

**WIN SEMICONDUCTORS CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2020 and 2019**

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

Telephone: 886-3-397-5999

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

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安侯建業聯合會計師事務所

KPMG

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

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

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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 March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2020 and 2019, 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 \$60,273 thousand and \$103,944 thousand as of March 31, 2020 and 2019, respectively; and the shares of gains (losses) of associates and joint ventures accounted for using the equity method of \$(290) thousand and \$4,692 thousand for the three months ended March 31, 2020 and 2019, respectively, were recognized solely in the financial statements prepared by these investee companies, but not reviewed by independent auditors.



Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 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 Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
May 7, 2020

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019

WIN Semiconductors Corp. and Subsidiaries
Consolidated Balance Sheets

March 31, 2020, December 31, and March 31, 2019
(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019		March 31, 2019		March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
1100 Cash and cash equivalents (Note 6(a))	\$ 4,811,948	11	5,926,473	14	4,764,970	13	193,683	-	260,426	1	108,105	-
1110 Current financial assets at fair value through profit or loss (Note 6(b))	587,370	1	506,849	1	137,395	-	1,879,229	4	1,826,214	4	1,000,671	3
1170 Notes and accounts receivable, net (Notes 6(c) and 6(w))	2,297,368	5	2,406,673	6	1,384,808	4	6,764,558	16	3,657,585	9	2,474,389	7
1310 Inventories (Note 6(e))	4,977,245	12	4,389,156	10	3,748,481	11	58,040	-	68,740	-	57,852	-
1400 Current biological assets (Note 6(f))	12,567	-	21,923	-	116,287	-	282,200	1	162,735	-	160,273	1
1470 Other current assets (Notes 6(g) and 6(m))	368,258	1	399,076	1	231,151	-	9,177,710	21	5,975,700	14	3,801,290	11
Total current assets	13,054,756	30	13,650,150	32	10,383,092	29	4,833,303	11	5,788,125	14	5,104,800	14
Non-current assets:												
1510 Non-current financial assets at fair value through profit or loss (Note 6(b))	607,248	2	565,804	1	788,338	2	3,503	-	-	-	477	-
1517 Non-current financial assets at fair value through other comprehensive income (Note 6(b))	5,213,314	12	4,556,205	11	3,553,527	9	290,438	1	308,587	1	226,801	-
1535 Non-current financial assets at amortized cost (Note 6(b))	-	-	-	-	9,000	-	227,748	1	222,158	-	228,881	1
1550 Investments accounted for using equity method (Note 6(g))	521,833	1	532,591	1	369,359	1	5,354,922	13	6,310,870	15	5,560,959	15
1600 Property, plant and equipment (Notes 6(i), 6(j) and 8)	18,198,110	43	17,866,310	43	16,138,441	45	14,532,702	34	12,286,570	29	9,362,249	26
1755 Right-of-use assets (Note 6(j))	421,062	1	442,348	1	328,396	1	4,240,564	10	4,240,564	10	4,237,944	12
1760 Investment property (Notes 6(k) and 8)	1,396,061	3	1,401,155	3	1,416,435	4	9,244,674	22	9,244,308	22	9,200,258	26
1780 Intangible assets (Note 6(l))	594,306	1	577,454	2	548,161	2	12,022,465	28	13,399,189	32	11,342,555	31
1830 Non-current biological assets (Note 6(f))	28,644	-	10,066	-	34,110	-	2,791,107	6	2,773,407	7	1,834,971	5
1840 Deferred tax assets	259,830	1	235,826	1	180,184	-	28,298,810	66	29,657,468	71	26,615,728	74
1915 Prepayments for business facilities (Note 7)	2,517,796	6	2,137,914	5	2,447,288	7	164,486	-	182,064	-	159,344	-
1990 Other non-current assets (Notes 6(m), 7 and 8)	183,038	-	150,279	-	140,990	-	28,463,296	66	29,839,532	71	26,775,072	74
Total non-current assets	29,941,242	70	28,475,952	68	25,754,229	71	42,995,998	100	42,126,102	100	36,137,321	100
Total assets	\$ 42,995,998	100	\$ 42,126,102	100	\$ 36,137,321	100						
Liabilities and Equity												
Current liabilities:												
2130 Current contract liabilities (Note 6(w))												
2170 Notes and accounts payable (Note 7)												
2200 Other payables (Notes 6(t) and 6(x))												
2280 Current lease liabilities (Notes 6(p) and 6(ac))												
2399 Other current liabilities (Note 6(ac))												
Total current liabilities												
Non-current liabilities:												
2540 Long-term borrowings (Notes 6(o), 6(ac) and 8)												
2570 Deferred tax liabilities												
2580 Non-current lease liabilities (Notes 6(p) and 6(ac))												
2600 Other non-current liabilities (Note 6(ac))												
Total non-current liabilities												
Total liabilities												
Equity (Notes 6(h), 6(t) and 6(u)):												
3110 Ordinary shares												
3200 Capital surplus												
3300 Retained earnings												
3400 Other equity interests												
Total equity attributable to owners of parent												
36XX Non-controlling interests												
Total equity												
Total liabilities and equity												

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(w))	\$ 6,071,022	100	3,619,289	100
5000	Operating costs (Notes 6(e), 6(f), 6(g), 6(i), 6(j), 6(p), 6(r), 6(u), 6(x), 7 and 12)	<u>(3,459,525)</u>	<u>(57)</u>	<u>(2,716,054)</u>	<u>(75)</u>
	Gross profit from operating	<u>2,611,497</u>	<u>43</u>	<u>903,235</u>	<u>25</u>
	Operating expenses (Notes 6(c), 6(l), 6(j), 6(p), 6(r), 6(u), 6(x), 7 and 12):				
6100	Selling expenses	(85,008)	(1)	(74,775)	(2)
6200	Administrative expenses	(309,089)	(5)	(244,742)	(7)
6300	Research and development expenses	(278,662)	(5)	(282,228)	(8)
6450	Losses on expected credit impairment	(402)	-	(1,418)	-
	Total operating expenses	<u>(673,161)</u>	<u>(11)</u>	<u>(603,163)</u>	<u>(17)</u>
	Net operating income	<u>1,938,336</u>	<u>32</u>	<u>300,072</u>	<u>8</u>
	Non-operating income and expenses (Notes 6(b), 6(g), 6(i), 6(p), 6(y) and 7):				
7010	Other income	35,677	-	44,625	1
7020	Other gains and losses	15,127	-	33,437	1
7050	Finance costs	(18,975)	-	(6,841)	-
7770	Shares of losses of associates and joint ventures accounted for using equity method	(5,666)	-	(178,848)	(5)
	Total non-operating income and expenses	<u>26,163</u>	<u>-</u>	<u>(107,607)</u>	<u>(3)</u>
7900	Profit before tax	1,964,499	32	192,465	5
7950	Tax expense (Note 6(s))	<u>(389,365)</u>	<u>(6)</u>	<u>(41,719)</u>	<u>(1)</u>
	Profit	<u>1,575,134</u>	<u>26</u>	<u>150,746</u>	<u>4</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (Note 6(t))				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	22,180	-	997,105	28
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>22,180</u>	<u>-</u>	<u>997,105</u>	<u>28</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss (Notes 6(g) and 6(t))				
8361	Exchange differences on translation of foreign financial statements	(15,580)	-	53,411	1
8370	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(9,387)	-	8,618	-
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>(24,967)</u>	<u>-</u>	<u>62,029</u>	<u>1</u>
8300	Other comprehensive income, net	<u>(2,787)</u>	<u>-</u>	<u>1,059,134</u>	<u>29</u>
8500	Total comprehensive income	<u>\$ 1,572,347</u>	<u>26</u>	<u>1,209,880</u>	<u>33</u>
	Profit (loss) attributable to:				
8610	Profit attributable to owners of parent	\$ 1,590,895	26	174,231	5
8620	Profit (losses) attributable to non-controlling interests	(15,761)	-	(23,485)	(1)
		<u>\$ 1,575,134</u>	<u>26</u>	<u>150,746</u>	<u>4</u>
	Comprehensive income (loss) attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 1,590,180	26	1,230,707	34
8720	Comprehensive income (loss), attributable to non-controlling interests	(17,833)	-	(20,827)	(1)
		<u>\$ 1,572,347</u>	<u>26</u>	<u>1,209,880</u>	<u>33</u>
	Earnings per common share (expressed in New Taiwan dollars) (Note 6(v))				
9750	Basic earnings per share	<u>\$ 3.76</u>		<u>0.41</u>	
9850	Diluted earnings per share	<u>\$ 3.74</u>		<u>0.41</u>	

See accompanying notes to consolidated financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees	Total other equity interest	Total equity attributable to owners of parent			
Balance at January 1, 2019	\$ 4,238,144	9,199,357	1,755,814	9,422,510	11,178,324	(36,200)	958,290	(158,308)	763,882	25,379,707	224,678	25,604,385	
Profit (losses) for the three months ended March 31, 2019	-	-	-	174,231	174,231	-	997,105	-	1,056,476	1,74,231	(23,485)	150,746	
Other comprehensive income for the three months ended March 31, 2019	-	-	-	174,231	174,231	59,371	997,105	-	1,056,476	1,056,476	2,658	1,059,134	
Total comprehensive income for the three months ended March 31, 2019	-	-	-	174,231	174,231	59,371	997,105	-	1,056,476	1,230,707	(20,827)	1,209,880	
Change in ownership interest in subsidiaries	-	-	-	(10,000)	(10,000)	-	-	-	-	(10,000)	-	(10,000)	
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	-	-	-	
Purchase and retirement of restricted shares of stock for employees	(200)	200	-	-	-	-	-	-	14,613	14,613	-	14,613	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	
Stock option compensation cost of subsidiary	-	701	-	-	-	-	-	-	-	-	(45,339)	(45,339)	
Balance at March 31, 2019	\$ 4,237,944	9,200,258	1,755,814	9,586,741	11,342,555	23,171	1,955,495	(143,695)	1,834,971	26,615,728	832	1,833	
Balance at January 1, 2020	\$ 4,240,564	9,244,308	2,068,260	11,330,929	13,399,189	(179,450)	3,089,886	(137,029)	2,773,407	29,657,468	182,064	29,839,532	
Appropriation and distribution of retained earnings:	-	-	-	-	-	-	-	-	-	-	-	-	
Cash dividends of ordinary shares	-	-	-	(2,968,394)	(2,968,394)	-	-	-	-	(2,968,394)	-	(2,968,394)	
Profit (losses) for the three months ended March 31, 2020	-	-	-	1,590,895	1,590,895	-	-	-	-	1,590,895	(15,761)	1,575,134	
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	(22,895)	22,180	-	(715)	(715)	(2,072)	(2,787)	
Total comprehensive income for the three months ended March 31, 2020	-	-	-	1,590,895	1,590,895	(22,895)	22,180	-	(715)	1,590,180	(17,833)	1,572,347	
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	775	775	-	-	-	18,415	18,415	-	18,415	
Stock option compensation cost of subsidiary	-	366	-	-	-	-	-	-	-	-	-	-	
Balance at March 31, 2020	\$ 4,240,564	9,244,674	2,068,260	9,954,205	12,022,465	(202,345)	3,112,066	(118,614)	2,791,107	28,298,810	255	28,463,296	

See accompanying notes to consolidated financial statements.

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

WIN Semiconductors Corp. and Subsidiaries
Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,964,499	192,465
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	841,031	826,516
Amortization expense	22,516	16,614
Losses on expected credit impairment	402	1,418
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	74,391	(45,012)
Interest expense	18,975	6,841
Interest income	(13,889)	(16,029)
Dividend income	(9,875)	(6,131)
Share-based payments	19,811	16,146
Shares of losses of associates and joint ventures accounted for using equity method	5,956	173,844
Losses on disposal of property, plant and equipment	1,405	803
Losses (gains) on disposal of investments	(738)	25,664
Prepayments for business facilities transferred to expenses	235	-
Changes in biological assets at fair value	-	(52)
Unrealized foreign exchange losses	25,476	-
Total adjustments to reconcile profit (loss)	985,696	1,000,622
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	(24,578)	900
Decrease in notes and accounts receivable	108,942	36,165
Decrease (increase) in inventories	(586,663)	155,483
Increase in biological assets	(10,646)	(15,846)
Decrease in other current assets	31,025	84,387
Total changes in operating assets	(481,920)	261,089
Changes in operating liabilities:		
Decrease in contract liabilities	(66,743)	(4,589)
Increase (decrease) in notes and accounts payable	53,015	(92,403)
Decrease in other payables	(499,643)	(404,636)
Increase in other current liabilities	121,879	18,050
Increase in other non-current liabilities	421	834
Total changes in operating liabilities	(391,071)	(482,744)
Total changes in operating assets and liabilities	(872,991)	(221,655)
Cash inflow generated from operations	2,077,204	971,432
Dividends received	7,351	-
Income taxes paid	(1,239)	(898)
Net cash flows from operating activities	2,083,316	970,534
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(640,872)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,667	-
Proceeds from disposal of financial assets at amortized cost	-	20,900
Acquisition of financial assets at fair value through profit or loss	(168,516)	(55,951)
Proceeds from disposal of financial assets at fair value through profit or loss	-	60,284
Acquisition of property, plant and equipment	(848,276)	(744,258)
Proceeds from disposal of property, plant and equipment	7	4,025
Acquisition of intangible assets	(48,659)	(17,293)
Net cash outflows from business combination	-	(138,256)
Increase in other non-current assets	(32,759)	(49,009)
Increase in prepayments for business facilities	(474,190)	(75,974)
Interest received	13,683	17,074
Dividends received	-	6,131
Net cash flows used in investing activities	(2,192,915)	(972,327)
Cash flows from (used in) financing activities:		
Proceeds from long-term debt	1,664,922	2,197,000
Repayments of long-term debt	(2,632,500)	(2,894,800)
Repayments of lease liabilities	(21,600)	(11,797)
Increase (decrease) in other non-current liabilities	2,755	(6,950)
Interest paid	(7,850)	(5,019)
Net cash flows used in financing activities	(994,273)	(721,566)
Effect of exchange rate changes on cash and cash equivalents	(10,653)	26,156
Net decrease in cash and cash equivalents	(1,114,525)	(697,203)
Cash and cash equivalents at beginning of period	5,926,473	5,462,173
Cash and cash equivalents at end of period	\$ 4,811,948	4,764,970

See accompanying notes to consolidated financial statements.

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

WIN Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements
For the three months ended March 31, 2020 and 2019
(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 were reported to the Board of Directors as of May 7, 2020.

(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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS 7 “Interest Rate Benchmark Reform”	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.

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

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

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

These which may be relevant to the Group is set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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, 2019. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2019.

(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
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %	100.00 %	
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Investment activities	100.00 %	100.00 %	100.00 %	(Note 1)
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	54.48 %	54.48 %	39.89 %	(Note 2)
The Company	WIN Earn Investment Corp.	Investment activities	100.00 %	100.00 %	-	
The Company	WIN Chance Investment Corp.	Investment activities	100.00 %	100.00 %	-	
WVC	Phalanx Biotech Group, Inc.	Researching, manufacturing and selling of high-density gene chips and testing service	4.39 %	4.39 %	5.82 %	(Note 2)
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman)	Investment activities	96.30 %	96.30 %	96.10 %	(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	100.00 %	100.00 %	90.79 %	(Note 2)
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed development and trading	100.00 %	100.00 %	100.00 %	
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 %	100.00 %	-	(Note 4)
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 principal activity of Win Cayman has been changed from selling of GaAs wafers to investment activities since January 1, 2020.

Note 2: For the related information of the shareholding percentage change, please refer to Note 6(h) of consolidated financial statements for the year ended December 31, 2019.

Note 3: For the related information of the shareholding percentage change, please refer to Note 6(h) for the further information.

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

Note 5: The aforementioned subsidiaries were recognized based on the reviewed financial statements by the certified public accountant.

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

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with 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.

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

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, and be recognized directly in equity or other comprehensive income as tax expense.

(d) 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.

(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, 2019. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2019.

(6) Explanation of significant accounts:

Except for the following disclosure, the significant account disclosure in the consolidated financial statements for the three months ended March 31, 2020, which compare with the consolidated financial statements for the year ended December 31, 2019, was not changed significantly. For the related information, please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Cash on hand	\$ 498	500	525
Cash in bank	4,396,244	5,681,365	4,520,265
Time deposits	<u>415,206</u>	<u>244,608</u>	<u>244,180</u>
	<u>\$ 4,811,948</u>	<u>5,926,473</u>	<u>4,764,970</u>

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

(Continued)

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

(b) Financial instruments

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Mandatorily measured at FVTPL:			
Derivative instruments not used for hedging			
Foreign currency forward contracts	\$ 49	-	-
Non-derivative financial assets			
Stock listed on domestic markets	465,775	206,359	101,652
Private fund (Note)	607,248	565,804	788,338
Equity funds, bond funds and money market funds	<u>121,546</u>	<u>300,490</u>	<u>35,743</u>
Total	<u>\$ 1,194,618</u>	<u>1,072,653</u>	<u>925,733</u>
Current	\$ 587,370	506,849	137,395
Non-current	<u>607,248</u>	<u>565,804</u>	<u>788,338</u>
	<u>\$ 1,194,618</u>	<u>1,072,653</u>	<u>925,733</u>

Note: As of March 31, 2020, December 31 and March 31, 2019, part of the private fund is during the lock-up period.

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:

	<u>March 31, 2020</u>		
	<u>Amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward exchange contracts	<u>JPY\$351,000</u>	JPY to NTD	2020/4/9

For the three months ended March 31, 2020, the gains on derivative settlement, amounting to \$2,890 thousand, were recognized as other gains and losses. There was no transaction for the three months ended March 31, 2019.

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

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

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

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Stocks listed on domestic markets	\$ 4,071,191	3,145,387	2,141,474
Stocks listed on US markets	537,565	710,571	695,091
Non-public stocks	<u>604,558</u>	<u>700,247</u>	<u>516,962</u>
	<u>\$ 5,213,314</u>	<u>4,556,205</u>	<u>3,353,527</u>

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

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

	<u>Issue period</u>	<u>Nominal</u> <u>rate (%)</u>	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Preferred stock B	2012.11.23~2019.11.22	-	<u>\$ -</u>	<u>-</u>	<u>9,000</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>For the three months ended</u> <u>March 31, 2020</u>		<u>For the three months ended</u> <u>March 31, 2019</u>	
	<u>After-tax other</u> <u>comprehensive</u> <u>income</u>	<u>After-tax</u> <u>profit (loss)</u>	<u>After-tax other</u> <u>comprehensive</u> <u>income</u>	<u>After-tax</u> <u>profit (loss)</u>
<u>Prices of securities at</u> <u>the reporting date</u>				
Increasing 3%	<u>\$ 156,399</u>	<u>13,973</u>	<u>100,606</u>	<u>3,050</u>
Decreasing 3%	<u>\$ (156,399)</u>	<u>(13,973)</u>	<u>(100,606)</u>	<u>(3,050)</u>

- (v) As of March 31, 2020, December 31 and March 31, 2019, the financial assets were not pledged. For information on the Group's credit risk and market risk was disclosed in Note 6(z).

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

(c) Notes and accounts receivable, net

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 648	684	631
Accounts receivable	2,301,409	2,410,333	1,387,937
Less: loss allowance	(4,689)	(4,344)	(3,760)
	<u>\$ 2,297,368</u>	<u>2,406,673</u>	<u>1,384,808</u>

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

The loss allowance provision was determined as follows:

(i) The segment of foundry and agriculture technology:

	March 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,001,783	0%	-
Past due 1~60 days	287,693	0%	-
Past due 61~120 days	3,754	0%	-
Past due 121~180 days	-	21.28%~36.46%	-
Past due more than 181 days	-	100%	-
	<u>\$ 2,293,230</u>		<u>-</u>
	December 31, 2019		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,133,319	0%	-
Past due 1~60 days	266,022	0%	-
Past due 61~120 days	2,583	0%	-
Past due 121~180 days	-	21.28%~36.46%	-
Past due more than 181 days	-	100%	-
	<u>\$ 2,401,924</u>		<u>-</u>

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

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

(ii) The segment of gene chip testing service:

	March 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,948	0.68%~12.17%	16
Past due 1~60 days	1,019	6.02%~49.84%	237
Past due 61~120 days	252	11.61%~60.76%	111
Past due 121~180 days	756	42.42%~80.56%	473
Past due more than 181 days	3,852	100%	3,852
	<u>\$ 8,827</u>		<u>4,689</u>

	December 31, 2019		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 3,264	0.64%~11.55%	87
Past due 1~60 days	1,719	5.30%~43.87%	291
Past due 61~120 days	171	10.96%~49.43%	74
Past due 121~180 days	151	38.09%~74.36%	104
Past due more than 181 days	3,788	100%	3,788
	<u>\$ 9,093</u>		<u>4,344</u>

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

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

The movements of loss allowance were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Beginning balance	\$ 4,344	2,317
Impairment loss recognized, net	402	1,418
Amount written off	(18)	-
Effect of changes in foreign exchange rates	(39)	25
Ending balance	<u>\$ 4,689</u>	<u>3,760</u>

As of March 31, 2020, December 31 and March 31, 2019, the notes and accounts receivable were not discounted and pledged.

(d) Other receivables (recognized as other current assets)

	March 31, 2020	December 31, 2019	March 31, 2019
Other receivables	\$ 33,045	50,517	34,335
Less: loss allowance	-	-	-
	<u>\$ 33,045</u>	<u>50,517</u>	<u>34,335</u>

As of March 31, 2020, December 31 and March 31, 2019, other receivables were not past due nor impaired.

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

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

(e) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials, supplies and spare parts	\$ 3,119,838	2,881,948	2,702,084
Work in process	1,111,464	1,130,127	618,570
Finished goods	<u>745,943</u>	<u>377,081</u>	<u>427,827</u>
	<u>\$ 4,977,245</u>	<u>4,389,156</u>	<u>3,748,481</u>

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

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Losses on valuation of inventories and obsolescence	\$ <u>90,121</u>	<u>31,833</u>
Unallocated overheads	\$ <u>-</u>	<u>67,129</u>
Scraps income	\$ <u>(6,784)</u>	<u>(6,283)</u>
Gains on physical inventory count	\$ <u>(3)</u>	<u>(10)</u>

As of March 31, 2020, December 31 and March 31, 2019, the inventories were not pledged.

(f) Biological assets

(i) List of biological assets:

	March 31, 2020	December 31, 2019	March 31, 2019
Consumable biological assets	\$ <u>12,567</u>	<u>21,923</u>	<u>116,287</u>
Bearer biological assets	\$ <u>28,644</u>	<u>10,066</u>	<u>34,110</u>

(Continued)

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

(ii) Change in biological assets:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Beginning balance	\$ 31,989	134,348
Input costs	24,774	106,421
Depreciation expenses	(954)	(3,119)
Decrease due to sales and disposals	(14,128)	(90,575)
Changes in fair value less costs to sell due to price changes	-	52
Effect of changes in foreign exchange rates	<u>(470)</u>	<u>3,270</u>
Ending balance	<u>\$ 41,211</u>	<u>150,397</u>
Current	\$ 12,567	116,287
Non-current	<u>28,644</u>	<u>34,110</u>
	<u>\$ 41,211</u>	<u>150,397</u>

For the three months ended March 31, 2020 and 2019, the gains of \$0 thousand and \$52 thousand, respectively, were 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		
	March 31, 2020	December 31, 2019	March 31, 2019
Farrows, hogs and breeders	<u>3,993</u>	<u>4,029</u>	<u>31,871</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, 2019.

(v) As of March 31, 2020, December 31 and March 31, 2019, 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Associates	\$ <u>521,833</u>	<u>532,591</u>	<u>369,359</u>

(i) Associates

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		
			March 31, 2020	December 31, 2019	March 31, 2019
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.:

	March 31, 2020	December 31, 2019	March 31, 2019
Current assets	\$ 408,743	455,271	95,543
Non-current assets	1,246,501	1,274,357	1,259,399
Current liabilities	(427,188)	(475,061)	(348,354)
Non-current liabilities	<u>(282,973)</u>	<u>(287,127)</u>	<u>(461,739)</u>
Net assets	\$ <u>945,083</u>	<u>967,440</u>	<u>544,849</u>
Net assets attributable to non-controlling interests	\$ <u>461,560</u>	<u>472,528</u>	<u>265,415</u>

(Continued)

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

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Operating revenue	\$ <u>561</u>	<u>85,060</u>
Losses from continuing operations	\$ (11,564)	(364,360)
Other comprehensive income	-	-
Total comprehensive income	\$ <u>(11,564)</u>	<u>(364,360)</u>
	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Shares of net assets of affiliates at the beginning	\$ 472,528	433,761
Losses attributable to the Group	(5,666)	(178,536)
Exchange differences on translation of foreign financial statements attributable to the Group	<u>(9,387)</u>	<u>8,618</u>
Shares of net assets of affiliates at the end	457,475	263,843
Add: effect of changes in foreign exchange rates	<u>4,085</u>	<u>1,572</u>
Carrying amount of equity of affiliate attributable to the Group	\$ <u>461,560</u>	<u>265,415</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:

	March 31, 2020	December 31, 2019	March 31, 2019
Total equity of the individually insignificant investments in associates	\$ <u>60,273</u>	<u>60,063</u>	<u>103,944</u>
		For the three months ended March 31, 2020	For the three months ended March 31, 2019
Attributable to the Group:			
Profit (losses)		\$ (290)	4,692
Other comprehensive income		-	-
Total comprehensive income		\$ <u>(290)</u>	<u>4,692</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
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(ii) Pledge to secure

As of March 31, 2020, December 31 and March 31, 2019, the investments accounted for using equity method were not pledged.

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

In the first quarter of 2020 and 2019, 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

Chainwin Cayman

On January 11, 2019, the Group subscribed the new shares contributed by Chainwin Cayman for \$1,352,560 thousand in cash. Therefore, for the three months ended March 31, 2019, the Group increased its ownership from 94.71% to 96.10%. For the three months ended March 31, 2020, there was no such transaction.

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

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

(i) Property, plant and equipment

The movements in property, plant and equipment were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress and inspection- awaited devices	Total
Cost:							
Balance as of January 1, 2020	\$ 2,546,534	2,440,170	21,000,682	5,717,323	537,768	2,224,358	34,466,835
Additions	-	-	145,259	46,977	42,638	596,138	831,012
Reclassification (Note 1)	-	-	328,196	63,688	20,740	(62,528)	350,096
Disposals	-	(100)	(328,961)	(5,138)	(84,285)	-	(418,484)
Effect of changes in foreign exchange rates	-	(621)	(71)	(505)	(583)	(29,189)	(30,969)
Balance as of March 31, 2020	<u>\$ 2,546,534</u>	<u>2,439,449</u>	<u>21,145,105</u>	<u>5,822,345</u>	<u>516,278</u>	<u>2,728,779</u>	<u>35,198,490</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Factory and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and inspection-awaited devices</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 2,546,534	2,188,435	20,141,998	4,241,965	507,810	1,745,695	31,372,437
Additions	-	126	71,364	20,662	19,871	854,870	966,893
Reclassification (Note 2)	-	-	382,139	7,395	8,205	(6,024)	391,715
Disposals	-	-	(2,001,287)	(37,812)	(54,074)	-	(2,093,173)
Effect of changes in foreign exchange rates	-	1,344	176	926	1,027	14,574	18,047
Balance as of March 31, 2019	<u>\$ 2,546,534</u>	<u>2,189,905</u>	<u>18,594,390</u>	<u>4,233,136</u>	<u>482,839</u>	<u>2,609,115</u>	<u>30,655,919</u>
Accumulated depreciation:							
Balance as of January 1, 2020	\$ -	799,279	12,925,067	2,576,431	299,748	-	16,600,525
Depreciation	-	31,495	629,777	118,658	37,583	-	817,513
Disposals	-	(64)	(327,584)	(5,139)	(84,285)	-	(417,072)
Effect of changes in foreign exchange rates	-	(138)	(32)	(202)	(214)	-	(586)
Balance as of March 31, 2020	<u>\$ -</u>	<u>830,572</u>	<u>13,227,228</u>	<u>2,689,748</u>	<u>252,832</u>	<u>-</u>	<u>17,000,380</u>
Balance as of January 1, 2019	\$ -	689,336	12,637,886	2,240,384	236,579	-	15,804,185
Depreciation	-	26,644	638,036	103,063	36,868	-	804,611
Disposals	-	-	(2,000,622)	(37,812)	(53,746)	-	(2,092,180)
Effect of changes in foreign exchange rates	-	172	50	312	328	-	862
Balance as of March 31, 2019	<u>\$ -</u>	<u>716,152</u>	<u>11,275,350</u>	<u>2,305,947</u>	<u>220,029</u>	<u>-</u>	<u>14,517,478</u>
Carrying value:							
Balance as of January 1, 2020	<u>\$ 2,546,534</u>	<u>1,640,891</u>	<u>8,075,615</u>	<u>3,140,892</u>	<u>238,020</u>	<u>2,224,358</u>	<u>17,866,310</u>
Balance as of March 31, 2020	<u>\$ 2,546,534</u>	<u>1,608,877</u>	<u>7,917,877</u>	<u>3,132,597</u>	<u>263,446</u>	<u>2,728,779</u>	<u>18,198,110</u>
Balance as of January 1, 2019	<u>\$ 2,546,534</u>	<u>1,499,099</u>	<u>7,504,112</u>	<u>2,001,581</u>	<u>271,231</u>	<u>1,745,695</u>	<u>15,568,252</u>
Balance as of March 31, 2019	<u>\$ 2,546,534</u>	<u>1,473,753</u>	<u>7,319,040</u>	<u>1,927,189</u>	<u>262,810</u>	<u>2,609,115</u>	<u>16,138,441</u>

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, and capitalized right-of-use depreciation expenses were reclassified as property, plant and equipment.

(i) Pledge to secure

As of March 31, 2020, December 31 and March 31, 2019, 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. For the three months ended March 31, 2020, the Group has constructed factories amounting to \$389,294 thousand, and has recognized as construction in progress. As of March 31, 2020, the total amount of the construction is \$2,222,312 thousand, and is recognized as construction in progress.

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

(iii) For the three months ended March 31, 2020 and 2019, capitalized interest expenses amounted to \$10,654 thousand and \$11,046 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.04%~2.88% and 1.11%~1.34%, respectively.

(j) Right-of-use assets

The movements in right-of-use assets were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2020	\$ 391,749	103,892	11,025	506,666
Additions	-	-	1,297	1,297
Disposals	(46)	-	-	(46)
Effect of change in foreign exchange rates	(4,152)	-	-	(4,152)
Balance at March 31, 2020	<u>\$ 387,551</u>	<u>103,892</u>	<u>12,322</u>	<u>503,765</u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application for IFRS 16	243,163	86,773	7,880	337,816
Additions	-	433	-	433
Effect of change in foreign exchange rates	5,221	-	-	5,221
Balance at March 31, 2019	<u>\$ 248,384</u>	<u>87,206</u>	<u>7,880</u>	<u>343,470</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 24,602	35,729	3,987	64,318
Depreciation (Note 1)	7,817	9,516	1,297	18,630
Effect of change in foreign exchange rates	(245)	-	-	(245)
Balance at March 31, 2020	<u>\$ 32,174</u>	<u>45,245</u>	<u>5,284</u>	<u>82,703</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation (Note 2)	5,397	8,747	920	15,064
Effect of change in foreign exchange rates	10	-	-	10
Balance at March 31, 2019	<u>\$ 5,407</u>	<u>8,747</u>	<u>920</u>	<u>15,074</u>
Carrying amount:				
Balance at January 1, 2020	<u>\$ 367,147</u>	<u>68,163</u>	<u>7,038</u>	<u>442,348</u>
Balance at March 31, 2020	<u>\$ 355,377</u>	<u>58,647</u>	<u>7,038</u>	<u>421,062</u>
Balance at January 1, 2019	\$ -	-	-	-
Balance at March 31, 2019	<u>\$ 242,977</u>	<u>78,459</u>	<u>6,960</u>	<u>328,396</u>

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Win Semiconductors Corp. and Subsidiaries
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Note 1: Including capitalized depreciation expenses transferred to construction in progress, which amounted to \$1,160 thousand.

Note 2: Including capitalized depreciation expenses transferred to construction in progress, which amounted to \$1,371 thousand.

(k) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Carrying amount:			
Balance as of January 1, 2020	\$ <u>963,127</u>	<u>438,028</u>	<u>1,401,155</u>
Balance as of March 31, 2020	\$ <u>963,127</u>	<u>432,934</u>	<u>1,396,061</u>
Balance as of January 1, 2019	\$ <u>963,127</u>	<u>458,401</u>	<u>1,421,528</u>
Balance as of March 31, 2019	\$ <u>963,127</u>	<u>453,308</u>	<u>1,416,435</u>
Fair value:			
Balance as of January 1, 2020			\$ <u>1,578,738</u>
Balance as of March 31, 2020			\$ <u>1,567,356</u>
Balance as of March 31, 2019			\$ <u>1,623,827</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of investment property for the three months ended March 31, 2020 and 2019. Information on depreciation for the period is discussed in Note 12(a). Please refer to Note 6(l) of the 2019 consolidated financial statements for other related information.

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

As of March 31, 2020, December 31 and March 31, 2019, the yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Hsinchu	0.32%	0.31%	0.24%
Taoyuan	0.43%	0.34%	1.39%

As of March 31, 2020, December 31 and March 31, 2019, investment property was 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.

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

(l) Intangible assets

	Technical know-how	Computer software and information systems	Goodwill	Land use rights	Others	Total
Carrying value:						
Balance as of January 1, 2020	\$ 13,436	113,831	443,002	-	7,185	577,454
Balance as of March 31, 2020	\$ 12,252	132,156	444,038	-	5,860	594,306
Balance as of January 1, 2019	\$ 14,696	80,989	446,068	31,914	13,286	586,953
Balance as of March 31, 2019	\$ 13,738	76,395	446,482	-	11,546	548,161

There were no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2020 and 2019. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(m) of the 2019 consolidated financial statements for other related information.

As of March 31, 2020, December 31 and March 31, 2019, the intangible assets were not pledged.

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

	March 31, 2020	December 31, 2019	March 31, 2019
Other receivables from metal recycling	\$ -	16,489	22,565
Business tax refund receivables	127,213	148,896	71,292
Prepaid expenses	73,290	110,080	65,943
Restricted assets	43,684	41,580	41,840
Refundable deposits	59,875	51,358	44,250
Other receivables	33,045	34,028	11,770
Long-term prepaid intangible assets	73,950	51,813	49,372
Offset against business tax payable and input taxes	105,505	80,273	44,510
Others	34,734	14,838	20,599
	<u>\$ 551,296</u>	<u>549,355</u>	<u>372,141</u>

(n) Short-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Unused bank credit lines for short-term borrowings	\$ 1,269,775	1,153,882	1,929,836
Unused bank credit lines for short-term and long-term borrowings	\$ 3,265,060	3,276,609	4,278,650

(Continued)

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

(o) Long-term borrowings

	March 31, 2020	December 31, 2019	March 31, 2019
Secured long-term borrowings (in NTD)	\$ 750,000	1,620,000	2,062,800
Secured long-term syndicated borrowings (in USD)	959,803	562,125	-
Unsecured long-term borrowings (in NTD)	3,123,500	3,606,000	3,042,000
Less: long-term liabilities, current portion	-	-	-
Total	<u>\$ 4,833,303</u>	<u>5,788,125</u>	<u>5,104,800</u>
Unused bank credit lines for long-term borrowings	<u>\$ 17,548,180</u>	<u>9,221,400</u>	<u>4,920,000</u>
Annual interest rate	<u>0.35%~1.43%</u>	<u>0.98%~2.88%</u>	<u>1.08%~1.37%</u>
Expiry date	<u>2021/6/27~2025/8/16</u>	<u>2021/6/15~2025/8/16</u>	<u>2020/8/31~2025/8/16</u>

As of March 31, 2020, the remaining balances of the borrowing due were as follows:

Year due	Amount
April 1, 2021~March 31, 2022	\$ 210,000
April 1, 2022~March 31, 2023	2,730,803
April 1, 2023 and after	1,892,500
	<u>\$ 4,833,303</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in Note 6(n).
- (ii) The collateral for these long-term borrowings was disclosed in Note 8.
- (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\$200,000 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.

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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.

For the year ended December 31, 2019, the Group was in compliance with the above financial covenants and restrictions.

(p) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>	<u>March 31,</u> <u>2019</u>
Current	\$ <u>58,040</u>	<u>68,740</u>	<u>57,852</u>
Non-current	\$ <u>290,438</u>	<u>300,587</u>	<u>226,801</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three</u> <u>months ended</u> <u>March 31, 2020</u>	<u>For the three</u> <u>months ended</u> <u>March 31, 2019</u>
Interest expenses on lease liabilities	\$ <u>2,314</u>	<u>1,153</u>
Expenses relating to short-term leases	\$ <u>2,392</u>	<u>3,597</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>323</u>	<u>321</u>

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

	<u>For the three</u> <u>months ended</u> <u>March 31, 2020</u>	<u>For the three</u> <u>months ended</u> <u>March 31, 2019</u>
Total cash outflow for leases	\$ <u>24,906</u>	<u>16,244</u>

(i) Real estate and buildings leases

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 2 to 6 years.

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

(iii) Others

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

(q) Operating lease

There were no significant changes in operating lease for the three months ended March 31, 2020 and 2019. Please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

(r) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2019 and 2018.

The Group's expenses recognized in profit or loss were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Operating costs	\$ -	-
Operating expenses	<u>467</u>	<u>903</u>
	<u>\$ 467</u>	<u>903</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Operating costs	\$ 21,771	17,980
Operating expenses	<u>5,505</u>	<u>5,487</u>
	<u>\$ 27,276</u>	<u>23,467</u>

(Continued)

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

- (iii) The Group's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the three months ended March 31, 2020 and 2019, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$495 thousand and \$1,142 thousand, respectively.

(s) Income tax

(i) Income tax expense

The amount of income tax expense was as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Income tax expense	<u>\$ 389,365</u>	<u>41,719</u>

- (ii) There was no income tax expense recognized in other comprehensive income for the three months ended March 31, 2020 and 2019.

(iii) Assessment

The Company's corporate income tax returns for all the years through 2018 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

(t) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2019.

(i) Capital surplus

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

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 9,031,035	9,031,035	9,031,035
Changes in equity of associates and joint ventures accounted for using equity method	-	-	635
Employee stock options	1,818	1,452	4,511
Restricted shares of stock issued for employees	<u>211,821</u>	<u>211,821</u>	<u>164,077</u>
	<u>\$ 9,244,674</u>	<u>9,244,308</u>	<u>9,200,258</u>

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

(ii) 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 Company 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.

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 earning for 2019 had been approved in the meeting of Board of Directors held on March 18, 2020 and the appropriations of earning for 2018 had been approved in shareholders' meetings held on June 14, 2019. The appropriations and dividends were as follows:

	<u>2019</u>	<u>2018</u>
Cash dividends	\$ 2,968,394	2,118,972

The above-mentioned appropriations of earning for 2018 was 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.

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

(iii) 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, 2020	\$ (179,450)	3,089,886	(137,029)
Foreign currency differences (net of tax):			
The Group	(13,851)	-	-
Associates	(9,044)	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	22,180	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	18,415
Balance as of March 31, 2020	<u>\$ (202,345)</u>	<u>3,112,066</u>	<u>(118,614)</u>
		Unrealized	
	Exchange	gains (losses) on	Other unearned
	differences on	financial assets	compensation
	translation of	at fair value	for restricted
	foreign financial	through other	shares of
	statements	comprehensive	employees
	income		
Balance as of January 1, 2019	\$ (36,200)	958,390	(158,308)
Foreign currency differences (net of tax):			
The Group	51,092	-	-
Associates	8,279	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	997,105	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	14,613
Balance as of March 31, 2019	<u>\$ 23,171</u>	<u>1,955,495</u>	<u>(143,695)</u>

(u) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment during the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2019.

(i) The Company issuance restricted shares of stock (RSA) for employee

For the three months ended March 31, 2020 and 2019, the Company recognized the compensation cost of \$19,190 thousand and \$14,613 thousand for the aforementioned RSA, respectively.

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

For the three months ended March 31, 2020 and 2019, the PBL recognized the compensation cost of \$621 thousand and \$1,533 thousand for the aforementioned ESOPs, respectively.

(v) Earnings per share (“EPS”)

For the three months ended March 31, 2020 and 2019, the Company’s earnings per share were calculated as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Basic earnings per share:		
Profit belonging to common shareholders	\$ <u>1,590,895</u>	<u>174,231</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	<u>422,666</u>	<u>422,666</u>
Basic earnings per share (in dollars)	\$ <u>3.76</u>	<u>0.41</u>
Diluted earnings per share:		
Profit belonging to common shareholders	\$ <u>1,590,895</u>	<u>174,231</u>
Weighted average number of outstanding shares of common stock (in thousands shares)	422,666	422,666
Effect of potentially dilutive common stock		
Employee remuneration (in thousands shares)	1,921	1,197
Restricted employee shares (in thousands shares)	<u>935</u>	<u>190</u>
Weighted-average number of common stock (diluted) (in thousands shares)	<u>425,522</u>	<u>424,053</u>
Diluted earnings per share (in dollars)	\$ <u>3.74</u>	<u>0.41</u>

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2020			
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 4,101,564	10,475	489	4,112,528
Americas	1,406,537	-	7,351	1,413,888
Taiwan	245,398	-	11,968	257,366
Europe	<u>287,240</u>	-	-	<u>287,240</u>
	<u>\$ 6,040,739</u>	<u>10,475</u>	<u>19,808</u>	<u>6,071,022</u>
Main product/ services lines:				
Foundry	\$ 6,040,511	-	-	6,040,511
Others	<u>228</u>	<u>10,475</u>	<u>19,808</u>	<u>30,511</u>
	<u>\$ 6,040,739</u>	<u>10,475</u>	<u>19,808</u>	<u>6,071,022</u>

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

(ii) Balance of contracts

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	\$ 648	684	631
Accounts receivable	2,301,409	2,410,333	1,387,937
Less: loss allowance	(4,689)	(4,344)	(3,760)
	\$ 2,297,368	2,406,673	1,384,808
Contract liabilities	\$ 193,683	260,426	108,105

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. The amount of revenue recognized for the three months ended March 31, 2020 and 2019, that was included in the contract liabilities balance at the beginning of the period was \$194,284 thousand and \$82,729 thousand, respectively.

(x) Employees' and directors' remuneration

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

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

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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 March 31, 2020	For the three months ended March 31, 2019
Employees' remuneration	\$ 131,000	15,700
Directors' remuneration	<u>37,900</u>	<u>4,500</u>
	<u>\$ 168,900</u>	<u>20,200</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 for the three months ended March 31, 2020 and 2019. 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, 2019 and 2018, the Company accrued and recognized its employee remuneration amounting to \$368,400 thousand and \$255,600 thousand, and directors' remuneration amounting to \$106,900 thousand and \$74,200 thousand, respectively. There were no differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements.

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

(y) Non-operating income and expenses

(i) Other income

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Interest income:		
Interest income from bank deposits	\$ 13,860	15,834
Interest income from financial assets at amortized cost	-	163
Other interest income	<u>29</u>	<u>32</u>
Total interest income	<u>13,889</u>	<u>16,029</u>
Dividend income	2,524	6,131
Rent income	<u>19,264</u>	<u>22,465</u>
Total	<u>\$ 35,677</u>	<u>44,625</u>

(Continued)

Win Semiconductors Corp. and Subsidiaries
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(ii) Other gains and losses

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Losses on disposals of property, plant and equipment	\$ (1,405)	(803)
Losses on disposals of investments	-	(25,666)
Foreign exchange gains	63,554	2,132
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(56,751)	40,921
Others	<u>9,729</u>	<u>16,873</u>
Total	<u>\$ 15,127</u>	<u>33,457</u>

(iii) Finance costs

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Interest expenses	\$ 18,910	6,776
Other finance costs	<u>65</u>	<u>65</u>
Total	<u>\$ 18,975</u>	<u>6,841</u>

(z) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2019.

(i) Credit risk

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.

(Continued)

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

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
As of March 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,709,803	1,849,608	23,548	23,548	1,651,922	150,590
Unsecured bank loans	3,123,500	3,211,331	29,877	238,452	2,779,863	163,139
Notes and accounts payable	1,879,229	1,879,229	1,879,229	-	-	-
Other payables	5,574,728	5,574,728	5,574,728	-	-	-
Guarantee deposits received	128,366	128,366	9,619	8,747	110,000	-
Lease liabilities	348,478	472,379	58,707	44,466	98,243	270,963
	<u>\$ 12,764,104</u>	<u>13,115,641</u>	<u>7,575,708</u>	<u>315,213</u>	<u>4,640,028</u>	<u>584,692</u>
As of December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,182,125	2,329,782	33,800	33,800	1,900,796	361,386
Unsecured bank loans	3,606,000	3,712,122	39,312	1,068,695	2,277,837	326,278
Notes and accounts payable	1,826,214	1,826,214	1,826,214	-	-	-
Other payables	1,288,817	1,288,817	1,288,817	-	-	-
Guarantee deposits received	125,611	125,611	15,611	-	110,000	-
Lease liabilities	369,327	495,192	69,764	47,590	102,056	275,782
	<u>\$ 9,398,094</u>	<u>9,777,738</u>	<u>3,273,518</u>	<u>1,150,085</u>	<u>4,390,689</u>	<u>963,446</u>
As of March 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 2,062,800	2,179,157	27,997	161,241	1,383,445	606,474
Unsecured bank loans	3,042,000	3,163,597	37,321	577,141	2,056,110	493,025
Notes and accounts payable	1,000,671	1,000,671	1,000,671	-	-	-
Other payables	1,167,953	1,167,953	1,167,953	-	-	-
Guarantee deposits received	136,118	136,118	6,726	9,431	119,961	-
Lease liabilities	284,653	384,615	59,122	51,541	74,047	199,905
	<u>\$ 7,694,195</u>	<u>8,032,111</u>	<u>2,299,790</u>	<u>799,354</u>	<u>3,633,563</u>	<u>1,299,404</u>

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

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(iii) Currency risk

1) Exposure to currency risk

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

	March 31, 2020			December 31, 2019			March 31, 2019		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets									
<u>Monetary items</u>									
USD	\$ 161,236	30.23	4,874,167	206,117	29.98	6,179,373	121,550	30.82	3,746,157
EUR	5,837	33.24	194,019	75	33.59	2,531	559	34.61	19,334
JPY	2,286,744	0.2788	637,544	1,321,385	0.2760	364,702	142,792	0.2783	39,739
GBP	11	37.25	410	11	39.36	433	11	40.11	441
HKD	6,133	3.898	23,906	51,537	3.85	198,365	61	3.93	239
RMB	171	4.26	729	-	-	-	9,227	4.58	42,260
			<u>\$ 5,730,775</u>			<u>\$ 6,745,404</u>			<u>\$ 3,848,170</u>
<u>Non-monetary items</u>									
USD	\$ 12,713	30.23	384,311	10,570	29.98	318,268	6,170	30.82	190,151
RMB	108,799	4.26	461,560	110,112	4.31	472,528	58,294	4.58	265,415
			<u>\$ 845,871</u>			<u>\$ 790,796</u>			<u>\$ 455,566</u>
Financial liabilities									
<u>Monetary items</u>									
USD	\$ 71,565	30.23	2,163,405	57,240	29.98	1,716,041	20,762	30.82	639,891
EUR	2,436	33.24	80,985	866	33.59	29,075	900	34.61	31,136
JPY	1,235,294	0.2788	344,400	595,366	0.2760	164,321	624,009	0.2783	173,662
RMB	-	-	-	-	-	-	37	4.58	171
			<u>\$ 2,588,790</u>			<u>\$ 1,909,437</u>			<u>\$ 844,860</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, other payables and long-term borrowings that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, JPY, HKD, RMB, etc. for the three months ended March 31, 2020 and 2019 would have increased (decreased) the net profit after tax by \$141,064 thousand and \$127,749 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Exchange gains or losses

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For three months ended March 31, 2020 and 2019, foreign exchange gains (losses) (including realized and unrealized portions) amounted to \$63,554 thousand and \$2,132 thousand, respectively.

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(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have increased (decreased) by \$4,561 thousand and \$4,023 thousand for the three months ended March 31, 2020 and 2019, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities disclosure of fair value information is not required.

	March 31, 2020				Total
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 49	-	49	-	49
Stocks listed on domestic markets	465,775	465,775	-	-	465,775
Funds and investment	121,546	121,546	-	-	121,546
Private fund	607,248	-	-	607,248	607,248
Subtotal	<u>\$ 1,194,618</u>	<u>587,321</u>	<u>49</u>	<u>607,248</u>	<u>1,194,618</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 4,608,756	4,608,756	-	-	4,608,756
Non-public stocks	604,558	-	-	604,558	604,558
Subtotal	<u>\$ 5,213,314</u>	<u>4,608,756</u>	<u>-</u>	<u>604,558</u>	<u>5,213,314</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 4,811,948	-	-	-	-
Notes and accounts receivable (Note)	2,297,368	-	-	-	-
Other receivables (Note)	33,045	-	-	-	-
Other non-current assets (Note)	103,559	-	-	-	-
Subtotal	<u>\$ 7,245,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans (Note)	\$ 4,833,303	-	-	-	-
Notes and accounts payable (Note)	1,879,229	-	-	-	-
Other payables (Note)	5,574,728	-	-	-	-
Guarantee deposits received (Note)	128,366	-	-	-	-
Lease liabilities (Note)	348,478	-	-	-	-
Subtotal	<u>\$ 12,764,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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		December 31, 2019			
		Fair value			
Carrying value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 206,359	206,359	-	-	206,359
Funds and investment	300,490	300,490	-	-	300,490
Private fund	565,804	-	-	565,804	565,804
Subtotal	<u>\$ 1,072,653</u>	<u>506,849</u>	<u>-</u>	<u>565,804</u>	<u>1,072,653</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 3,855,958	3,855,958	-	-	3,855,958
Non-public stocks	700,247	-	-	700,247	700,247
Subtotal	<u>\$ 4,556,205</u>	<u>3,855,958</u>	<u>-</u>	<u>700,247</u>	<u>4,556,205</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 5,926,473	-	-	-	-
Notes and accounts receivable (Note)	2,406,673	-	-	-	-
Other receivables (Note)	50,517	-	-	-	-
Other non-current assets (Note)	92,938	-	-	-	-
Subtotal	<u>\$ 8,476,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans (Note)	\$ 5,788,125	-	-	-	-
Notes and accounts payable (Note)	1,826,214	-	-	-	-
Other payables (Note)	1,288,817	-	-	-	-
Guarantee deposits received (Note)	125,611	-	-	-	-
Lease liabilities (Note)	369,327	-	-	-	-
Subtotal	<u>\$ 9,398,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		March 31, 2019			
		Fair value			
Carrying value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 101,652	101,652	-	-	101,652
Funds and investment	35,743	35,743	-	-	35,743
Private fund	788,338	-	-	788,338	788,338
Subtotal	<u>\$ 925,733</u>	<u>137,395</u>	<u>-</u>	<u>788,338</u>	<u>925,733</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 2,836,565	2,836,565	-	-	2,836,565
Non-public stocks	516,962	-	-	516,962	516,962
Subtotal	<u>\$ 3,353,527</u>	<u>2,836,565</u>	<u>-</u>	<u>516,962</u>	<u>3,353,527</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 4,764,970	-	-	-	-
Financial assets measured at amortized cost (Note)	9,000	-	-	-	-
Notes and accounts receivable (Note)	1,384,808	-	-	-	-
Other receivables (Note)	34,335	-	-	-	-
Other non-current assets (Note)	86,090	-	-	-	-
Subtotal	<u>\$ 6,279,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loan (Note)	\$ 5,104,800	-	-	-	-
Notes and accounts payable (Note)	1,000,671	-	-	-	-
Other payables (Note)	1,167,953	-	-	-	-
Guarantee deposits received (Note)	136,118	-	-	-	-
Lease liabilities	284,653	-	-	-	-
Subtotal	<u>\$ 7,694,195</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.

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

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

- Financial assets measured at amortized cost and financial liabilities measured at amortized cost.

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

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 equity funds, 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.

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

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

- The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.
- The fair value is determined by using the asset-based approach, whose assumptions are based on the market approach, income approach, cost approach or other valuation methods according to the nature of the assets or liabilities of the subject companies.

b) Derivative instruments

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

4) Transfer between level 2 and level 1

For three months ended March 31, 2020 and 2019, there was no transfer between level 2 and level 1 financial asset of the fair value hierarchy.

(Continued)

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Notes to the Consolidated Financial Statements

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, 2020	\$ 565,804	700,247
Total gains or losses:		
Recognized in profit and loss	(23,407)	-
Recognized in other comprehensive income	-	(89,465)
Purchased	64,851	-
Capital reduction	-	(6,667)
Effect of changes in foreign exchange rates	-	443
Balance as of March 31, 2020	<u>\$ 607,248</u>	<u>604,558</u>
Balance as of January 1, 2019	\$ 722,405	564,486
Total gains or losses:		
Recognized in profit and loss	39,982	-
Recognized in other comprehensive income	-	(47,702)
Purchased	25,951	-
Effect of changes in foreign exchange rates	-	178
Balance as of March 31, 2019	<u>\$ 788,338</u>	<u>516,962</u>

The preceding gains and losses were recognized as “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”. As of March 31, 2020 and 2019, the related information of the assets which were still held by the Group were as follows:

	<u>For the three months ended March 31, 2020</u>	<u>For the three months ended March 31, 2019</u>
Total gains or losses		
Profit or loss (recognized as other gains and losses)	\$ (23,407)	39,982
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	(89,465)	(47,702)

(Continued)

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- 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 March 31, 2020, December 31 and March 31, 2019 were 1.35~5.55, 1.65~6.14 and 1.18~3.61, respectively) • Market liquidity discount rate (as of March 31, 2020, December 31 and March 31, 2019 were all 80%) 	<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

- 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:

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	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
March 31, 2020						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 30,362	(30,362)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	14,735	(14,735)
"	Market liquidity discount rate	5%	-	-	14,735	(14,735)
"	Net asset value	5%	-	-	15,493	(15,493)
December 31, 2019						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 28,290	(28,290)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	18,939	(18,939)
"	Market liquidity discount rate	5%	-	-	18,939	(18,939)
"	Net asset value	5%	-	-	16,074	(16,074)
March 31, 2019						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 39,417	(39,417)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	18,874	(18,874)
"	Market liquidity discount rate	5%	-	-	18,874	(18,874)
"	Net asset value	5%	-	-	6,974	(6,974)

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.

(Continued)

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(aa) Management of financial risk

There was no significant change in the Group's objective and policies for the management of financial risk of the consolidated financial statements for the three months ended March 31, 2020 which compared with the consolidated financial statements Note 6(ab) for the year ended December 31, 2019.

(ab) Capital management

The Group's objective, policies and process of capital management of the consolidated financial statements for the three months ended March 31, 2020 was the same as the consolidated financial statements for the year ended December 31, 2019. 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, 2019. For the related information, please refer to Note 6(ac) of the consolidated financial statements for the year ended December 31, 2019.

(ac) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows			Non-cash changes			March 31, 2020
		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	\$ 5,788,125	1,664,922	(2,632,500)	-	-	5,229	7,527	4,833,303
Guarantee deposit received	125,611	-	-	2,755	-	-	-	128,366
Lease liabilities (Note 1)	369,327	-	(21,600)	(591)	3,401	(2,059)	-	348,478
Total liabilities from financing activity	<u>\$ 6,283,063</u>	<u>1,664,922</u>	<u>(2,654,100)</u>	<u>2,164</u>	<u>3,401</u>	<u>3,170</u>	<u>7,527</u>	<u>5,310,147</u>

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

Note 1: Interest expense includes capitalized interest expense transferred to construction in progress, which amounted to \$1,087 thousand.

Note 2: Interest expense includes capitalized interest expense transferred to construction in progress, which amounted to \$1,253 thousand.

(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 1)	Associates
Winresp INC. (Note 2)	Associates
Chainwin i-Management (Shanghai) Co., Ltd. Huaian Branch	Other related parties
Chainwin i-Management Co., Ltd.	Other related parties
Chainwin i-Management (Huaian) Co., Ltd.	Other related parties
Taoyuan i-Fare Charity Foundation	Other related parties
ITEQ Corporation (Note 3)	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: The Company has lost the control over Winresp INC. since December, 2019. Therefore, it was not a related-party of the Group.

Note 3: In July 2019, the Company's chairman of the Board of Directors has been elected as the ITEQ Corporation's chairman of the 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) Purchases

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

	<u>For the three months ended March 31, 2020</u>	<u>For the three months ended March 31, 2019</u>
Other related parties	\$ <u>233</u>	<u>1,623</u>

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

(ii) Payables to related parties

The payables to related parties were as follows:

<u>Account</u>	<u>Categories</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable	Other related parties	\$ <u>-</u>	<u>-</u>	<u>884</u>

(Continued)

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

(iii) Operating expenses

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

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Other related parties	\$ <u>2,000</u>	<u>-</u>

(iv) Guarantee

For the three Months ended March 31, 2020 and 2019, Chainwin Cayman had provided a guarantee for loans amounting to US\$7,350 thousand (NT\$222,191 thousand and NT\$226,527 thousand, respectively) to its associate, Jiangsu CM/Chainwin Agriculture Development Co., Ltd.

(v) Prepayment to related parties

The prepayment to related parties were as follows:

<u>Account</u>	<u>Category</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Prepayments for business facilities	Associates	\$ -	-	<u>21,687</u>
Other non-current assets	Other related parties	\$ <u>15,909</u>	<u>15,777</u>	<u>12,326</u>

(vi) 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 \$7,252 thousand for the three months ended March 31, 2020. The preceding rent payment has been received.

(c) Transactions with key management personnel

Key management personnel compensation was comprised as below:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
Short-term employee benefits	\$ 153,919	75,851
Post-employment benefits	<u>206</u>	<u>205</u>
	\$ <u>154,125</u>	<u>76,056</u>

(Continued)

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

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

<u>Pledged assets</u>	<u>Pledged to secure</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other non-current assets	Bank deposits—reserve accounts	\$ 6,197	4,197	-
Other non-current assets	Gas deposits	4,700	4,700	4,700
Other non-current assets	Customs guarantee	20,242	20,242	20,050
Other non-current assets	Government subsidy deposits	-	-	4,300
Other non-current assets	Plant deposits	12,545	12,441	12,790
Property, plant and equipment	Long-term borrowings	2,061,529	2,382,554	2,726,250
Investment property	Long-term borrowings	332,810	336,574	347,867
Total		<u>\$ 2,438,023</u>	<u>2,760,708</u>	<u>3,115,957</u>

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
The unrecognized amount	<u>\$ 4,616,940</u>	<u>3,353,094</u>	<u>3,585,670</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
(ii) The unused letters of credit	<u>\$ 54,165</u>	<u>206,008</u>	<u>36,967</u>

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

- (a) The Company's subsidiary, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd., resolved to issue 38,500 thousand new shares at US\$2 per share, as proposed in the Board of Director's meeting held on May 4, 2020.
- (b) The Company's subsidiary, Win Semiconductors Cayman Islands Co., Ltd., resolved to issue 50,000 thousand shares at US\$1 per share, as proposed in the Board of Director's meeting held on May 7, 2020.
- (c) The Company resolved to subscribe the new shares contributed by its subsidiary in cash, Win Semiconductors Cayman Islands Co., Ltd., for 50,000 thousand shares with par value of US\$1 per share, as proposed in the Board of Director's meeting held on May 7, 2020.

(Continued)

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

- (d) The Company's subsidiary, Win Semiconductors Cayman Islands Co., Ltd. resolved to subscribe the new shares contributed by its subsidiary in cash, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd., for 25,000 thousand shares with par value US\$2 per share, as proposed in the Board of Director's meeting held on May 7, 2020.
- (e) The Group entered into a contract with Chainwin i-Management Co., Ltd. for purchasing iFarmer system, with the amount of US\$5,500 thousand on April 29, 2020.

(12) Other:

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

	For the three months ended March 31, 2020			For the three months ended March 31, 2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	760,724	286,116	1,046,840	500,060	261,409	761,469
Labor and health insurance	55,753	18,675	74,428	45,670	16,314	61,984
Pension	21,920	6,318	28,238	18,425	7,087	25,512
Director remuneration	-	37,906	37,906	-	4,500	4,500
Others	34,814	13,869	48,683	17,062	5,183	22,245
Depreciation	749,362	91,669	841,031	746,634	79,882	826,516
Amortization	5,842	16,674	22,516	4,695	11,919	16,614

- (b) Seasonality of operations:

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

(13) Other disclosures:

- (a) Information on significant transactions:

The following were the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three months ended March 31, 2020:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: Please refer to schedule A.
- (iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures): Please refer to schedule B.
- (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: Please refer to schedule C.
- (v) Information on acquisition of real estate with purchase amount exceeding the lower of NT\$300 million or 20% of the Company's paid-in capital: Please refer to schedule D.

(Continued)

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

- (vi) Information on disposal of real estate with amounts exceeding the lower of 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 the lower of NT\$100 million or 20% of the Company's paid-in capital: None.
 - (viii) Information regarding receivables from related-parties exceeding the lower of 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 intercompany transactions: None.
- (b) Information on investments: Please refer to schedule E.
 - (c) Information on investment in Mainland China: Please refer to schedule F.
 - (d) Information on major shareholders: Please refer to schedule G.

(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 and gene chip and testing, which do not exceed the quantitative thresholds to be reported.

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the three months ended March 31, 2020 and 2019, 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</u> <u>March 31, 2020</u>	<u>Foundry</u>	<u>Agriculture</u> <u>technology</u>	<u>Others</u>	<u>Reconciliation</u> <u>and</u> <u>elimination</u>	<u>Total</u>
Revenue:					
Revenue from external customers	\$ 6,040,739	10,475	19,808	-	6,071,022
Interest expenses	\$ 5,286	13,684	5	-	18,975
Depreciation and amortization	\$ 843,476	14,190	4,847	1,034	863,547
Shares of losses of associates and joint ventures accounted for using equity method	\$ -	(5,666)	(290)	-	(5,956)
Reportable segment profit or loss	\$ 2,042,735	(48,039)	(55,326)	(1,034)	1,938,336
Assets:					
Capital expenditures in noncurrent assets	\$ 907,884	484,371	1,007	-	1,393,262

(Continued)

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

<u>For the three months ended March 31, 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	\$ <u>3,514,426</u>	<u>84,810</u>	<u>20,053</u>	<u>-</u>	<u>3,619,289</u>
Interest expenses	\$ <u>5,935</u>	<u>792</u>	<u>114</u>	<u>-</u>	<u>6,841</u>
Depreciation and amortization	\$ <u>825,490</u>	<u>13,137</u>	<u>3,774</u>	<u>729</u>	<u>843,130</u>
Shares of losses of associates and joint ventures accounted for using equity method	\$ <u>(312)</u>	<u>(178,536)</u>	<u>5,004</u>	<u>-</u>	<u>(173,844)</u>
Reportable segment profit or loss	\$ <u>359,906</u>	<u>(42,303)</u>	<u>(16,802)</u>	<u>(729)</u>	<u>300,072</u>
Assets:					
Capital expenditures in noncurrent assets	\$ <u>319,820</u>	<u>566,492</u>	<u>585</u>	<u>-</u>	<u>886,897</u>

For the three months ended March 31, 2020 and 2019, reportable segment profit or loss excludes non-operating income and expenses, amounting to \$26,163 thousand and \$(107,607) thousand, respectively.

WIN Semiconductors Corp. and Subsidiaries Notes to Consolidated Financial Statements

Schedule A Guarantees and endorsements for other parties:

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		(In thousands of Dollars)									
		Name	Relationship with the Company (Note 2)	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 (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)(Note 4)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to the companies in mainland China
0	The Company	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	2	14,149,405	499,211	499,211	-	-	1.76%	Net equity 50%	Y	-	-
0	"	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	2	14,149,405	1,109,358	1,109,358	604,600	-	3.92%	Net equity 50%	Y	-	Y
0	"	Jiangsu Win Yield Agriculture Development Co., Ltd.	2	14,149,405	1,664,036	1,664,036	-	-	5.88%	Net equity 50%	Y	-	Y
0	"	Jiangsu Win Shine Agriculture Development Co., Ltd. (Note 6)	2	14,149,405	554,679	554,679	-	-	1.96%	Net equity 50%	Y	-	Y
0	"	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	2	14,149,405	1,109,358	1,109,358	423,220	-	3.92%	Net equity 50%	Y	-	Y
0	"	Jiansu Merit/CM Agriculture Development Co., Ltd.	2	14,149,405	1,109,358	1,109,358	-	-	3.92%	Net equity 50%	Y	-	Y
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	6	1,195,686 (USD 39,552)	222,191 (USD 7,350)	222,191 (USD 7,350)	208,563 (USD 6,899)	-	5.57%	Net equity 50%	-	-	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 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 Chainwin Kang Yuan Agricultural Development Co., Ltd., Jiangsu Win Yield Agriculture Development Co., Ltd., and Jiangsu Win Shine Agriculture Development Co., Ltd., Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. and Jiansu Merit/CM Agriculture Development Co., Ltd. (collectively referred to as "the Borrower") had been approved a total maximum credit line of US\$200,000 thousand, wherein each Borrower was limited to the maximum loans of US\$27,000 thousand, US\$60,000 thousand, US\$90,000 thousand, US\$30,000 thousand, and US\$60,000 thousand, respectively.

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 for NTD 30.23 and USD 0.1408, respectively.

Note 6: Jiangsu Win Shine Agriculture Development Co., Ltd. was incorporated on April 4, 2019. As of March 31, 2020, the capital injection had not been made yet.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule B Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with the company	Account title	(In thousands of New Taiwan Dollars / In thousands shares)			Remark
				Shares/ Units (in thousands)	Ending balance Carrying value	Percentage of ownership (%)	
The Company	Advanced Wireless Semiconductor Company/ Stock	None	Current financial assets at fair value through profit or loss	1,640	127,718	1.06	127,718
"	Yuanta Taiwan High-Yield Leading Company Fund (B)	"	"	10,000	100,000	-	100,000
WIN Venture Capital Corp.	Sercornn Corporation/ Stock	"	"	662	41,574	0.27	41,574
"	Advanced Wireless Semiconductor Company/ Stock	"	"	3,606	280,903	2.33	280,903
"	Allianz Global Investors Taiwan Money Market Fund	"	"	1,310	16,499	-	16,499
"	Capital Money Market Fund	"	"	311	5,047	-	5,047
WIN Chance Investment Corp.	Advanced Wireless Semiconductor Company/ Stock	"	"	200	15,580	0.13	15,580
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	587,321	5.81	587,321
"	CDIB Capital Growth Partners L.P.	"	"	-	276,410	-	276,410
"	Fuh Hwa Oriental Fund	"	"	15,000	76,573	3.30	76,573
"	Fuh Hwa Smart Energy Fund	"	"	12,000	15,720	-	15,720
"	Leasun Winion L.P.	"	"	-	89,664	-	89,664
"	NFC Fund II L.P.	"	"	-	29,100	12.47	29,100
"	Foryou Venture Capital L.P.	"	"	-	107,901	32.12	107,901
"	ITEQ Corporation/ Stock	Other related parties	Non-current financial assets at fair value through other comprehensive income	-	11,880	5.77	11,880
"	Inventec Solar Energy Corporation/ Stock	None	"	28,624	607,248	8.60	607,248
"	MagiCap Venture Capital Co., Ltd./ Preferred Stock A	"	"	34,000	75,276	10.51	75,276
"	CDIB Capital Creative Industries Limited/ Stock	"	"	909	124,386	18.28	124,386
"	New Future Capital Co., Ltd./ Stock	"	"	3,667	37,730	3.33	37,730
"	Grand Fortune Venture Corp./ Stock	"	"	10,000	92,800	15.87	92,800
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./ Stock	Client	"	5,000	54,950	6.87	54,950
"	Anokiwave Inc./ Series B Preferred Stock	"	"	75	537,565	0.02	537,565
WIN Venture Capital Corp.	MOAI Electronics Corporation/ Stock	None	"	1,264	157,208	7.93	157,208
"	Merit Biotech INC./ Stock	"	"	90	-	0.32	-
"	Winresp INC./ Stock	"	"	1,320	-	2.93	-
WIN Chance Investment Corp.	ITEQ Corporation/ Stock	Other related parties	"	2,500	38,931	18.26	38,931
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd./ Stock	None	"	1,872	249,885	0.56	249,885
				12	23,277	4.78	23,277
					5,213,314		5,213,314

Note: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company in 2017. As of March 31, 2020, the company is still within the period of liquidation

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Schedule C. 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:

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	ITBQ Corporation/ Stock	Non-current financial assets at fair value through other comprehensive income	-	Other related parties	24,670	796,413	3,954	434,974	-	-	-	-	28,624	3,821,306
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Win Yield Agriculture Development Co., Ltd.	Investments accounted for using equity method	-	Investment through subsidiary	-	155,300	-	433,450	-	-	-	-	-	603,847 (Note2)

Note 1: The amount of ending balance included unrealized gains (losses) on financial assets.

Note 2: The amount of ending balance was calculated using the equity method. The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

Schedule D. Information on acquisition of real estate with purchase amount exceeding the lower of NT\$300 million or 20% of the Company's paid in capital:

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			
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Factory buildings	2018/10/25	617,213 (RMB) 138,575 (RMB)	As of March 31, 2020, the price paid \$560,336 thousand (RMB 131,646 thousand).	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	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 (RMB) 173,365 (RMB)	As of March 31, 2020, the price paid \$595,667 thousand (RMB 139,947 thousand).	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
Jiangsu Win Yield Agriculture Development Co., Ltd.	Factory buildings	2020/1/10	1,482,045 (RMB) 342,511 (RMB)	As of March 31, 2020, the transaction amount is outstanding.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None

WIN Semiconductors Corp. and Subsidiaries Notes to Consolidated Financial Statements

Schedule E Information on investments:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		The ending balance at this period			Net income (losses) of investee	Investment income (losses)	Remark
				The ending balance at this period	The ending balance at the last year	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%	(3,419)	(3,825)	(Note 1)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Investment activities	5,135,146	5,135,146	167,000	100.00%	4,889,700	(84,837)	(Note 1)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	500,000	500,000	50,000	100.00%	439,544	(21,548)	(Note 1)	
"	Phalanx Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	604,150	604,150	44,650	54.48%	464,341	(30,946)	(Note 1)	
"	WIN Chance Investment Corp.	Taiwan	Investment activities	290,000	10,000	29,000	100.00%	336,213	2,260	(Note 1)	
"	WIN Earn Investment Corp.	Taiwan	Investment activities	290,000	10,000	29,000	100.00%	289,917	(49)	(Note 1)	
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	4.39%	55,634	(30,946)	(Note 1)	
WIN Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30%	60,273	(614)	(Note 2)	
"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	5,219,959	5,219,959	85,054	96.30%	4,092,526	(80,869)	(Note 2)	
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00%	5,975	(1,804)	(Note 2)	
"	PhalanxBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00%	(1,642)	(31)	(Note 2)	

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 profits (losses) of the investor company.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule F Information on investment in Mainland China:

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

Name of investee	Main businesses and products	Total amount of paid in capita	Method of investment	Accumulated outflow of investment from Taiwan at the beginning of this year	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)(Note 5)	Carrying value at the end of this year (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)	(Note 1)	1,309,556 (USD)	-	-	1,309,556 (USD)	(38,003) (USD)	96.30%	(38,003) (USD)	1,181,658 (USD)	-	(Note 8)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	302,232 (RMB)	(Note 1)	42,471 (USD)	-	-	42,471 (USD)	(1,262) (USD)	96.30%	(1,262) (USD)	(USD 39,089)	-	(Note 8)
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	21,799 (USD)	(Note 1)	653,305 (USD)	-	-	653,305 (USD)	(14,591) (USD)	96.30%	(14,591) (USD)	603,593 (USD)	-	(Note 8)
Jiangsu Merit/Cofojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,710,498 (USD)	(Note 1)	21,046 (USD)	-	-	21,046 (USD)	(485) (USD)	47.19%	(485) (USD)	(USD 19,967)	-	(Note 8)
Jiangsu Merit/CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	55,510 (USD)	(Note 1)	951,961 (USD)	-	-	951,961 (USD)	(11,564) (USD)	96.30%	(11,564) (USD)	461,560 (USD)	-	(Note 8)
Jiangsu Merit/Cofojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	466,944 (USD)	(Note 1)	507,913 (USD)	-	-	507,913 (USD)	343 (USD)	96.30%	(188) (USD)	(USD 15,268)	-	(Note 8)
Jiangsu Merit/Cofojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	15,200 (USD)	(Note 1)	16,567 (USD)	-	-	16,567 (USD)	11 (USD)	-	11 (USD)	(USD 14,515)	-	(Note 7)
Jiangsu Merit Runfa Agriculture Development Co., Ltd.	Developing hog farming technology and trading	72,313 (RMB)	(Note 1)	4,872 (USD)	-	-	4,872 (USD)	(194) (USD)	96.30%	(194) (USD)	54,378 (USD)	-	(Note 8)
Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	16,177 (USD)	(Note 1)	1,335 (USD)	-	-	1,335 (USD)	(6) (USD)	96.30%	(6) (USD)	(USD 1,799)	-	(Note 8)
Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	608,750 (USD)	(Note 1)	155,300 (USD)	453,450 (USD)	-	608,750 (USD)	5,066 (USD)	96.30%	5,066 (USD)	608,847 (USD)	-	(Note 8)
Onesray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chip and test service	20,000 (RMB)	(Note 2)	5,000 (USD)	15,000 (USD)	-	20,000 (USD)	168 (RMB)	38.87%	168 (RMB)	(USD 19,975)	-	(Note 8)
		1,898 (RMB)		8,784 (USD)	-	-	8,784 (USD)	(1,804) (RMB)		(419) (RMB)	(RMB 1,403)	-	(Note 8)
				300 (USD)			300 (USD)	(419) (RMB)					

(ii) Limitation on investment in Mainland China:

Investor Company Name	Accumulated Investment in Mainland China at the end (Note 7)		Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 6)
	(USD)	(RMB)		
The Company and subsidiaries	4,230,922	137,496	4,694,995	17,077,977
			155,309	

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 Phalarx Biotech Limited, which is established in a third region.
 Note 3: The amount of net income (losses) was recognized based on the review financial statements of the investee companies.
 Note 4: Carrying value as of March 31, 2020 was with reference to the amount recognized by the investment through subsidiaries established in a third region.
 Note 5: Investment income (losses) recognized was translated into New Taiwan Dollars at the average exchange rate from January 1 to March 31, 2020.
 Note 6: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.
 Note 7: Jiangsu Merit/Cofojoycome 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 amount of the transaction and the ending balance had been offset in the consolidated financial statements.

(iii) Significant transactions: None.

Schedule G Information on major shareholders:

Shareholder's Name	Shares	Percentage
Tien Ho Industrial Co., Ltd.	21,706,330	5.11%