equipment	289,249	184
Gains on disposal of investments	(52,110)	(275,063)
Changes in biological assets at fair value	(52)	(1,190)
Unrealized foreign exchange loss	7,772	-
Losses on lease modification	3,773	-
Prepayments for business facilities transferred to expenses	-	15
Total adjustments to reconcile profit (loss)	<u>2,806,322</u>	<u>2,160,606</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(249,993)	22,486
Decrease (increase) in notes and accounts receivable	(799,791)	104,167
Decrease (increase) in inventories	(462,132)	4,396
Decrease (increase) in biological assets	84,149	(25,774)
Decrease in other current assets	58,706	95,193
Total changes in operating assets	<u>(1,369,061)</u>	<u>200,468</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	660,674	(685,884)
Increase (decrease) in other payables	44,960	(33,619)
Increase (decrease) in other current liabilities	81,225	(4,593)
Increase in other non-current liabilities	2,105	1,716
Total changes in operating liabilities	<u>788,964</u>	<u>(722,380)</u>
Total changes in operating assets and liabilities	<u>(580,097)</u>	<u>(521,912)</u>
Cash inflow generated from operations	5,400,768	4,512,645
Dividends received	3,091	4,643
Income taxes paid	(376,944)	(875,827)
Net cash flows from operating activities	<u>5,026,915</u>	<u>3,641,461</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(7,076)	(124,705)
Proceeds from disposal of financial assets at fair value through other comprehensive income	17,273	244,675
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,667	-
Proceeds from disposal of non-current financial assets at amortized cost	29,900	20,900
Acquisition of financial assets at fair value through profit or loss	(423,162)	(406,942)
Proceeds from disposal of financial assets at fair value through profit or loss	306,706	1,476,464
Acquisition of investments accounted for using equity method	(248,320)	(349,970)
Increase in prepayments for investments	-	(30,000)
Acquisition of property, plant and equipment	(2,922,307)	(1,896,801)
Proceeds from disposal of property, plant and equipment	38,086	973
Decrease in other receivables due from related parties	-	181,200
Acquisition of intangible assets	(34,653)	(36,097)
Net cash inflows (outflows) from business combination	(138,256)	56,790
Acquisition of right-of-use assets	(27,101)	-
Decrease (increase) in other non-current assets	(72,095)	2,541
Increase in prepayments for business facilities	(682,741)	(2,856,567)
Interest received	51,016	39,322
Dividends received	106,512	91,142
Net cash flows used in investing activities	<u>(3,999,551)</u>	<u>(3,587,075)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term debt	4,272,765	3,672,000
Repayments of long-term debt	(3,556,800)	(3,374,625)
Decrease in guarantee deposits received	(14,729)	(2,250)
Repayments of lease liabilities	(56,420)	-
Cash dividends paid	(2,118,972)	(2,958,665)
Interest paid	(16,581)	(13,821)
Changes in non-controlling interests	2,072	350
Net cash flows used in financing activities	<u>(1,488,665)</u>	<u>(2,677,011)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,620)</u>	<u>(2,158)</u>
Net decrease in cash and cash equivalents	<u>(468,921)</u>	<u>(2,624,783)</u>
Cash and cash equivalents at beginning of period	<u>5,462,173</u>	<u>7,849,123</u>
Cash and cash equivalents at end of period	<u>\$ 4,993,252</u>	<u>5,224,340</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 nine months ended September 30, 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 November 13, 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.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
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:

	January 1, 2019
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	\$ 290,061

(Continued)

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

<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 IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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

As of the date, the following IFRSs that have been issued by the 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 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 IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. 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

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
			September 30, 2019	December 31, 2018	September 30, 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 %	39.89 %	(note 1)
WVC	Phalanx Biotech Group, Inc.	Researching, manufacturing and selling of high density gene chips and testing service	5.82 %	5.82 %	5.82 %	(note 1)
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman)	Investment activities	96.30 %	94.71 %	93.02 %	(note 2) (note 3)
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 %	74.07 %	(note 3)
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	60.00 %	60.00 %	(note 4)
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 3)
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	-	-	(note 5)
PBL	PhalanxBio, Inc.	Selling of high density gene chips and testing service	100.00 %	100.00 %	100.00 %	
PBL	Phalanx Biotech Limited. (abbrev. PBL (HK))	Investment activities	100.00 %	100.00 %	100.00 %	
PBL (HK)	Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chips and testing service	100.00 %	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 and August 19, 2019, Win Cayman subscribed the new shares contributed by Chainwin Cayman for US \$44,000 thousand (NT \$1,352,560 thousand) and US\$9,000 thousand (NT\$282,510 thousand), respectively. The related information, please refer to Note 6(h).

Note 3: 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 4: 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 5: Jiangsu Win Yield Agriculture Development Co., Ltd. was incorporated on March 25, 2019. The capital injection had been made on June 12, 2019.

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 nine months ended September 30, 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

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Cash on hand	\$ 504	702	696
Cash in bank	4,794,399	5,191,898	4,804,938
Time deposits	<u>198,349</u>	<u>269,573</u>	<u>418,706</u>
	<u>\$ 4,993,252</u>	<u>5,462,173</u>	<u>5,224,340</u>

Refer to Note 6(aa) 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):

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Foreign currency forward contracts	\$ 299	-	-
Non-derivative financial assets			
Stock listed on domestic markets	424,143	96,955	79,033
Private fund (Note)	695,840	722,405	595,865
Money market funds	<u>296,034</u>	<u>6,308</u>	<u>17,385</u>
Total	<u>\$ 1,416,316</u>	<u>825,668</u>	<u>692,283</u>

(Continued)

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

	September 30,	December 31,	September 30,
	2019	2018	2018
Current	\$ 720,476	103,263	96,418
Non-current	695,840	722,405	595,865
	<u>\$ 1,416,316</u>	<u>825,668</u>	<u>692,283</u>

The Group holds derivative financial instruments to hedge certain foreign exchange the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

Foreign currency forward contracts:

September 30, 2019		
Amount	Currency	Maturity dates
(in thousands)		
<u>HKD \$ 7,600</u>	HKD Put/ NTD Call	2019/10/08

Note: As of September 30, 2019, December 31 and September 30, 2018, part of the private fund is during the lock-up period.

Refer to Note 6(z) 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):

	September 30,	December 31,	September 30,
	2019	2018	2018
Stocks listed on domestic markets	\$ 3,649,021	1,205,785	1,422,826
Stocks listed on US markets	642,691	585,861	564,950
Non-public stocks	620,161	564,486	637,947
	<u>\$ 4,911,873</u>	<u>2,356,132</u>	<u>2,625,723</u>

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

For the nine months ended September 30, 2019, due to liquidation of investee or return of capital contributions, the Group disposed the equity investments designated at fair value through other comprehensive income, with a fair value of \$23,940 thousand; upon derecognition, the loss of disposal, accumulated in other equity, amounting to \$16,641 thousand was transferred to retained earnings.

(Continued)

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

For the nine months ended September 30, 2018, the Group considered the change in the proportion of investment portfolio, therefore, disposed partial of its equity investment designated at fair value through other comprehensive income, with a fair value of \$244,675 thousand; upon derecognition, the gains of disposal, accumulated in other equity, amounting to \$91,405 thousand was transferred to retained earnings.

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

	<u>Issue period</u>	<u>Nominal rate (%)</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Preferred stock B	2012.11.23~2019.11.22	-	\$ -	<u>29,900</u>	<u>41,300</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.

The non-current financial assets at amortized cost had been redeemed in the second quarter of 2019.

(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 periods, will be as follows:

<u>Prices of securities at the reporting date</u>	<u>For the nine months ended September 30, 2019</u>		<u>For the nine months ended September 30, 2018</u>	
	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>	<u>After-tax other comprehensive income</u>	<u>After-tax profit (loss)</u>
Increasing 3%	\$ <u>147,356</u>	<u>12,724</u>	<u>78,772</u>	<u>2,371</u>
Decreasing 3%	\$ <u>(147,356)</u>	<u>(12,724)</u>	<u>(78,772)</u>	<u>(2,371)</u>

(v) As of September 30, 2019, December 31 and September 30, 2018 the financial assets were not pledged. For information on the Group's credit risk and market risk was disclosed in Note 6(aa).

(c) Notes and accounts receivable, net

	<u>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Notes receivable	\$ 1,178	459	207
Accounts receivable	2,223,295	1,424,223	1,455,812
Less : loss allowance	<u>(4,543)</u>	<u>(2,317)</u>	<u>(1,302)</u>
	<u>\$ 2,219,930</u>	<u>1,422,365</u>	<u>1,454,717</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
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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 was determined as follows:

(i) The segment of foundry and agriculture technology:

	September 30, 2019		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,028,656	0%	-
Past due 1~60 days	185,925	0%	-
Past due 61~120 days	2	0%	-
Past due 121~180 days	-	21.28%~36.46%	-
Past due more than 181 days	-	100%	-
	\$ 2,214,583		-
	December 31, 2018		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
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	-	100%	-
	\$ 1,418,090		-

(Continued)

Win Semiconductors Corp. and Subsidiaries
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	September 30, 2018		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 1,278,199	0%	-
Past due 1~60 days	169,815	0%	-
Past due 61~120 days	1,896	0%~11.53%	-
Past due 121~180 days	-	0%~44.21%	-
Past due more than 181 days	-	100%	-
	\$ 1,449,910		-

(ii) The segment of gene chip testing service:

	September 30, 2019		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 4,357	0.68%~11.38%	98
Past due 1~60 days	685	5.66%~39.20%	92
Past due 61~120 days	160	11.71%~45.21%	67
Past due 121~180 days	1,439	40.68%~72.22%	1,037
Past due more than 181 days	3,249	100%	3,249
	\$ 9,890		4,543

	December 31, 2018		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
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
	\$ 6,592		2,317

(Continued)

Win Semiconductors Corp. and Subsidiaries
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	September 30, 2018		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,882	0%	-
Past due 1~60 days	884	0%	-
Past due 61~120 days	566	0%	-
Past due 121~180 days	493	25%	123
Past due more than 181 days	1,284	91.79%	1,179
	\$ 6,109		1,302

The movements of loss allowance were as follows:

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Beginning balance	\$ 2,317	2,086
Acquisition through business combinations	-	3,294
Impairment loss recognized (reversed), net	2,340	(1,853)
Amount written off	-	(2,235)
Effect of changes in foreign exchange rates	(114)	10
Ending balance	\$ 4,543	1,302

As of September 30, 2019, December 31 and September 30, 2018, the notes and accounts receivable were not discounted and pledged.

(d) Other receivables

	September 30, 2019	December 31, 2018	September 30, 2018
Other receivables (recognized as other current assets)	\$ 56,912	125,288	142,334
Less: loss allowance	-	-	-
	\$ 56,912	125,288	142,334

As of September 30, 2019, December 31 and September 30, 2018, other receivables were not past due nor impaired.

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

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Win Semiconductors Corp. and Subsidiaries
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(e) Inventories

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials, supplies and spare parts	\$ 2,772,122	2,641,108	2,523,681
Work in process	1,035,584	793,552	827,107
Finished goods	556,717	472,730	404,342
	\$ 4,364,423	3,907,390	3,755,130

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:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Loss on valuation of inventories and obsolescence	\$ <u>17,430</u>	<u>69,059</u>	<u>28,663</u>	<u>118,761</u>
Unallocated overheads	\$ -	-	<u>67,129</u>	-
Scraps income	\$ <u>(7,711)</u>	<u>(2,703)</u>	<u>(20,468)</u>	<u>(10,291)</u>
Loss on physical inventory count	\$ <u>69</u>	-	<u>67</u>	-

As of September 30, 2019, December 31 and September 30, 2018, the inventories were not pledged.

(f) Biological assets

(i) List of biological assets:

	September 30, 2019	December 31, 2018	September 30, 2018
Consumable biological assets	\$ <u>28,365</u>	<u>103,289</u>	<u>115,184</u>
Bearer biological assets	\$ <u>9,312</u>	<u>31,059</u>	<u>34,414</u>

(Continued)

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

(ii) Change in biological assets:

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Beginning balance	\$ 134,348	134,188
Increase due to purchase	-	5,374
Input costs	287,133	290,105
Depreciation expenses	(8,806)	(7,805)
Decrease due to sales	(371,282)	(269,705)
Changes in fair value less costs to sell due to price changes	52	1,190
Effect of changes in foreign exchange rates	(3,768)	(3,749)
Ending balance	<u><u>\$ 37,677</u></u>	<u><u>149,598</u></u>
Current	\$ 28,365	115,184
Non-current	<u>9,312</u>	<u>34,414</u>
	<u><u>\$ 37,677</u></u>	<u><u>149,598</u></u>

For the nine months ended September 30, 2019 and 2018, the gains of \$52 thousand and \$1,190 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		
	September 30, 2019	December 31, 2018	September 30, 2018
Farrows, hogs and breeders	<u><u>7,319</u></u>	<u><u>32,659</u></u>	<u><u>37,166</u></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.

(v) As of September 30, 2019, December 31 and September 30, 2018, the biological assets were not pledged.

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

(g) Investments accounted for using equity method

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

	September 30, 2019	December 31, 2018	September 30, 2018
Associates	<u>\$ 583,398</u>	<u>532,808</u>	<u>576,895</u>

(i) Associates

In the third quarter of 2019 and the first quarter of 2018, the Group subscribed the new shares contributed by Jiangsu CM / Chainwin Agriculture Development Co., Ltd. for \$248,320 thousand and \$349,970 thousand in cash, respectively. Due to the new shares subscription in the first quarter of 2018, the Group has significant influence on it. The equity shares held by the Group were not changed by the abovementioned transaction.

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

Name of Affiliates	Nature of Relationship with the Group	Main Operating Location/ Registered Country of the Company	Proportion of Shareholding and Voting Rights		
			September 30, 2019	December 31, 2018	September 30, 2018
Jiangsu CM / Chainwin Agriculture Development Co., Ltd. (Note)	Developing hog farming technology and trading	China	49 %	49 %	49 %

Note: The shareholders' meeting of Jiangsu CM/Merit Agriculture Development Co., Ltd. had approved and decided to rename to Jiangsu CM/Chainwin Agriculture Development Co., Ltd. on June 20, 2019.

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/Chainwin Agriculture Development Co., Ltd.:

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets	\$ 558,949	234,687	223,958
Non-current assets	1,207,463	1,374,095	1,030,057
Current liabilities	(406,061)	(407,284)	(72,662)
Non-current liabilities	<u>(372,305)</u>	<u>(313,098)</u>	<u>(177,440)</u>
Net assets	<u>\$ 988,046</u>	<u>888,400</u>	<u>1,003,913</u>
Net assets attributable to non-controlling interests	<u>\$ 482,571</u>	<u>433,761</u>	<u>490,371</u>

(Continued)

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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Operating revenue	\$ <u>-</u>	<u>24,924</u>	<u>85,060</u>	<u>101,123</u>
Loss from continuing operations	\$ (12,522)	(15,747)	(397,283)	(64,276)
Other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ (12,522)</u>	<u>(15,747)</u>	<u>(397,283)</u>	<u>(64,276)</u>
			For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Shares of net assets of affiliates as of January 1, 2019 and 2018			\$ 433,761	185,537
Loss attributable to the Group			(194,669)	(31,495)
Exchange differences on translation of foreign financial statements attributable to the Group			<u>(8,480)</u>	<u>(33,953)</u>
Shares of net assets of affiliates as of September 30, 2019 and 2018			230,612	120,089
Add: Issuance of shares in cash			248,320	349,970
Effect of changes in foreign exchange rates			<u>3,639</u>	<u>20,312</u>
Carrying amount of equity of affiliate attributable to the Group			<u>\$ 482,571</u>	<u>490,371</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:

	September 30, 2019	December 31, 2018	September 30, 2018
Total equity of the individually insignificant investments in associates	<u>\$ 100,827</u>	<u>99,047</u>	<u>86,524</u>

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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Attributable to the Group:				
Net profit (loss)	\$ (1,703)	(592)	1,116	(20,986)
Other comprehensive income	-	90	-	-
Total comprehensive income	<u>\$ (1,703)</u>	<u>(502)</u>	<u>1,116</u>	<u>(20,986)</u>

(ii) Pledge to secure

As of September 30, 2019, December 31 and September 30, 2018, the investments accounted for using equity method were not pledged.

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

Except for Jiangsu CM/Chainwin 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, August 19, 2019 and January 19, August 24, 2018, the Group subscribed the new shares contributed by Chainwin Cayman for \$1,352,560 thousand, \$282,510 thousand, \$346,297 thousand and \$1,228,800 thousand in cash, respectively. Plus, on January 22, 2018, Chainwin Cayman repurchased its own shares amounting to \$2,913 thousand and cancelled afterwards; therefore, for the nine months ended September 30, 2019 and 2018, the Group increased its ownership from 94.71% to 96.30% and 88.14% to 93.02%, respectively.

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

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Carrying amount of interest on acquisition	\$ 1,622,872	1,549,806
Consideration paid	<u>(1,635,070)</u>	<u>(1,575,097)</u>
Retained earnings changes in ownership interests in subsidiaries	<u>\$ (12,198)</u>	<u>(25,291)</u>

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

On September 26, 2018, the Group subscribed the new shares contributed by Jiangsu CM/Merit Agriculture Development Co., Ltd. for US\$1,900 thousand (NT\$58,007 thousand) in cash, increasing its ownership from 60% to 74.07%. For the nine months ended September 30, 2019, there was no such transaction.

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

	For the nine months ended September 30, 2018
Carrying amount of non-controlling interest on acquisition	\$ 56,976
Consideration paid to non-controlling interests	<u>(58,007)</u>
Retained earnings changes in ownership interests in subsidiaries	<u>\$ (1,031)</u>

(i) Acquisition of subsidiary

- (i) On July 12, 2018, the Group subscribed the new shares contributed by PBL for \$123,750 thousand in cash, increasing its ownership from 37.88% to 45.71%, and became the largest shareholder of PBL and obtained control over it since then. PBL is mainly engaged in researching, manufacturing and selling of high density chips and providing testing service.

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

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

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

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

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

The accounting treatment of fair value for acquisition of PBL was still provisional assessed at the third quarter reporting date of 2018. As the 2018 consolidated financial report has been authorized and issued, the required market evaluation and other calculation on the acquisition of PBL were completed, and the provisional accounting treatment on the acquisition of PBL reflects the information at the acquisition date.

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Win Semiconductors Corp. and Subsidiaries
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(j) Property, plant and equipment

The detail of movement of the property, plant and equipment of the Group 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>
Cost:							
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	-	66,255	702,119	245,651	72,407	1,836,165	2,922,597
Reclassification (Note 1)	-	185,684	1,707,832	632,573	11,589	(653,740)	1,883,938
Disposals	-	(418)	(2,499,628)	(52,280)	(75,586)	(2,865)	(2,630,777)
Effect of changes in foreign exchange rates	-	(1,576)	(161)	(1,341)	(1,352)	(60,339)	(64,769)
Balance as of September 30, 2019	<u>\$ 2,546,534</u>	<u>2,438,380</u>	<u>20,052,160</u>	<u>5,066,568</u>	<u>514,868</u>	<u>2,864,916</u>	<u>33,483,426</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
Acquisitions through business combinations	-	-	22,975	-	2,708	-	25,683
Additions	-	10,255	736,185	42,330	142,427	751,519	1,682,716
Reclassification (Note 2)	-	19,798	1,114,810	21,011	58,127	(133,238)	1,080,508
Disposals	-	(123)	(391,945)	(119,823)	(60,967)	-	(572,858)
Effect of changes in foreign exchange rates	-	(1,397)	(236)	(1,063)	(1,276)	(4,143)	(8,115)
Balance as of September 30, 2018	<u>\$ 2,546,534</u>	<u>2,181,650</u>	<u>19,258,902</u>	<u>4,197,890</u>	<u>504,963</u>	<u>1,263,383</u>	<u>29,953,322</u>
Accumulated depreciation:							
Balance as of January 1, 2019	\$ -	689,336	12,637,886	2,240,384	236,579	-	15,804,185
Depreciation	-	79,628	1,910,411	310,178	110,093	-	2,410,310
Disposals	-	(418)	(2,174,602)	(49,048)	(75,079)	-	(2,299,147)
Effect of changes in foreign exchange rates	-	(321)	(64)	(473)	(470)	-	(1,328)
Balance as of September 30, 2019	<u>\$ -</u>	<u>768,225</u>	<u>12,373,631</u>	<u>2,501,041</u>	<u>271,123</u>	<u>-</u>	<u>15,914,020</u>
Balance as of January 1, 2018	\$ -	584,763	10,563,890	1,956,057	172,410	-	13,277,120
Acquisitions through business combinations	-	-	8,267	-	1,535	-	9,802
Depreciation	-	78,302	1,804,135	313,431	100,470	-	2,296,338
Reclassification	-	-	-	(1,228)	1,228	-	-
Disposals	-	(123)	(391,945)	(119,823)	(59,808)	-	(571,699)
Effect of changes in foreign exchange rates	-	(192)	(47)	(393)	(349)	-	(981)
Balance as of September 30, 2018	<u>\$ -</u>	<u>662,750</u>	<u>11,984,300</u>	<u>2,148,044</u>	<u>215,486</u>	<u>-</u>	<u>15,010,580</u>
Carrying value:							
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 September 30, 2019	<u>\$ 2,546,534</u>	<u>1,670,155</u>	<u>7,678,529</u>	<u>2,565,527</u>	<u>243,745</u>	<u>2,864,916</u>	<u>17,569,406</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 September 30, 2018	<u>\$ 2,546,534</u>	<u>1,518,900</u>	<u>7,274,602</u>	<u>2,049,846</u>	<u>289,477</u>	<u>1,263,383</u>	<u>14,942,742</u>

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Note 1: Inventories, 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 September 30, 2019, December 31 and September 30, 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 September 30, 2019, the Group has partially paid the price of \$982,051 thousand.

(iii) For the three months and nine months ended September 30, 2019 and 2018, capitalized interest expenses amounted to \$9,499 thousand, \$13,780 thousand, \$31,006 thousand and \$32,576 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.15%~1.26%, 1.22%~1.26%, 1.11%~1.34% and 1.14%~1.34%, respectively.

(k) 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>
Cost:				
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application for IFRS 16	243,163	86,773	7,880	337,816
Additions	236,797	8,737	3,608	249,142
Disposals	(77,127)	-	-	(77,127)
Effect of change in foreign exchange rates	(11,999)	-	-	(11,999)
Balance at September 30, 2019	<u>\$ 390,834</u>	<u>95,510</u>	<u>11,488</u>	<u>497,832</u>
Accumulated depreciation:				
Balance at January 1, 2019	\$ -	-	-	-
Depreciation (Note)	18,642	26,458	3,316	48,416
Disposals	(1,349)	-	-	(1,349)
Effect of change in foreign exchange rates	(361)	-	-	(361)
Balance at September 30, 2019	<u>\$ 16,932</u>	<u>26,458</u>	<u>3,316</u>	<u>46,706</u>
Carrying amount:				
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at September 30, 2019	<u>\$ 373,902</u>	<u>69,052</u>	<u>8,172</u>	<u>451,126</u>

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Note: Including capitalized depreciation expenses transferred to construction in process, which amounted to \$5,684 thousand.

(l) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Carrying amount:			
Balance at January 1, 2019	\$ <u>963,127</u>	<u>458,401</u>	<u>1,421,528</u>
Balance at September 30, 2019	\$ <u>963,127</u>	<u>443,121</u>	<u>1,406,248</u>
Balance at January 1, 2018	\$ <u>963,127</u>	<u>478,775</u>	<u>1,441,902</u>
Balance at September 30, 2018	\$ <u>963,127</u>	<u>463,495</u>	<u>1,426,622</u>
Fair value:			
Balance as of January 1, 2019			\$ <u>1,632,183</u>
Balance as of September 30, 2019			\$ <u>1,590,491</u>
Balance as of September 30, 2018			\$ <u>1,639,409</u>

There were no significant additions, disposal, or recognition and reversal of impairment losses of investment property for the nine months ended September 30, 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 September 30, 2019, December 31 and September 30, 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>September 30, 2019</u>	<u>December 31, 2018</u>	<u>September 30, 2018</u>
Hsinchu	0.31%	0.24%	0.24%
Taoyuan	0.46%	1.41%	1.73%

As of September 30, 2019, December 31 and September 30, 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
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(m) Intangible assets

The cost and accumulated depreciation of the property, plant and equipment of the Group for the nine months ended September 30, 2019 and 2018 were as follows:

	Technical know-how	Computer software and information systems	Goodwill	Land use rights	Others	Total
Cost:						
Balance as of January 1, 2019	\$ 46,005	150,871	446,068	32,591	25,628	701,163
Effects of retrospective application for IFRS 16	-	-	-	(32,591)	-	(32,591)
Additions	2,125	22,835	-	-	22	24,982
Reclassification (Note)	-	10,505	-	-	-	10,505
Disposals	-	(784)	-	-	-	(784)
Effect of changes in foreign exchange rates	-	17	1,326	-	220	1,563
Balance as of September 30, 2019	<u>\$ 48,130</u>	<u>183,444</u>	<u>447,394</u>	<u>-</u>	<u>25,870</u>	<u>704,838</u>
Balance as of January 1, 2018	\$ 46,051	119,718	123,327	31,448	26,059	346,603
Acquisition through business combinations	-	1,802	318,763	-	-	320,565
Additions	-	35,580	-	-	2,179	37,759
Reclassification (Note)	(46)	9,399	-	-	-	9,353
Disposals	-	(140)	-	-	-	(140)
Effect of changes in foreign exchange rates	-	141	3,191	(890)	529	2,971
Balance as of September 30, 2018	<u>\$ 46,005</u>	<u>166,500</u>	<u>445,281</u>	<u>30,558</u>	<u>28,767</u>	<u>717,111</u>
Amortization:						
Balance as of January 1, 2019	\$ 31,309	69,882	-	677	12,342	114,210
Effects of retrospective application for IFRS 16	-	-	-	(677)	-	(677)
Amortization	3,329	40,677	-	-	4,899	48,905
Disposals	-	(784)	-	-	-	(784)
Effect of changes in foreign exchange rates	-	26	-	-	105	131
Balance as of September 30, 2019	<u>\$ 34,638</u>	<u>109,801</u>	<u>-</u>	<u>-</u>	<u>17,346</u>	<u>161,785</u>
Balance as of January 1, 2018	\$ 27,494	52,510	-	53	8,702	88,759
Acquisition through business combinations	-	960	-	-	-	960
Amortization	2,875	37,331	-	475	6,281	46,962
Reclassification	(19)	19	-	-	-	-
Disposals	-	(140)	-	-	-	(140)
Effect of changes in foreign exchange rates	-	48	-	(18)	213	243
Balance as of September 30, 2018	<u>\$ 30,350</u>	<u>90,728</u>	<u>-</u>	<u>510</u>	<u>15,196</u>	<u>136,784</u>
Carrying value:						
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 September 30, 2019	<u>\$ 13,492</u>	<u>73,643</u>	<u>447,394</u>	<u>-</u>	<u>8,524</u>	<u>543,053</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 September 30, 2018	<u>\$ 15,655</u>	<u>75,772</u>	<u>445,281</u>	<u>30,048</u>	<u>13,571</u>	<u>580,327</u>

Note: Other current assets were reclassified as intangible assets.

(Continued)

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As of September 30, 2019, December 31 and September 30, 2018, the intangible assets were not pledged.

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

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Other receivables from metal recycling	\$ 23,900	108,738	128,596
Tax refund receivables	75,019	70,603	62,879
Long-term prepaid rent	-	3,150	24,701
Prepaid expenses	47,689	90,475	49,511
Restricted assets	40,151	41,799	41,720
Refundable deposits	64,753	46,556	46,839
Other receivables	33,012	16,550	13,738
Long-term prepaid intangible assets	53,645	-	-
Offset against business tax payable and input taxes	64,556	40,585	26,794
Others	<u>26,532</u>	<u>14,626</u>	<u>43,069</u>
	<u>\$ 429,257</u>	<u>433,082</u>	<u>437,847</u>

(o) Short-term borrowings

	<u>September 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>September 30,</u> <u>2018</u>
Unused bank credit lines for short-term borrowings	<u>\$ 1,957,500</u>	<u>2,190,784</u>	<u>1,978,876</u>
Unused bank credit lines for short-term and long-term borrowings	<u>\$ 3,502,700</u>	<u>3,068,629</u>	<u>1,104,968</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
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(p) Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Secured long-term borrowings (in NTD)	\$ 2,032,800	1,572,600	1,704,000
Secured long-term syndicated borrowings (in USD)	267,720	-	-
Unsecured long-term borrowings (in NTD)	4,220,000	4,230,000	4,851,000
Less: long-term liabilities, current portion	-	-	(87,600)
Total	<u>\$ 6,520,520</u>	<u>5,802,600</u>	<u>6,467,400</u>
Unused bank credit lines for long-term borrowings	<u>\$ 6,878,600</u>	<u>5,779,000</u>	<u>5,816,000</u>
Annual interest rate	<u>1.02%~2.88%</u>	<u>1.08%~1.40%</u>	<u>1.14%~1.40%</u>
Expiry date	<u>2021/1/29~2025/8/16</u>	<u>2020/3/31~2025/8/16</u>	<u>2020/3/29~2025/8/16</u>

As of September 30, 2019, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
October 1, 2020~September 30, 2021	\$ 1,387,600
October 1, 2021~September 30, 2022	2,840,320
October 1, 2022 and after	<u>2,292,600</u>
	<u>\$ 6,520,520</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in Note 6(o).
- (ii) The collateral for these long-term borrowings was disclosed in Note 8.
- (iii) In June 2019, the Group entered into a three-year syndicated loan agreement with Far Eastern International Bank and other four banks. The total credit facility under this loan agreement is US\$100,000 thousand.

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

- 1) At the end of reporting period, current ratio (current assets / current liabilities): shall not be lower than 100%;
- 2) Interest coverage ratio [(profit before tax + depreciation + amortization + interest expense) / interest expense]: shall not be lower than 100%; and
- 3) Tangible net assets value (equity – intangible assets): shall not be lower than NT\$15,000,000 thousand.

(Continued)

Win Semiconductors Corp. and Subsidiaries
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After the guarantor signs the loan agreement, the aforementioned financial ratio and criteria will be reviewed semi-annually, which are based on the year-end consolidated financial statements audited by the Certified Public Accountants (CPAs) that are approved by the leading bank, as well as the semi-annual consolidated financial statements reviewed by the CPAs.

(q) Lease liabilities

	September 30, 2019
Current	<u>\$ 75,596</u>
Non-current	<u>\$ 306,104</u>

For the maturity analysis, please refer to Note 6(aa).

The amounts recognized in profit or loss were as follows:

	For the three months ended September 30, 2019	For the nine months ended September 30, 2019
Interest expenses on lease liabilities	<u>\$ 1,883</u>	<u>4,225</u>
Expenses relating to short-term leases	<u>\$ 2,412</u>	<u>8,629</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 332</u>	<u>974</u>

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

	For the nine months ended September 30, 2019
Total cash outflow for leases	<u>\$ 67,219</u>

(Continued)

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

(i) Real estate and buildings leases

As of September 30, 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 leasee is not reasonably certain to use an optional extended lease term, payments associated with the optional period are not included within lease liabilities.

(r) Operating lease

There were no significant changes in operating lease for the nine months ended September 30, 2018. Please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2018 for other related information.

(s) 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 were as follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Operating costs	\$ -	13	-	13
Operating expenses	<u>902</u>	<u>644</u>	<u>2,708</u>	<u>1,923</u>
	<u><u>\$ 902</u></u>	<u><u>657</u></u>	<u><u>2,708</u></u>	<u><u>1,936</u></u>

(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 were as follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Operating costs	\$ 20,268	19,469	56,534	56,117
Operating expenses	<u>5,452</u>	<u>5,620</u>	<u>16,337</u>	<u>13,961</u>
	<u><u>\$ 25,720</u></u>	<u><u>25,089</u></u>	<u><u>72,871</u></u>	<u><u>70,078</u></u>

(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 and nine months ended September 30, 2019 and 2018, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$1,394 thousand, \$1,072 thousand, \$3,727 thousand and \$2,150 thousand, respectively.

(t) Income tax

(i) Income tax expense

The amount of income tax expense were as follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Income tax expense	<u>\$ 346,018</u>	<u>109,863</u>	<u>613,430</u>	<u>540,944</u>

(ii) There were no income tax expense recognized in other comprehensive income for the nine months ended September 30, 2019 and 2018.

(iii) Assessment

The Company's corporate income tax returns for all the years through 2017 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

(Continued)

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

(u) 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 September 30, 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.

(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. Accordance with the resolution of Board of Directors meeting held on May 14, 2019, the Company issued 262 thousand shares, at \$10 dollars par value per share, amounting to \$2,620 thousand. All related registration procedures had been completed.

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

(ii) Capital surplus

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

	September 30, 2019	December 31, 2018	September 30, 2018
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	643	635	13,292
Employee stock options	5,913	3,810	1,980
Restricted shares of stock issued for employees	211,821	163,877	163,877
	<u>\$ 9,249,412</u>	<u>9,199,357</u>	<u>9,210,184</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 Corporation shall set aside at least 50% for shareholder, 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.

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Win Semiconductors Corp. and Subsidiaries
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It is authorized the distributable dividends and bonuses or legal capital reserve and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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 and 2017 had been approved in shareholders' meetings held on June 14, 2019 and June 15, 2018, respectively. The appropriations and dividends were as follows:

	2018	2017
Cash dividends	\$ 2,118,972	2,958,665

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

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

(iv) Other equity interests, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2019	\$ (36,200)	958,390	(158,308)
Foreign currency differences (net of tax):			
The Group	(53,184)	-	-
Associates	(8,178)	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	2,571,678	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	16,641	-
Issuance of restricted shares of employees	-	-	(50,364)
Compensation cost arising from restricted shares of stock issued to employees	-	-	53,228
Balance as of September 30, 2019	\$ (97,562)	3,546,709	(155,444)

(Continued)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for- sale financial assets	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2018	\$ (100,208)	-	1,568,176	-
Effects of retrospective application	-	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	67,127	-	-	-
Associates	(30,595)	-	-	-
Disposal of investments accounted for using equity method	(1,371)	-	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	(121,904)	-	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	(91,405)	-	-
Issuance of restricted shares of employees	-	-	-	(175,357)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	2,436
Balance as of September 30, 2018	<u>\$ (65,047)</u>	<u>1,188,530</u>	<u>-</u>	<u>(172,921)</u>

(v) 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. 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. The Company decided that the second grant date was set on May 10, 2019. And in accordance with the resolution of Board of Directors meeting held on May 14, 2019, the Company issued 262 thousand shares (the date of capital increase was set on May 14, 2019), with the fair-value on grant date amounting to \$50,364 thousand. The remaining amount of 290 thousand shares will not be processed during the remaining period.

As of September 30, 2019, there were 1,390 thousand outstanding shares.

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Win Semiconductors Corp. and Subsidiaries
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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. During the vesting period, the RSA can participate in stock and cash dividends and subscription to cash rights issues and subscription is not required to be deposited in trust. 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 and nine months ended September 30, 2019 and 2018, the Company recognized the compensation cost of \$18,415 thousand, \$0 thousand, \$53,228 thousand and \$2,436 thousand for the aforementioned RSA, respectively.

- (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

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:

	<u>2018 employee stock options exercise in the 1st year</u>	<u>2018 employee stock options exercise in the 2nd year</u>	<u>2018 employee stock options exercise in the 3rd year</u>
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%

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Details of the employee stock options were as follows:

	<u>For the nine months ended September 30, 2019</u>		<u>For the nine months ended September 30, 2018</u>	
	<u>Weighted average exercise price (expressed in dollars)</u>	<u>Shares of options (expressed in thousands)</u>	<u>Weighted average exercise price (expressed in dollars)</u>	<u>Shares of options (expressed in thousands)</u>
Outstanding at January 1	\$ 11	5,560	-	-
Granted during the period	-	-	11	5,560
Outstanding at September 30	11	<u>5,560</u>	11	<u>5,560</u>
Exercisable at September 30	-	-	-	-

For the three months and nine months ended September 30, 2019 and from the acquisition date to September 30, 2018, PLB recognized the compensation cost of \$1,534 thousand, \$4,600 thousand and \$2,805 thousand for the aforementioned ESOPs, respectively.

(w) Earnings per share (“EPS”)

	<u>For the three months ended September 30, 2019</u>	<u>For the three months ended September 30, 2018</u>	<u>For the nine months ended September 30, 2019</u>	<u>For the nine months ended September 30, 2018</u>
Basic earnings per share :				
Profit belonging to common shareholders	\$ <u>1,649,955</u>	<u>717,803</u>	<u>2,612,583</u>	<u>2,364,811</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	<u>422,666</u>	<u>422,666</u>	<u>422,666</u>	<u>422,666</u>
Basic earnings per share (in dollars)	\$ <u>3.90</u>	<u>1.70</u>	<u>6.18</u>	<u>5.59</u>
Diluted earnings per share :				
Profit belonging to common shareholders	\$ <u>1,649,955</u>	<u>717,803</u>	<u>2,612,583</u>	<u>2,364,811</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	422,666	422,666	422,666	422,666
Effect of potentially dilutive common stock				
Employee remuneration (in thousands shares)	779	1,445	1,150	1,732
Restricted employee shares (in thousands shares)	<u>756</u>	-	<u>593</u>	-
Weighted average number of common stock (diluted) (in thousands shares)	<u>424,201</u>	<u>424,111</u>	<u>424,409</u>	<u>424,398</u>
Diluted earnings per share (in dollars)	\$ <u>3.89</u>	<u>1.69</u>	<u>6.16</u>	<u>5.57</u>

(Continued)

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(x) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended September 30, 2019				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 4,222,389	237,605	1,543	4,461,537
Americas	1,117,029	-	-	1,117,029
Taiwan	578,006	-	29,866	607,872
Europe	217,181	-	-	217,181
	\$ 6,134,605	237,605	31,409	6,403,619
Main product/ services lines:				
Foundry	\$ 6,134,605	-	-	6,134,605
Other	-	237,605	31,409	269,014
	\$ 6,134,605	237,605	31,409	6,403,619
For the three months ended September 30, 2018				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 2,383,010	66,353	2,301	2,451,664
Americas	889,781	-	-	889,781
Taiwan	545,723	-	11,474	557,197
Europe	166,981	-	-	166,981
	\$ 3,985,495	66,353	13,775	4,065,623
Main product/ services lines:				
Foundry	\$ 3,985,420	-	-	3,985,420
Others	75	66,353	13,775	80,203
	\$ 3,985,495	66,353	13,775	4,065,623

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For the nine months ended September 30, 2019				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 9,405,052	422,286	5,186	9,832,524
Americas	2,572,598	-	-	2,572,598
Taiwan	1,298,586	-	55,695	1,354,281
Europe	714,685	-	-	714,685
	\$ 13,990,921	422,286	60,881	14,474,088
Main product/ services lines:				
Foundry	\$ 13,990,100	-	-	13,990,100
Others	821	422,286	60,881	483,988
	\$ 13,990,921	422,286	60,881	14,474,088
For the nine months ended September 30, 2018				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 7,920,471	233,617	2,301	8,156,389
Americas	2,972,168	-	-	2,972,168
Taiwan	1,524,943	-	11,582	1,536,525
Europe	431,517	-	-	431,517
	\$ 12,849,099	233,617	13,883	13,096,599
Main product/ services lines:				
Foundry	\$ 12,848,850	-	-	12,848,850
Others	249	233,617	13,883	247,749
	\$ 12,849,099	233,617	13,883	13,096,599

(ii) Balance of contracts

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	\$ 1,178	459	207
Accounts receivable	2,223,295	1,424,223	1,455,812
Less: loss allowance	(4,543)	(2,317)	(1,302)
	\$ 2,219,930	1,422,365	1,454,717
Contract liabilities (Note)	\$ 185,768	112,694	74,336

Note: Contract liabilities are included in other current liabilities.

(Continued)

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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 nine months ended September 30, 2019 and 2018, that was included in the contract liabilities balance at the beginning of the period was \$89,999 thousand and \$84,134 thousand, respectively.

(y) 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.

The Company estimated its employees' and directors' remuneration as follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Employees' remuneration	\$ 134,600	55,100	217,000	194,300
Directors' remuneration	39,100	16,000	63,000	56,400
	<u>\$ 173,700</u>	<u>71,100</u>	<u>280,000</u>	<u>250,700</u>

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 was included in the operating costs and operating expenses of the nine months ended September 30, 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.

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

(z) Non-operating income and expenses

(i) Other income

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Interest income:				
Interest income from bank deposits	\$ 13,911	8,663	49,309	33,449
Interest income from financial assets at amortized cost	-	304	205	539
Other interest income	<u>5</u>	<u>3</u>	<u>42</u>	<u>1,016</u>
Total interest income	<u>13,916</u>	<u>8,970</u>	<u>49,556</u>	<u>35,004</u>
Dividend income	86,213	79,846	112,681	91,142
Rent income	<u>20,662</u>	<u>22,355</u>	<u>65,607</u>	<u>67,015</u>
Total	<u>\$ 120,791</u>	<u>111,171</u>	<u>227,844</u>	<u>193,161</u>

(ii) Other gains and losses

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Losses on disposals of property, plant and equipment	\$ (288,446)	(386)	(289,249)	(184)
Gains (losses) on disposals of investments	(31,696)	274,623	47,970	274,947
Foreign exchange gains	19,296	4,292	62,953	108,244
Gains (losses) on financial assets or liabilities at fair value through profit or loss	145,983	5,820	67,827	(88,591)
Others	<u>27,704</u>	<u>(5,848)</u>	<u>52,439</u>	<u>32,404</u>
Total	<u>\$ (127,159)</u>	<u>278,501</u>	<u>(58,060)</u>	<u>326,820</u>

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(iii) Finance costs

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Interest expenses	\$ 16,451	2,851	29,213	13,380
Other finance costs	62	63	190	190
Total	<u>\$ 16,513</u>	<u>2,914</u>	<u>29,403</u>	<u>13,570</u>

(aa) 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:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
As of September 30, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,300,520	2,411,848	32,230	238,608	1,748,503	392,507
Unsecured bank loans	4,220,000	4,347,046	46,406	1,221,056	2,752,347	327,237
Notes and accounts payable	1,753,748	1,753,748	1,753,748	-	-	-
Other payables	949,685	949,685	949,685	-	-	-
Guarantee deposits received	128,339	128,339	12,334	26	115,979	-
Lease liabilities	381,700	514,667	77,083	53,640	105,257	278,687
	<u>\$ 9,733,992</u>	<u>10,105,333</u>	<u>2,871,486</u>	<u>1,513,330</u>	<u>4,722,086</u>	<u>998,431</u>

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	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
As of December 31, 2018						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,572,600	1,661,678	21,294	124,638	997,014	518,732
Unsecured bank loans	4,230,000	4,350,337	48,837	1,494,684	2,560,556	246,260
Notes and accounts payable	1,093,074	1,093,074	1,093,074	-	-	-
Other payables	880,314	880,314	880,314	-	-	-
Guarantee deposits received	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>
As of September 30, 2018						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,704,000	1,799,675	110,032	138,857	1,000,234	550,552
Unsecured bank loans	4,851,000	4,987,154	59,364	3,176,648	1,504,055	247,087
Notes and accounts payable	1,015,123	1,015,123	1,015,123	-	-	-
Other payables	839,450	839,450	839,450	-	-	-
Guarantee deposits received	141,435	141,435	7,884	21,954	1,597	110,000
	<u>\$ 8,551,008</u>	<u>8,782,837</u>	<u>2,031,853</u>	<u>3,337,459</u>	<u>2,505,886</u>	<u>907,639</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>September 30, 2019</u>			<u>December 31, 2018</u>			<u>September 30, 2018</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>
<u>Financial assets</u>									
<u>Monetary items</u>									
USD	\$ 159,980	31.04	4,965,776	191,938	30.72	5,896,330	152,950	30.53	4,669,554
EUR	199	33.95	6,759	172	35.20	6,038	565	35.48	20,043
JPY	130,360	0.2878	37,518	3,014	0.2782	842	299,300	0.2692	80,570
GBP	11	38.20	420	11	38.88	428	12	39.90	479
HKD	121,089	3.96	479,271	62	3.92	241	62	3.90	240
RMB	954	4.35	4,149	8,884	4.47	39,713	22	4.44	98
			<u>\$ 5,493,893</u>			<u>5,943,592</u>			<u>4,770,984</u>
<u>Non-monetary items</u>									
USD	\$ 9,170	31.04	287,706	6,312	30.72	193,828	5,508	30.53	168,152
RMB	111,330	4.35	482,571	97,324	4.47	433,761	110,892	4.44	490,371
			<u>\$ 770,277</u>			<u>627,589</u>			<u>658,523</u>

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Notes to the Consolidated Financial Statements

	September 30, 2019			December 31, 2018			September 30, 2018		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial liabilities</u>									
<u>Monetary items</u>									
USD	\$ 36,575	31.04	1,135,303	17,126	30.72	526,123	15,746	30.53	480,722
EUR	443	33.95	15,029	509	35.20	17,922	186	35.48	6,609
JPY	356,938	0.2878	102,727	328,936	0.2782	91,510	210,708	0.2692	56,723
RMB	37	4.35	163	37	4.47	167	-	-	-
			<u>\$ 1,253,222</u>			<u>635,722</u>			<u>544,054</u>

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, long-term borrowings 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, RMB and etc. for the nine months ended September 30, 2019 and 2018 would have increased (decreased) the net profit after tax by \$178,567 thousand and \$175,804 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 nine months ended September 30, 2019 and 2018, foreign exchange gains (including realized and unrealized portions) amounted to \$62,953 thousand and \$108,244 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 \$14,428 thousand and \$10,798 thousand for the nine months ended September 30, 2019 and 2018, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

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	December 31, 2018				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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	-	-	-	-
Other non-current assets (Note)	41,799	-	-	-	-
Subtotal	<u>\$ 7,081,525</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>
September 30, 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	\$ 79,033	79,033	-	-	79,033
Funds and investment	17,385	17,385	-	-	17,385
Private fund	595,865	-	-	595,865	595,865
Subtotal	<u>\$ 692,283</u>	<u>96,418</u>	<u>-</u>	<u>595,865</u>	<u>692,283</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 1,987,776	1,987,776	-	-	1,987,776
Non-public stocks	637,947	-	-	637,947	637,947
Subtotal	<u>\$ 2,625,723</u>	<u>1,987,776</u>	<u>-</u>	<u>637,947</u>	<u>2,625,723</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 5,224,340	-	-	-	-
Financial assets measured at amortized cost (Note)	41,300	-	-	-	-
Notes and accounts receivable (Note)	1,454,717	-	-	-	-
Other receivables (Note)	142,334	-	-	-	-
Other non-current assets (Note)	41,720	-	-	-	-
Subtotal	<u>\$ 6,904,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loan (Note)	\$ 6,555,000	-	-	-	-
Notes and accounts payable (Note)	1,015,123	-	-	-	-
Other payables (Note)	839,450	-	-	-	-
Guarantee deposits received (Note)	141,435	-	-	-	-
Subtotal	<u>\$ 8,551,008</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.

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Notes to the Consolidated Financial Statements

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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.

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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 nine months ended September 30, 2019 and 2018, there was no transfer 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	(33,012)	-
Recognized in other comprehensive income	-	79,048
Purchased	98,431	-
Disposals	(91,984)	(17,273)
Capital reduction	-	(6,667)
Effect of changes in foreign exchange rates	-	567
Balance as of September 30, 2019	<u>\$ 695,840</u>	<u>620,161</u>

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	<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	(74,055)	-
Recognized in other comprehensive income	-	(17,984)
Purchased	56,942	40,000
Disposals	-	(15,837)
Effect of changes in foreign exchange rates	-	1,363
Balance as of September 30, 2018	<u>\$ 595,865</u>	<u>637,947</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 September 30, 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 September 30, 2019</u>	<u>For the three months ended September 30, 2018</u>	<u>For the nine months ended September 30, 2019</u>	<u>For the nine months ended September 30, 2018</u>
Total gains or losses				
Profit or loss (recognized as other gains and losses)	\$ 43,235	4,536	(33,012)	(74,055)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	161,472	11,520	79,048	(17,984)

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Notes to the Consolidated Financial Statements

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

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

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

Quantified information of significant unobservable inputs was as follows:

<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"> • Comparable listed companies approach 	<ul style="list-style-type: none"> • Price-book ratio (as of September 30, 2019, December 31 and September 30, 2018 was 1.22~7.14, 1.34~3.50 and 1.38~3.57, respectively) • Market liquidity discount rate (as of September 30, 2019, December 31 and September 30, 2018 was 80%, 80% and 60%~80%, respectively) 	<ul style="list-style-type: none"> • The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value
	<ul style="list-style-type: none"> • Net asset value method 	<ul style="list-style-type: none"> • Net asset value 	Not applicable
Financial assets at fair value through profit or loss – private fund	<ul style="list-style-type: none"> • Net asset value method 	<ul style="list-style-type: none"> • Net asset value 	Not applicable

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

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

	Inputs	Increase or decrease	Effects of changes in fair value on profit or loss		Effects of changes in fair value on other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
September 30, 2019						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 34,792	(34,792)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	22,281	(22,281)
"	Market liquidity discount rate	5%	-	-	22,281	(22,281)
"	Net asset value	5%	-	-	8,727	(8,727)
December 31, 2018						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 36,120	(36,120)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	20,665	(20,665)
"	Market liquidity discount rate	5%	-	-	20,665	(20,665)
"	Net asset value	5%	-	-	7,559	(7,559)
September 30, 2018						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 29,793	(29,793)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	22,351	(22,351)
"	Market liquidity discount rate	5%	-	-	22,351	(22,351)
"	Net asset value	5%	-	-	9,546	(9,546)

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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.

(ab) 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 nine months ended September 30, 2019 which compared with the consolidated financial statements Note 6(aa) for the year ended December 31, 2018.

(ac) Capital management

The Group's objective, policies and process of capital management of the consolidated financial statements for the nine months ended September 30, 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.

(ad) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows			Non-cash changes			September 30, 2019
		Proceeds from long-term debt	Repayments of long-term debt and lease liabilities	Others	Interest expense	Others	Amortization of arranger fee of syndicated loan	
Long-term borrowings	\$ 5,802,600	4,272,765	(3,556,800)	-	-	(1,945)	3,900	6,520,520
Guarantee deposit received	143,068	-	-	(14,729)	-	-	-	128,339
Lease liabilities	290,061	-	(56,420)	(1,196)	8,494	140,761	-	381,700
Total liabilities from financing activity	<u>\$ 6,235,729</u>	<u>4,272,765</u>	<u>(3,613,220)</u>	<u>(15,925)</u>	<u>8,494</u>	<u>138,816</u>	<u>3,900</u>	<u>7,030,559</u>

	January 1, 2018	Cash flows			Non-cash changes		September 30, 2018
		Proceeds from long-term debt	Repayments of long-term debt	Others	Amortization of arranger fee of syndicated loan		
Long-term borrowings	\$ 6,257,536	3,672,000	(3,374,625)	-	-	89	6,555,000
Guarantee deposit received	143,685	-	-	(2,250)	-	-	141,435
Total liabilities from financing activity	<u>\$ 6,401,221</u>	<u>3,672,000</u>	<u>(3,374,625)</u>	<u>(2,250)</u>	<u>-</u>	<u>89</u>	<u>6,696,435</u>

(Continued)

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

(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 / Chainwin Agriculture Development Co., Ltd. (Note)	Associates
Winresp INC.	Associates
Chainwin i-Management (Shanghai) Co., Ltd. Huaian Branch.	Other related parties
Chainwin i-Management (Huaian) Co., Ltd.	Other related parties
Chainwin i-Management Co., Ltd.	Other related parties
Ningbo Winresp New Materials Co., Ltd.	Other related parties
Taoyuan i-Fare Charity Foundation	Other related parties
ITEQ Corporation (Note 2)	Other related parties

Note 1: The shareholders' meeting of Jiangsu CM/Merit Agriculture Development Co., Ltd. had approved and decided to rename to Jiangsu CM/Chainwin Agriculture Development Co., Ltd. on June 20, 2019.

Note 2: In July 2019, the Company's chairman of Board of Directors has been elected as the ITEQ Corporation's chairman of Board of Directors, and therefore ITEQ Corporation has become the Group's other related parties since July 2019.

(b) Significant transactions with related parties

(i) Loans to related parties:

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

(ii) Purchases

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

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Other related parties	\$ <u><u>896</u></u>	<u><u>-</u></u>	<u><u>3,637</u></u>	<u><u>-</u></u>

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

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

(iii) Operating expenses

The amounts of operating expenses by the Group from related parties were as follows:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Other related parties	<u>\$ -</u>	<u>-</u>	<u>1,000</u>	<u>-</u>

(iv) Guarantee

For the nine months ended September 30, 2019 and 2018, Chainwin Cayman had provided a guarantee for loans amounting to US\$7,350 thousand (NT\$228,144 thousand and NT\$224,396 thousand, respectively) to its associate, Jiangsu CM / Chainwin Agriculture Development Co., Ltd.

(v) Property transactions

i) The prepayment were amounting to US\$0 thousand and US\$526 thousand (NT\$16,335 thousand) for the three months and nine months ended September 30, 2019, respectively, because Chainwin Cayman purchased intelligent farming management system from its other related parties, Chainwin i-Management Co., Ltd. for the three months and nine months ended September 30, 2019. There was no such transaction for the three months and nine months ended September 30, 2018.

ii) Chainwin Cayman purchased property, plant and equipment from its other related parties, Ningbo Winresp New Materials Co., Ltd., for the three months and nine months ended September 30, 2019, amounting to RMB\$2,066 thousand (NT\$9,322 thousand) and RMB\$3,444 thousand (NT\$15,552 thousand), respectively. There was no such transaction for the three months and nine months ended September 30, 2018.

iii) Chainwin Cayman purchased other equipment from its other related parties, Chainwin i-Management (Huaian) Co., Ltd., for the three months and nine month ended September 30, 2019, amounting to RMB\$0 thousand and RMB\$29 thousand (NT\$132 thousand), respectively. There was no such transaction for the three months and nine months ended September 30, 2018.

iv) The prepayment due to property transactions were as follows:

Account	Category	September 30, 2019	December 31, 2018	September 30, 2018
Prepayments for business facilities	Associates	<u>\$ 21,842</u>	<u>21,617</u>	<u>-</u>
Other non-current assets	Other related parties	<u>\$ 16,335</u>	<u>-</u>	<u>-</u>

(Continued)

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

v) Leases

The Group leased the office and factories to its other related party, ITEQ Corporation, and the rent income received monthly is based on the nearby office and factories rental rates. The amount of rent income is \$7,211 thousand for the three months ended September 30, 2019.

(c) Transactions with key management personnel

Key management personnel compensation was comprised as below:

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Short-term employee benefits	\$ 147,359	69,846	331,435	227,216
Post-employment benefits	206	264	616	648
	<u>\$ 147,565</u>	<u>70,110</u>	<u>332,051</u>	<u>227,864</u>

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	September 30, 2019	December 31, 2018	September 30, 2018
Other non-current assets	Bank deposits – reserve accounts	\$ 2,328	-	-
Other non-current assets	Gas deposits	4,700	4,700	4,700
Other non-current assets	Customs guarantee	20,242	20,050	20,050
Other non-current assets	Government subsidy deposits	-	4,300	4,300
Other non-current assets	Plant deposits	12,881	12,749	12,670
Property, plant and equipment	Long-term borrowings	2,707,493	2,759,181	2,792,238
Investment property	Long-term borrowings	344,103	351,631	355,395
Total		<u>\$ 3,091,747</u>	<u>3,152,611</u>	<u>3,189,353</u>

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

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

	September 30, 2019	December 31, 2018	September 30, 2018
The unrecognized amount	<u>\$ 4,530,766</u>	<u>4,726,547</u>	<u>4,132,839</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
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	September 30,	December 31,	September 30,
	2019	2018	2018
(ii) The unused letters of credit	\$ 3,398	70,543	88,059

(10) Losses due to major disasters: None.

(11) Subsequent events:

The Company resolved to subscribe the new shares contributed by its subsidiary, Phalanx Biotech Group, Inc. (abbrev. PBL), for 20,000 thousand shares with issue price \$15 per share, amounting to \$300,000 thousand in cash, as proposed in the Board of Directors' meeting held on October 29, 2019.

(12) Others:

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

	For the three months ended September 30, 2019			For the three months ended September 30, 2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	656,501	289,570	946,071	505,933	242,287	748,220
Labor and health insurance	47,245	13,722	60,967	44,113	13,173	57,286
Pension	20,796	7,220	28,016	19,968	6,850	26,818
Director remuneration	-	39,140	39,140	-	16,045	16,045
Others	33,192	12,827	46,019	15,717	4,058	19,775
Depreciation	730,110	78,578	808,688	743,931	60,639	804,570
Amortization	4,189	11,487	15,676	4,510	11,933	16,443

	For the nine months ended September 30, 2019			For the nine months ended September 30, 2018		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,754,106	773,785	2,527,891	1,554,887	677,526	2,232,413
Labor and health insurance	133,303	43,058	176,361	128,769	34,576	163,345
Pension	57,967	21,339	79,306	57,254	16,910	74,164
Director remuneration	-	63,136	63,136	-	56,610	56,610
Others	94,525	38,230	132,755	46,368	11,363	57,731
Depreciation	2,238,422	238,706	2,477,128	2,153,785	165,638	2,319,423
Amortization	13,460	35,445	48,905	13,405	33,557	46,962

(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 nine months ended September 30, 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) (Note 4)	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	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3) (Note 4)	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)										
0	The Company	Jiangsu Win Shine Agriculture Development Co., Ltd.	2	14,213,387	313,535	313,535	-	-	1.10 %	Net equity 50% =14,213,387	Y	-	Y
0	"	Jiangsu Chain Kang Yuan Agricultural Development Co., Ltd.	2	14,213,387	627,071	627,071	310,400	-	2.21 %	Net equity 50% =14,213,387	Y	-	Y
0	"	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	2	14,213,387	627,071	627,071	-	-	2.21 %	Net equity 50% =14,213,387	Y	-	Y
0	"	Jiangsu Win Yield Agriculture Development Co., Ltd.	2	14,213,387	627,071	627,071	-	-	2.21 %	Net equity 50% =14,213,387	Y	-	Y
0	"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	2	14,213,387	282,181	282,181	-	-	0.99 %	Net equity 50% =14,213,387	Y	-	N
0	"	Jiansu Merit/ CM Agriculture Development Co., Ltd.	2	14,213,387	627,071	627,071	-	-	2.21 %	Net equity 50% =14,213,387	Y	-	Y
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM / Chainwin Agriculture Development Co., Ltd. (Note 6)	6	1,277,078 (USD 41,143)	228,144 (USD 7,350)	228,144 (USD 7,350)	213,086 (USD 6,865)	-	5.36 %	Net equity 50% =2,128,463	-	-	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: WIN Semiconductors Corp.'s operating procedures of guarantee were as follows:

1. The guarantees and endorsements limit provided by WIN Semiconductors Corp. to other parties should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant. The individual guarantee amount should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

2. The guarantees and endorsements limit provided by WIN Semiconductors Corp. and its subsidiaries to other parties should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant. The individual guarantee amount should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

3. Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd., Jiangsu Chain Kang Yuan Agricultural Development Co., Jiansu Merit/ CM Agriculture Development Co., Ltd., Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd., Jiangsu Win Yield Agriculture Development Co., Ltd., and Jiangsu Win Shine Agriculture Development Co., Ltd. (collectively referred to as “the Borrower”) had been approved a total maximum credit line of US\$100,000 thousand, wherein each Borrower was limited to the maximum loans of US\$27,000 thousand, US\$60,000 thousand, US\$60,000 thousand, US\$60,000 thousand, US\$60,000 thousand, US\$60,000 thousand, US\$30,000 thousand, respectively.

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WIN Semiconductors Corp. and Its Subsidiaries

Notes to Consolidated Financial Statements

Note 4: 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.

Note 5: The aforementioned amount was translated at the exchange rate on the balance sheet date from USD to NTD and RMB to USD amounting to NTD 31.04 and USD 0.1401, respectively.

Note 6: The shareholders' meeting of Jiangsu CM/Merit Agricultural Development Co., Ltd. had approved and decided to rename to Jiangsu CM/Chainwin Agricultural Development Co., Ltd. on June 20, 2019.

(iii) Securities held as of September 30, 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	Advanced Wireless Semiconductor Company/ Stock	None	Current financial assets at fair value through profit or loss	4,314	361,945	2.98	361,945	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	"	"	662	52,298	0.27	52,298	
"	Advanced Wireless Semiconductor Company/ Stock	"	"	118	9,900	0.08	9,900	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	10,604	133,211	-	133,211	
"	Capital Money Market Fund	"	"	10,066	162,823	-	162,823	
					720,177		720,177	
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	223,676	5.81	223,676	
"	CDIB Capital Growth Partners L. P.	"	"	-	76,256	3.30	76,256	
"	Fuh Hwa Tung-ta Fund	"	"	6,526	149,371	-	149,371	
"	Fuh Hwa Oriental Fund	"	"	15,000	49,680	-	49,680	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	93,024	-	93,024	
"	LeaSun Winion L.P.	"	"	-	27,886	12.47	27,886	
"	NFC Fund II L.P.	"	"	-	64,030	19.41	64,030	
"	Foryou Venture Capital Limited Partnership	"	"	-	11,917	5.77	11,917	
					695,840		695,840	
"	ITEQ CORPORATION / Stock	"	Non-current financial assets at fair value through other comprehensive income	24,166	3,649,021	7.98	3,649,021	
"	Inventec Solar Energy Corporation / Stock	"	"	34,000	96,952	10.51	96,952	
"	MagiCap Venture Capital Co., Ltd/ Preferred Stock A	"	"	909	122,251	18.28	122,251	
"	CDIB Capital Creative Industries Limited / Stock	"	"	4,333	92,731	3.33	92,731	
"	New Future Capital Co., Ltd./ Stock	"	"	10,000	89,304	15.87	89,304	
"	Grand Fortune Venture Corp. / Stock	"	"	5,000	52,300	6.87	52,300	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./ Stock	Client	"	75	642,691	0.02	642,691	
"	Anokiwave Inc. / Series B Preferred Stock	"	"	1,264	142,722	7.93	142,722	
WIN Venture Capital Corp.	MOAI Electronics Corporation/Stock	None	"	300	-	0.92	-	
"	Merit Biotech INC./Stock	"	"	1,320	-	2.93	-	(Note)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd. / Stock	"	"	12	23,901	4.78	23,901	
					4,911,873		4,911,873	

Note: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company in 2017. As of September 30, 2019, the company is still within the period of liquidation.

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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 Company's paid-in capital:

(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	53,000	1,631,490	-	-	-	-	167,000	5,281,381 (Note)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd./ Stock	"	-	Investment through subsidiary	58,554	3,584,889	26,500	1,635,070	-	-	-	-	85,054	4,362,656 (Note)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	"	-	"	-	300,749	-	375,420	-	-	-	-	-	636,866 (Note)
"	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	"	-	"	-	959,571	-	404,180	-	-	-	-	-	1,298,362 (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:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Factory buildings	2018/10/25	617,213	As of September 30, 2019, the price paid \$518,655 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Factory buildings	2018/11/20	772,168	As of September 30, 2019, the price paid \$310,589 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None

- (vi) Information on disposal of real estate with amounts exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

- (vii) Information regarding related-parties purchases and/or sales with amounts 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	(1,297,921)	9 %	1-2 Months	-	-	-	-%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	1,297,921	100 %	1-2 Months	-	-	-	-%	(Note)

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

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WIN Semiconductors Corp. and Its Subsidiaries

Notes to Consolidated Financial Statements

- (viii) Information regarding receivables from related-parties exceeding NT\$100 million or 20% of the Company's paid-in capital: None.
- (ix) Information regarding trading in derivative financial instruments: Please refer to Note 6(b).
- (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 Note 3	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	1,297,921		8.97%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	1,297,921	"	8.97%

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 nine months ended September 30, 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 September 30, 2019			Net income (losses) of investee	Share of profits (losses) of investee	Remark
				September 30, 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 %	3,431	(7,943)	(7,943) (Note 1)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	5,135,146	3,503,656	167,000	100.00 %	5,281,381	(259,747)	(259,747) (Note 1)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	500,000	250,000	50,000	100.00 %	448,034	20,186	20,186 (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 %	318,589	(76,534)	(30,527) (Note 1)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	(133,396)	-	
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 %	46,528	(76,534)	(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 %	38,287	(21,478)	(Note 2)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30 %	62,540	(1,897)	(Note 2)	
"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd	Cayman Islands	Investment activities	5,219,959	3,584,889	85,054	96.30 %	4,362,656	(277,293)	(Note 2) (Note 1)	
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00 %	8,654	32,427	(Note 2) (Note 1)	
"	PhalanxBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00 %	(1,625)	(317)	(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.

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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 September 30, 2019	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)(Note 5)	Carrying value as of September 30, 2019 (Note 4)	Accumulated remittance of earnings in current period	Remark
					Outflow	Inflow							
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Developing hog farming technology and trading	1,363,751 (RMB 302,232)	(Note 1)	905,356 (USD 29,471)	404,180 (USD 13,000)	-	1,309,536 (USD 42,471)	(22,234) (USD 735)	96.30 %	(22,234) (USD 735)	1,298,362 (USD 41,829)	-	(Note 9)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	676,169 (USD 21,790)	(Note 1)	277,885 (USD 9,046)	375,420 (USD 12,000)	-	653,305 (USD 21,046)	4,235 (USD 134)	96.30 %	4,235 (USD 134)	636,866 (USD 20,518)	-	(Note 9)
Jiangsu CM/ Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,710,498 (USD 55,510)	(Note 1)	703,641 (USD 22,905)	248,320 (USD 8,000)	-	951,961 (USD 30,905)	(397,283) (USD 12,874)	47.19 %	(194,669) (USD 6,308)	482,571 (USD 15,547)	-	(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)	11,190 (USD 354)	87.43 %	10,160 (USD 322)	413,336 (USD 13,316)	-	(Note 9)
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 Runfu 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)	(834) (USD 27)	96.30 %	(834) (USD 27)	54,435 (USD 1,754)	-	(Note 9)
Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	155,300 (USD 5,000)	(Note 1)	-	155,300 (USD 5,000)	-	155,300 (USD 5,000)	4,708 (USD 151)	96.30 %	4,708 (USD 151)	154,911 (USD 4,991)	-	(Note 9)
Oncarray 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)	32,427 (RMB 7,348)	45.71 %	32,427 (RMB 7,348)	8,654 (RMB 1,989)	-	(Note 9)

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Investor Company Name	Accumulated Investment in Mainland China as of September 30, 2019 (Note 7)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 6)
The Company and subsidiaries	3,736,622 (USD 121,133)	4,820,796 (USD 155,309)	17,133,931

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, 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 September 30, 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 September 30, 2019.

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 US\$4,872 thousand (NT\$149,664 thousand) was included in the accumulated investment account.

Note 8: The shareholders' meeting of Jiangsu CM/Merit Agricultural Development Co., Ltd. had approved and decided to rename to Jiangsu CM/Chainwin Agricultural Development Co., Ltd. on June 20, 2019.

Note 9: 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
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- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the nine months ended September 30, 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:

<u>For the three months ended September 30, 2019</u>	<u>Foundry</u>	<u>Agriculture technology</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :					
Revenue from external customers	\$ 6,134,605	237,605	31,409	-	6,403,619
Interest expenses	\$ 8,835	7,574	104	-	16,513
Depreciation and amortization	\$ 805,129	14,369	3,906	960	824,364
Shares of losses of associates and joint ventures accounted for using equity method	\$ (303)	(6,136)	(1,400)	-	(7,839)
Reportable segment profit or loss	\$ 2,026,954	(7,604)	(6,336)	(960)	2,012,054
Assets:					
Capital expenditures in noncurrent assets	\$ 691,711	447,693	1,121	-	1,140,525
<u>For the three months ended September 30, 2018</u>	<u>Foundry</u>	<u>Agriculture technology</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :					
Revenue from external customers	\$ 3,985,495	66,353	13,775	-	4,065,623
Interest expenses	\$ 2,914	-	-	-	2,914
Depreciation and amortization	\$ 807,019	11,680	1,589	725	821,013
Shares of losses of associates and joint ventures accounted for using equity method	\$ (541)	(7,716)	(51)	-	(8,308)
Reportable segment profit or loss	\$ 525,655	(42,022)	(53,657)	(725)	429,251
Assets:					
Capital expenditures in noncurrent assets	\$ 1,523,160	34,360	1,525	-	1,559,045
<u>For the nine months ended September 30, 2019</u>	<u>Foundry</u>	<u>Agriculture technology</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :					
Revenue from external customers	\$ 13,990,921	422,286	60,881	-	14,474,088
Interest expenses	\$ 19,853	9,154	396	-	29,403
Depreciation and amortization	\$ 2,471,445	40,526	11,637	2,425	2,526,033
Shares of losses of associates and joint ventures accounted for using equity method	\$ (935)	(194,669)	2,051	-	(193,553)
Reportable segment profit or loss	\$ 3,359,771	(75,138)	(52,442)	(2,425)	3,229,766
Assets:					
Capital expenditures in noncurrent assets	\$ 2,366,156	1,350,299	3,992	-	3,720,447
<u>For the nine months ended September 30, 2018</u>	<u>Foundry</u>	<u>Agriculture technology</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue :					
Revenue from external customers	\$ 12,849,099	233,617	13,883	-	13,096,599
Interest expenses	\$ 13,570	-	-	-	13,570
Depreciation and amortization	\$ 2,332,603	30,072	1,589	2,121	2,366,385
Shares of losses of associates and joint ventures accounted for using equity method	\$ (17,372)	(31,495)	(3,614)	-	(52,481)
Reportable segment profit or loss	\$ 2,636,421	(141,702)	(76,191)	(2,121)	2,416,407
Assets:					
Capital expenditures in noncurrent assets	\$ 4,734,645	53,295	1,525	-	4,789,465

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.