

WIN SEMICONDUCTORS CORP.**Parent-Company-Only Financial Statements**

**With Independent Auditors' Report
For the Years Ended December 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' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and 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110615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 110615, Taiwan (R.O.C.)

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

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

We have audited the financial statements of WIN Semiconductors Corp. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

In 2020, we conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. In 2019, we conducted our audit in accordance with the Regulations Governing Auditing, the Ruling No. 1090360805 issued by the FSC and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Evaluation of inventory

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

Due to the high industry demand and rapid fluctuation of the price of precious metals, the Company stored a significant volume of the said material, which resulted in slow turnover of inventories. Therefore, the Company cannot obtain sufficient information on inventories that were sold or used on the reporting date. Since the technology changes rapidly, the inventory may be out of date or may not conform to market demand, resulting in a risk wherein the carrying amount of inventories may exceed its net realizable value. Consequently, the evaluation of inventory is identified as the key matter in our audit.

How the matter was addressed in our audit

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (The Republic of China)
March 18, 2021

Notes to Readers

The accompanying financial statements are intended only to present the 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 audit such financial statements are those generally accepted and applied in the Republic of China.

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

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

Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
Assets		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	Liabilities and Equity		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(a))	\$ 4,402,617	9	3,763,950	9	2130	Current contract liabilities (Note 6(u))	\$ 518,940	1	246,459	1
1110	Current financial assets at fair value through profit or loss (Note 6(b))	10,239	-	154,921	-	2170	Accounts payables	1,767,092	4	1,821,018	4
1170	Accounts receivables, net (Notes 6(c) and 6(u))	2,033,714	4	2,401,924	6	2200	Other payables (Note 6(v))	3,957,873	8	3,559,935	9
1210	Other receivables due from related parties (Notes 6(d) and 7)	8,445	-	1,199	-	2220	Other payables to related parties (Note 7)	6,835	-	7,195	-
1310	Inventories (Note 6(e))	5,446,860	11	4,358,799	11	2280	Current lease liabilities (Notes 6(n) and 6(aa))	13,635	-	33,526	-
1470	Other current assets (Notes 6(d) and 6(k))	<u>258,094</u>	<u>1</u>	<u>273,994</u>	<u>1</u>	2399	Other current liabilities	<u>147,599</u>	<u>-</u>	<u>151,067</u>	<u>-</u>
	Total current assets	<u>12,159,969</u>	<u>25</u>	<u>10,954,787</u>	<u>27</u>		Total current liabilities	<u>6,411,974</u>	<u>13</u>	<u>5,819,200</u>	<u>14</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	814,065	2	565,804	1	2540	Long-term borrowings (Notes 6(m), 6(aa) and 8)	7,758,940	16	5,226,000	13
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	5,205,161	11	3,585,443	9	2580	Non-current lease liabilities (Notes 6(n) and 6(aa))	4,657	-	15,072	-
1550	Investments accounted for using equity method (Note 6(f))	9,794,631	20	6,174,200	15	2600	Other non-current liabilities (Notes 6(p), 6(aa) and 7)	<u>227,057</u>	<u>1</u>	<u>218,580</u>	<u>1</u>
1600	Property, plant and equipment (Notes 6(g) and 8)	16,856,639	35	15,669,777	38		Total non-current liabilities	<u>7,990,654</u>	<u>17</u>	<u>5,459,652</u>	<u>14</u>
1755	Right-of-use assets (Note 6(h))	18,168	-	48,318	-		Total liabilities	<u>14,402,628</u>	<u>30</u>	<u>11,278,852</u>	<u>28</u>
1760	Investment property (Notes 6(i) and 8)	1,380,781	3	1,401,155	4		Equity (Notes 6(b), 6(p), 6(q), 6(r) and 6(s)):				
1780	Intangible assets (Note 6(j))	133,392	-	122,411	-	3110	Ordinary shares	4,240,564	9	4,240,564	10
1840	Deferred income tax assets (Note 6(q))	219,844	-	235,826	1	3200	Capital surplus	9,323,098	19	9,244,308	22
1915	Prepayments for business facilities	1,798,857	4	2,129,251	5	3300	Retained earnings	17,001,021	35	13,399,189	33
1990	Other non-current assets (Notes 6(k) and 8)	<u>98,707</u>	<u>-</u>	<u>49,348</u>	<u>-</u>	3400	Other equity interests	<u>3,512,903</u>	<u>7</u>	<u>2,773,407</u>	<u>7</u>
	Total non-current assets	<u>36,320,245</u>	<u>75</u>	<u>29,981,533</u>	<u>73</u>		Total equity	<u>34,077,586</u>	<u>70</u>	<u>29,657,468</u>	<u>72</u>
	Total assets	<u>\$ 48,480,214</u>	<u>100</u>	<u>40,936,320</u>	<u>100</u>		Total liabilities and equity	<u>\$ 48,480,214</u>	<u>100</u>	<u>40,936,320</u>	<u>100</u>

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

Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

		<u>2020</u>		<u>2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenues (Notes 6(u) and 7)	\$ 24,940,505	100	20,852,558	100
5000	Operating costs (Notes 6(e), (g), (h), (j), (n), (p), (s), (v) and 12)	<u>(14,522,007)</u>	<u>(58)</u>	<u>(12,777,640)</u>	<u>(61)</u>
	Gross profit from operations	<u>10,418,498</u>	<u>42</u>	<u>8,074,918</u>	<u>39</u>
	Operating expenses (Notes 6(g), (h), (i), (j), (n), (p), (s), (v), 7 and 12):				
6100	Selling expenses	(281,071)	(1)	(276,128)	(1)
6200	Administrative expenses	(982,525)	(4)	(918,807)	(5)
6300	Research and development expenses	<u>(1,010,778)</u>	<u>(4)</u>	<u>(1,026,429)</u>	<u>(5)</u>
	Total operating expenses	<u>(2,274,374)</u>	<u>(9)</u>	<u>(2,221,364)</u>	<u>(11)</u>
	Net operating income	<u>8,144,124</u>	<u>33</u>	<u>5,853,554</u>	<u>28</u>
	Non-operating income and expenses (Notes 6(b), 6(g), 6(n), (o), (w) and 7):				
7100	Interest income	20,729	-	45,143	-
7010	Other income	229,055	1	180,111	1
7020	Other gains and losses	(159,961)	(1)	(169,992)	(1)
7050	Finance costs	(28,769)	-	(31,564)	-
7070	Share of losses of subsidiaries, associates and joint ventures accounted for using equity method	<u>(143,098)</u>	<u>(1)</u>	<u>(410,550)</u>	<u>(2)</u>
	Total non-operating income and expenses	<u>(82,044)</u>	<u>(1)</u>	<u>(386,852)</u>	<u>(2)</u>
7900	Profit before income tax	8,062,080	32	5,466,702	26
7950	Income tax expenses (Note 6(q))	<u>(1,533,340)</u>	<u>(6)</u>	<u>(992,303)</u>	<u>(5)</u>
	Profit	<u>6,528,740</u>	<u>26</u>	<u>4,474,399</u>	<u>21</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (Notes 6(p), 6(q) and 6(r))				
8311	Remeasurements of defined benefit plans	(10,736)	-	2,492	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	378,045	2	1,845,073	9
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	362,982	1	269,783	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>2,147</u>	<u>-</u>	<u>(499)</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>732,438</u>	<u>3</u>	<u>2,116,849</u>	<u>10</u>
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss (Note 6(r))				
8361	Exchange differences on translation of foreign financial statements	(298,767)	(1)	(112,518)	(1)
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	276,012	1	(30,732)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>(22,755)</u>	<u>-</u>	<u>(143,250)</u>	<u>(1)</u>
8300	Other comprehensive income	<u>709,683</u>	<u>3</u>	<u>1,973,599</u>	<u>9</u>
8500	Total comprehensive income	<u>\$ 7,238,423</u>	<u>29</u>	<u>6,447,998</u>	<u>30</u>
	Earnings per common share (expressed in dollars) (Note 6(t))				
9750	Basic earnings per share	<u>\$ 15.45</u>		<u>10.59</u>	
9850	Diluted earnings per share	<u>\$ 15.33</u>		<u>10.53</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity 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 at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees	Total other interests	
Balance on January 1, 2019	\$ 4,238,144	9,199,357	1,755,814	9,422,510	11,178,324	(36,200)	958,390	(158,308)	763,882	25,379,707
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	312,446	(312,446)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(2,118,972)	(2,118,972)	-	-	-	-	(2,118,972)
	-	-	312,446	(2,431,418)	(2,118,972)	-	-	-	-	(2,118,972)
Profit for the year ended December 31, 2019	-	-	-	4,474,399	4,474,399	-	-	-	-	4,474,399
Other comprehensive income for the year ended December 31, 2019	-	-	-	1,993	1,993	(143,250)	2,114,856	-	1,971,606	1,973,599
Total comprehensive income for the year ended December 31, 2019	-	-	-	4,476,392	4,476,392	(143,250)	2,114,856	-	1,971,606	6,447,998
Adjustments to share of changes in equities of subsidiaries	-	2,168	-	(28,253)	(28,253)	-	28,252	-	28,252	2,167
Changes in ownership interests in subsidiaries	-	(5,161)	-	(119,914)	(119,914)	-	-	-	-	(125,075)
Issuance of restricted employee stock	2,620	47,744	-	-	-	-	-	(50,364)	(50,364)	-
Purchase and refinement of restricted shares of stock for employees	(200)	200	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of employees	-	-	-	-	-	-	-	71,643	71,643	71,643
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	11,612	11,612	-	(11,612)	-	(11,612)	-
Balance on December 31, 2019	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
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	447,440	(447,440)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(2,968,394)	(2,968,394)	-	-	-	-	(2,968,394)
	-	-	447,440	(3,415,834)	(2,968,394)	-	-	-	-	(2,968,394)
Profit for the year ended December 31, 2020	-	-	-	6,528,740	6,528,740	-	-	-	-	6,528,740
Other comprehensive income for the year ended December 31, 2020	-	-	-	(8,589)	(8,589)	(22,755)	741,027	-	718,272	709,683
Total comprehensive income for the year ended December 31, 2020	-	-	-	6,520,151	6,520,151	(22,755)	741,027	-	718,272	7,238,423
Adjustments to share of changes in equities of subsidiaries	-	1,463	-	4,950	4,950	-	(4,950)	-	(4,950)	1,463
Changes in ownership interests in subsidiaries	-	69,410	-	-	-	-	-	-	-	69,410
Changes in compensation cost arising from restricted shares of stock issued to employees due to demission	-	7,917	-	-	-	-	-	(7,917)	(7,917)	-
Compensation cost arising from restricted shares of employees	-	-	-	8	8	-	-	79,208	79,208	79,216
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	45,117	45,117	-	(45,117)	-	(45,117)	-
Balance on December 31, 2020	\$ 4,240,564	9,323,098	2,515,700	14,485,321	17,001,021	(202,205)	3,780,846	(65,738)	3,512,903	34,077,586

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 8,062,080	5,466,702
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,541,341	3,284,900
Amortization expense	87,911	57,599
Net gains on financial assets or liabilities at fair value through profit or loss	(23,184)	(221,437)
Interest expense	28,769	31,564
Interest income	(20,729)	(45,143)
Dividend income	(155,206)	(95,870)
Compensation cost arising from share-based payments	79,216	71,643
Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	143,098	410,550
(Gains) losses on disposal of property, plant and equipment	(21,124)	372,900
Other income	(18,818)	(1,776)
Impairment loss	139,071	-
Prepayments for business facilities transferred to expenses	625	-
Total adjustments to reconcile profit (loss)	<u>3,780,970</u>	<u>3,864,930</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in accounts receivable	368,210	(1,848,010)
Decrease in accounts receivable due from related parties	-	942,499
Increase in inventories	(1,122,415)	(487,360)
Decrease (increase) in other current assets	15,658	(30,728)
Total changes in operating assets	<u>(738,547)</u>	<u>(1,423,599)</u>
Changes in operating liabilities:		
Increase in contract liabilities	272,481	159,402
(Decrease) increase in accounts payable	(53,926)	741,766
Increase in other payables	61,485	449,122
(Decrease) increase in other payable to related parties	(360)	7,195
(Decrease) increase in other current liabilities	(3,468)	20,174
Increase in other non-current liabilities	1,186	2,987
Total changes in operating liabilities	<u>277,398</u>	<u>1,380,646</u>
Total changes in operating assets and liabilities	<u>(461,149)</u>	<u>(42,953)</u>
Cash inflow generated from operations	11,381,901	9,288,679
Income taxes paid	(1,297,658)	(695,697)
Net cash flows from operating activities	<u>10,084,243</u>	<u>8,592,982</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,295,285)	(76,775)
Proceeds from disposal of financial assets at fair value through other comprehensive income	46,945	12,526
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	6,667	6,667
Proceeds from disposal of non-current financial assets at amortized cost	-	29,900
Acquisition of financial assets at fair value through profit or loss	(396,208)	(467,526)
Proceeds from disposal of financial assets at fair value through profit or loss	318,337	708,083
Proceeds from capital reduction of financial assets at fair value through profit or loss	-	35
Acquisition of investments accounted for using equity method	(3,491,500)	(2,201,490)
Acquisition of property, plant and equipment	(2,614,208)	(1,959,016)
Proceeds from disposal of property, plant and equipment	62,364	77,466
Acquisition of intangible assets	(119,038)	(33,468)
(Increase) decrease in other non-current assets	(49,359)	850
Increase in prepayments for business facilities	(1,597,403)	(1,784,177)
Interest received	20,761	46,511
Dividends received	152,682	95,870
Other income received	11,572	577
Net cash flows used in investing activities	<u>(8,943,673)</u>	<u>(5,543,967)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term debt	5,165,440	4,715,000
Repayments of long-term debt	(2,632,500)	(5,291,600)
Decrease in guarantee deposits received	(3,445)	-
Repayments of lease liabilities	(33,990)	(32,735)
Cash dividends paid	(2,968,394)	(2,118,972)
Interest paid	(29,014)	(31,690)
Net cash flows used in financing activities	<u>(501,903)</u>	<u>(2,759,997)</u>
Net increase in cash and cash equivalents	638,667	289,018
Cash and cash equivalents at beginning of period	3,763,950	3,474,932
Cash and cash equivalents at end of period	<u>\$ 4,402,617</u>	<u>3,763,950</u>

See accompanying notes to financial statements.

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

Notes to the Parent-Company-Only Financial Statements

For the years ended December 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 Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

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

The parent-company-only financial statements was authorized for issue by the Board of Directors as of March 18, 2021.

(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 Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2020.

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

The Company assesses that the adoption of the new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its financial statements.

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

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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.	January 1, 2023

(Continued)

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

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

The Company does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements.

(4) Summary of significant accounting policies:

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

The significant accounting policies presented in the parent-company-only financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value;
- 3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, and the effect of the plan assets ceiling disclosure in Note 4(q) less plan assets.

(ii) Functional and presentation currency

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

(Continued)

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

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate of the date the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation.

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

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedge are effective.

(ii) Foreign operations

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

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, the foreign currency gains and losses arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(Continued)

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- (i) It expects to be realized, or intends to be sold or consumed, in the normal operating cycle;
- (ii) It holds primarily for the purpose of trading;
- (iii) It expects to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settle date basis.

(Continued)

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI); or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. Regular way purchase or sales of financial assets shall be recognized and derecognized, as applicable, using trade day.

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

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

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

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

(Continued)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income from equity investments is recognized in profit or loss on the date on which the Company's right to receive payment is established, which is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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

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

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

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

5) Impairment of financial assets

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

(Continued)

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

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

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

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

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

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

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

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

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

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

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

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

(Continued)

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

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets.

(Continued)

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

(ii) Financial liabilities

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(Continued)

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

(iii) Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

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

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

(h) Investment in associates

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

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

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Unrealized gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate. When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(Continued)

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

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss (or retained earnings) on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) (or retained earnings) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Company continues to apply the equity method without remeasuring the retained interest.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

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

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

(Continued)

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

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings and structures : 5 to 25 years
- 2) Machinery and equipment : 1 to 10 years

(Continued)

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

- 3) Factory and equipment : 2 to 10 years
- 4) Other equipment : 1 to 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date at least and adjusted if appropriate.

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owneroccupied to investment property.

(l) Leases

(i) Identifying a lease

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

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

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

(Continued)

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

(ii) As a lessee

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

(iii) As a lessor

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

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

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

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

(m) Intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

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

(Continued)

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- (i) Technical know-how: 12 years
- (ii) Computer software and information systems: 1 to 5 years
- (iii) Others: 1 to 2 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end, and adjusted if appropriate.

(n) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or the cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) Revenue

- (i) Revenue from contracts with customers

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

(Continued)

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1) Sale of goods

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

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

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

2) Financing components

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

(p) Government grants

The Company recognizes an unconditional government grant related to research and development plan in profit or loss as other income when the grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Share-based payment

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

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

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

(s) Income taxes

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

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The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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

- (i) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation and new restricted shares of employee.

(u) Operating segment

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

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

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent-company-only financial statements is as follows:

- (a) Judgment of whether the Company has substantive control over its investee, please refer to the consolidated financial statements for the year ended December 31, 2020.
- (b) Judgment of whether the Company has significant influence on its investee

The Company's 32.88% shares in NCF Fund II L.P. is deemed as a mutual fund. The Company does not act as the director and is not designed as the representative of those charged with the governance of NCF Fund II L.P. As a result, it is determined that the Company does not have significant influence on NCF Fund II L.P.

(c) Classification of lease

The factory lease agreements entered into by the Company many years ago were combined leases of land and buildings, recognized as operating leases. The proprietary of land was not transferred and the rental fee is increased to market rent at regular intervals. Also, the lessee does not participate in the residual value of the land and buildings. As a result, it was determined that the Company is responsible for all the risks and rewards of the land and buildings. Please refer to Note 6(o).

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Notes to the Parent-Company-Only Financial Statements

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

- Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. The further description of the valuation of inventories, please refer to Note 6(e).

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

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

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

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

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

- (a) Note 6(i)-Investment property.
- (b) Note 6(x)-Financial instruments.

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Notes to the Parent-Company-Only Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 162	163
Cash in bank	<u>4,402,455</u>	<u>3,763,787</u>
	<u>\$ 4,402,617</u>	<u>3,763,950</u>

Refer to Note 6(x) for the fair value sensitivity analysis and the exchange rate risk of the financial assets and liabilities of the Company.

(b) Financial instruments

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

	December 31, 2020	December 31, 2019
Mandatorily measured at FVTPL:		
Stocks listed on domestic markets	\$ 10,239	154,921
Private fund (Note)	<u>814,065</u>	<u>565,804</u>
Total	<u>\$ 824,304</u>	<u>720,725</u>
Current	\$ 10,239	154,921
Non-current	<u>814,065</u>	<u>565,804</u>
	<u>\$ 824,304</u>	<u>720,725</u>

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

The Company holds derivative financial instruments to hedge certain foreign exchange the Company is exposed to, arising from its operating activities. For the years ended December 31, 2020 and 2019, the gains on settlement, amounting to \$4,259 thousand and \$3,548 thousand, were recognized as other gains and losses.

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

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

	December 31, 2020	December 31, 2019
Stocks listed on domestic markets	\$ 4,562,726	3,145,387
Non-public stocks	<u>642,435</u>	<u>440,056</u>
	<u>\$ 5,205,161</u>	<u>3,585,443</u>

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

For the year ended December 31, 2020, due to the redemption of preferred shares, the Company disposed the equity investments at fair value through other comprehensive income, with a fair value of \$46,945 thousand; upon derecognition, the gains of disposal, accumulated in other equity, amounting to \$45,117 thousand was transferred to retained earnings.

For the year ended December 31, 2019, due to liquidation of investee or the redemption of preferred shares, the Company disposed the equity investments at fair value through other comprehensive income, with a fair value of \$12,526 thousand; upon derecognition, the gains of disposal, accumulated in other equity, amounting to \$11,612 thousand was transferred to retained earnings.

(iii) 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:

Prices of securities at the reporting date	2020		2019	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	\$ <u>156,155</u>	<u>307</u>	<u>107,563</u>	<u>4,648</u>
Decreasing 3%	\$ <u>(156,155)</u>	<u>(307)</u>	<u>(107,563)</u>	<u>(4,648)</u>

(iv) As of December 31, 2020 and 2019, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in Note 6(x).

(c) Accounts receivable, net

	December 31, 2020	December 31, 2019
Accounts receivable	\$ <u>2,033,714</u>	<u>2,401,924</u>

The Company 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, accounts receivable has been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information.

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WIN Semiconductors Corp.
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The loss allowance provision was determined as follows:

	December 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 1,936,598	0%	-
Past due 1~60 days	97,116	0%	-
Past due 61~120 days	-	0%	-
Past due 121~180 days	-	1.67%~5.43%	-
Past due more than 181 days	-	100%	-
	\$ 2,033,714		-
	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%	-
	\$ 2,401,924		-

As of December 31, 2020 and 2019, the accounts receivables were not discounted and pledged.

(d) Other receivables

	December 31, 2020	December 31, 2019
Other receivables due from related parties	\$ 8,445	1,199
Other receivables (recognized as other current assets)	8,785	28,622
Less: loss allowance	-	-
	\$ 17,230	29,821

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

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

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(e) Inventories

	December 31, 2020	December 31, 2019
Raw materials, supplies and spare parts	\$ 3,390,369	2,859,659
Work in process	1,277,161	1,123,552
Finished goods	779,330	375,588
	<u>\$ 5,446,860</u>	<u>4,358,799</u>

Except for 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:

	2020	2019
Loss on valuation of inventories and obsolescence	<u>\$ 56,239</u>	<u>44,822</u>
Revenue from sale of scraps	<u>\$ (27,405)</u>	<u>(27,290)</u>

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

(f) Investments accounted for using equity method

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

	December 31, 2020	December 31, 2019
Subsidiaries	<u>\$ 9,794,631</u>	<u>6,174,200</u>

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2020.

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

(g) 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	Constructio n in progress and inspection- awaited devices	Total
Cost :							
Balance as of January 1, 2020	\$ 2,546,534	2,385,314	20,958,463	5,672,743	416,917	197,964	32,177,935
Additions	-	2,159	1,921,305	268,076	188,038	285,288	2,664,866
Reclassification (Note)	-	6,299	1,960,272	242,740	20,740	(179,682)	2,050,369
Disposals	-	(4,303)	(2,792,440)	(50,432)	(114,376)	-	(2,961,551)
Balance as of December 31, 2020	<u>\$ 2,546,534</u>	<u>2,389,469</u>	<u>22,047,600</u>	<u>6,133,127</u>	<u>511,319</u>	<u>303,570</u>	<u>33,931,619</u>

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	<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	2,132,255	20,102,031	4,202,639	395,877	1,140,818	30,520,154
Additions	-	68,234	1,381,415	556,494	90,603	69,268	2,166,014
Reclassification (Note)	-	185,683	2,203,617	1,008,816	11,256	(1,012,122)	2,397,250
Disposals	-	(858)	(2,728,600)	(95,206)	(80,819)	-	(2,905,483)
Balance as of December 31, 2019	<u>\$ 2,546,534</u>	<u>2,385,314</u>	<u>20,958,463</u>	<u>5,672,743</u>	<u>416,917</u>	<u>197,964</u>	<u>32,177,935</u>
Accumulated depreciation :							
Balance as of January 1, 2020	\$ -	788,281	12,896,324	2,559,911	263,642	-	16,508,158
Depreciation	-	121,442	2,716,534	488,431	160,726	-	3,487,133
Disposals	-	(4,268)	(2,751,273)	(50,394)	(114,376)	-	(2,920,311)
Balance as of December 31, 2020	<u>\$ -</u>	<u>905,455</u>	<u>12,861,585</u>	<u>2,997,948</u>	<u>309,992</u>	<u>-</u>	<u>17,074,980</u>
Balance as of January 1, 2019	\$ -	682,291	12,612,104	2,227,477	213,766	-	15,735,638
Depreciation	-	106,848	2,569,703	424,407	130,516	-	3,231,474
Disposals	-	(858)	(2,285,483)	(91,973)	(80,640)	-	(2,458,954)
Balance as of December 31, 2019	<u>\$ -</u>	<u>788,281</u>	<u>12,896,324</u>	<u>2,559,911</u>	<u>263,642</u>	<u>-</u>	<u>16,508,158</u>
Carrying value :							
Balance as of December 31, 2020	<u>\$ 2,546,534</u>	<u>1,484,014</u>	<u>9,186,015</u>	<u>3,135,179</u>	<u>201,327</u>	<u>303,570</u>	<u>16,856,639</u>
Balance as of January 1, 2019	<u>\$ 2,546,534</u>	<u>1,449,964</u>	<u>7,489,927</u>	<u>1,975,162</u>	<u>182,111</u>	<u>1,140,818</u>	<u>14,784,516</u>
Balance as of December 31, 2019	<u>\$ 2,546,534</u>	<u>1,597,033</u>	<u>8,062,139</u>	<u>3,112,832</u>	<u>153,275</u>	<u>197,964</u>	<u>15,669,777</u>

Note: Inventory and prepayments for business facilities were reclassified as property, plant and equipment.

(i) Pledge to secure

As of December 31, 2020 and 2019, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings were disclosed in Note 8.

(ii) For the years ended December 31, 2020 and 2019, capitalized interest expenses amounted to \$18,860 thousand and \$36,299 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 0.65%~1.12% and 1.08%~1.34%, respectively.

(h) 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	\$ 24,979	47,664	8,728	81,371
Additions	-	593	3,136	3,729
Disposals	(45)	(520)	(1,345)	(1,910)
Balance at December 31, 2020	<u>\$ 24,934</u>	<u>47,737</u>	<u>10,519</u>	<u>83,190</u>

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	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	-	-	-
Effects of retrospective application for IFRS 16	24,979	47,664	5,596	78,239
Additions	-	-	3,132	3,132
Balance at December 31, 2019	<u>\$ 24,979</u>	<u>47,664</u>	<u>8,728</u>	<u>81,371</u>
Accumulated depreciation:				
Balance at January 1, 2020	\$ 8,968	21,198	2,887	33,053
Depreciation	8,946	21,198	3,690	33,834
Disposals	-	(520)	(1,345)	(1,865)
Balance at December 31, 2020	<u>\$ 17,914</u>	<u>41,876</u>	<u>5,232</u>	<u>65,022</u>
Balance at January 1, 2019	\$ -	-	-	-
Depreciation	8,968	21,198	2,887	33,053
Balance at December 31, 2019	<u>\$ 8,968</u>	<u>21,198</u>	<u>2,887</u>	<u>33,053</u>
Carrying amount:				
Balance at December 31, 2020	<u>\$ 7,020</u>	<u>5,861</u>	<u>5,287</u>	<u>18,168</u>
Balance at January 1, 2019	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 16,011</u>	<u>26,466</u>	<u>5,841</u>	<u>48,318</u>

(i) Investment property

The movements in investment property were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost :			
Balance as of January 1, 2020	\$ 963,127	529,952	1,493,079
Additions	-	-	-
Balance as of December 31, 2020	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Balance as of January 1, 2019	\$ 963,127	529,952	1,493,079
Additions	-	-	-
Balance as of December 31, 2019	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>
Accumulated depreciation :			
Balance as of January 1, 2020	\$ -	91,924	91,924
Depreciation	-	20,374	20,374
Balance as of December 31, 2020	<u>\$ -</u>	<u>112,298</u>	<u>112,298</u>
Balance as of January 1, 2019	\$ -	71,551	71,551
Depreciation	-	20,373	20,373
Balance as of December 31, 2019	<u>\$ -</u>	<u>91,924</u>	<u>91,924</u>

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Carrying value :			
Balance as of December 31, 2020	\$ <u>963,127</u>	<u>417,654</u>	<u>1,380,781</u>
Balance as of January 1, 2019	\$ <u>963,127</u>	<u>458,401</u>	<u>1,421,528</u>
Balance as of December 31, 2019	\$ <u>963,127</u>	<u>438,028</u>	<u>1,401,155</u>
Fair value :			
Balance as of December 31, 2020			\$ <u>1,533,631</u>
Balance as of December 31, 2019			\$ <u>1,578,738</u>

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

As of December 31, 2020 and 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>2020</u>	<u>2019</u>
Hsinchu	0.36%	0.31%
Taoyuan	0.53%	0.34%

As of December 31, 2020 and 2019, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings were disclosed in Note 8.

(j) Intangible assets

(i) The movements in intangible assets were as follows:

	<u>Technical know-how</u>	<u>Computer software and information systems</u>	<u>Others</u>	<u>Total</u>
Cost :				
Balance as of January 1, 2020	\$ 46,005	175,951	2,031	223,987
Additions	-	92,896	5,786	98,682
Reclassification (Note)	-	210	-	210
Disposals	-	(56,445)	(1,696)	(58,141)
Balance as of December 31, 2020	\$ <u>46,005</u>	<u>212,612</u>	<u>6,121</u>	<u>264,738</u>
Balance as of January 1, 2019	\$ 46,005	140,788	4,523	191,316
Additions	-	69,720	358	70,078
Reclassification (Note)	-	15,671	-	15,671
Disposals	-	(50,228)	(2,850)	(53,078)
Balance as of December 31, 2019	\$ <u>46,005</u>	<u>175,951</u>	<u>2,031</u>	<u>223,987</u>

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	<u>Technical know-how</u>	<u>Computer software and information systems</u>	<u>Others</u>	<u>Total</u>
Amortization :				
Balance as of January 1, 2020	\$ 35,143	65,065	1,368	101,576
Amortization	3,834	81,835	2,242	87,911
Disposals	-	(56,445)	(1,696)	(58,141)
Balance as of December 31, 2020	<u>\$ 38,977</u>	<u>90,455</u>	<u>1,914</u>	<u>131,346</u>
Balance as of January 1, 2019	\$ 31,309	63,605	2,141	97,055
Amortization	3,834	51,688	2,077	57,599
Disposals	-	(50,228)	(2,850)	(53,078)
Balance as of December 31, 2019	<u>\$ 35,143</u>	<u>65,065</u>	<u>1,368</u>	<u>101,576</u>
Carrying value :				
Balance as of December 31, 2020	<u>\$ 7,028</u>	<u>122,157</u>	<u>4,207</u>	<u>133,392</u>
Balance as of January 1, 2019	<u>\$ 14,696</u>	<u>77,183</u>	<u>2,382</u>	<u>94,261</u>
Balance as of December 31, 2019	<u>\$ 10,862</u>	<u>110,886</u>	<u>663</u>	<u>122,411</u>

Note : Other current assets were reclassified as intangible assets.

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2020 and 2019, the amortization expenses of intangible assets were as follows:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 20,921	14,253
Operating expenses	66,990	43,346
	<u>\$ 87,911</u>	<u>57,599</u>

(iii) As of December 31, 2020 and 2019, the intangible assets were not pledged.

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Business tax refund receivables	\$ 134,514	148,896
Prepaid expenses	114,795	96,476
Restricted assets	25,080	24,892
Refundable deposits	71,527	22,356
Other receivables from metal recycling	-	16,489
Other receivables	8,785	12,133
Others	2,100	2,100
	<u>\$ 356,801</u>	<u>323,342</u>

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Notes to the Parent-Company-Only Financial Statements

(l) Short-term borrowings

	December 31, 2020	December 31, 2019
Unsecured short-term borrowings	\$ <u>-</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>802,430</u>	<u>1,153,882</u>
Unused bank credit lines for short-term and long-term borrowings	\$ <u>3,450,712</u>	<u>3,276,609</u>

(m) Long-term borrowings

	December 31, 2020	December 31, 2019
Secured long-term borrowings (Settled in NTD)	\$ 750,000	1,620,000
Unsecured long-term borrowings (Settled in NTD)	7,008,940	3,606,000
Less: long-term liabilities, current portion	<u>-</u>	<u>-</u>
Total	\$ <u>7,758,940</u>	<u>5,226,000</u>
Unused bank credit lines for long-term borrowings	\$ <u>7,821,328</u>	<u>3,825,000</u>
Annual interest rate	<u>0.25%~1.00%</u>	<u>0.98%~1.18%</u>
Expiry date	<u>2022/3/15~2025/8/16</u>	<u>2021/6/15~2025/8/16</u>

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

<u>Year due</u>	<u>Amount</u>
January 1, 2022~December 31, 2022	\$ 2,181,000
January 1, 2023~December 31, 2023	1,943,290
January 1, 2024 and after	<u>3,634,650</u>
	<u>\$ 7,758,940</u>

(i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in Note 6(l).

(ii) The collateral for these long-term borrowings were disclosed in Note 8.

(n) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	December 31, 2020	December 31, 2019
Current	\$ <u>13,635</u>	<u>33,526</u>
Non-current	\$ <u>4,657</u>	<u>15,072</u>

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

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

The amounts recognized in profit or loss were as follows:

	<u>2020</u>	<u>2019</u>
Interest expenses on lease liabilities	\$ <u>427</u>	<u>846</u>
Expenses relating to short-term leases	\$ <u>1,577</u>	<u>1,185</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>1,290</u>	<u>1,284</u>

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

	<u>2020</u>	<u>2019</u>
Total cash outflow for leases	\$ <u>37,284</u>	<u>36,050</u>

(i) Real estate and buildings leases

The Company leases land and buildings for its parking lots and staff dormitories. The leases of them typically run for a period of 2 to 6 years.

(ii) Other leases

The Company leases printer and transportation equipment, with lease terms of 2 to 5 years.

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

(o) Operating lease

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

For the years ended December 31, 2020 and 2019, the rental income recognized in other income amounting to \$73,849 thousand and \$75,425 thousand, respectively.

(p) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of the defined benefit obligations	\$ 158,573	144,155
Fair value of plan assets	(47,690)	(45,194)
Net defined benefit liabilities (Note)	\$ <u>110,883</u>	<u>98,961</u>

Noted: Recognized liabilities for defined benefit obligations were recognized as other non-current liabilities.

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

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

1) Composition of plan assets

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

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to \$47,690 thousand as of December 31, 2020. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Funds, Ministry of Labor.

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

For the years ended December 31, 2020 and 2019, movements in the present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Defined benefit obligations at the beginning	\$ 144,155	141,119
Current service costs and interest cost	2,367	4,190
Remeasurements of the net defined benefit liability (asset):		
— Actuarial (gains) losses arising from financial assumption	6,498	4,175
— Experience adjustments	5,553	(5,329)
Defined benefit obligations at the end	<u>\$ 158,573</u>	<u>144,155</u>

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

For the years ended December 31, 2020 and 2019, movements in the fair value of the plan assets were as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets at the beginning	\$ 45,194	42,653
Interest revenue	501	579
Remeasurements of the net defined benefit liability:		
— Return on plan assets (excluding the interest revenue)	1,315	1,338
Amounts contributed to plan	680	624
Fair value of plan assets at the end	<u>\$ 47,690</u>	<u>45,194</u>

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

- 4) The movement in effect of plan asset ceiling

For the years ended December 31, 2020 and 2019, there were no changes in the effect of plan asset ceiling.

- 5) The expenses recognized in profit or losses

For the years ended December 31, 2020 and 2019, the expenses recognized in profit or losses for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 793	2,296
Net interest expense of net defined benefit liabilities (assets)	<u>1,073</u>	<u>1,315</u>
	<u>\$ 1,866</u>	<u>3,611</u>
	<u>2020</u>	<u>2019</u>
Administrative expenses	<u>\$ 1,866</u>	<u>3,611</u>

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

For the years ended December 31, 2020 and 2019, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning	\$ 62,225	64,717
Recognized in the current period	<u>10,736</u>	<u>(2,492)</u>
Balance at the end	<u>\$ 72,961</u>	<u>62,225</u>

- 7) Actuarial assumptions

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Discount rate	0.750 %	1.125 %
Future salary rate increases	4.500 %	4.500 %

The Company expects to make contributions of \$142 thousand to the defined benefit plans in the next year starting from December 31, 2020.

For 2020, the weighted average duration of the defined benefit plans is 15.65 years.

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

8) Sensitivity analysis

As of December 31, 2020, and 2019, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

	Influences of defined benefit obligations	
	<u>Increase by 0.25%</u>	<u>Decrease by 0.25%</u>
Balance as of December 31, 2020		
Discount rate	\$ (4,372)	4,541
Future salary rate increases	4,300	(4,170)
Balance as of December 31, 2019		
Discount rate	\$ (4,175)	4,333
Future salary rate increases	4,121	(3,990)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

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

The Company set aside \$107,894 thousand and \$95,116 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2020 and 2019, respectively.

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

(q) Income tax

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense (benefits)		
Current period	\$ 1,561,014	1,101,313
Adjustment for prior periods	<u>(45,803)</u>	<u>(8,487)</u>
Subtotal	<u>1,515,211</u>	<u>1,092,826</u>
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	<u>18,129</u>	<u>(100,523)</u>
Income tax expense	<u><u>\$ 1,533,340</u></u>	<u><u>992,303</u></u>

The amount of income tax benefit (expense) recognized in other comprehensive income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Components of other comprehensive income that will not be classified to profit or loss:		
The remeasurements of defined benefit plans	<u>\$ 2,147</u>	<u>(499)</u>

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

	<u>2020</u>	<u>2019</u>
Profit before tax	<u>\$ 8,062,080</u>	<u>5,466,702</u>
Estimated income tax calculated using the Company's domestic tax rate	\$ 1,612,416	1,093,340
Tax-exempt income	(51,689)	(75,824)
Investment tax credits	(94,701)	(75,519)
Change in provision in prior periods	(45,803)	(8,487)
Surtax on unappropriated earnings	53,608	37,906
Others	<u>59,509</u>	<u>20,887</u>
	<u><u>\$ 1,533,340</u></u>	<u><u>992,303</u></u>

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

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2020 and 2019 were as follows:

	<u>Allowance for obsolete inventories</u>	<u>Difference in depreciation expense between financial and tax method</u>	<u>Unrealized investment losses recognized under equity method</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:					
Balance as of January 1, 2020	\$ 38,636	60,543	79,868	56,779	235,826
Recognized in profit or loss	7,534	(57,573)	39,288	(7,378)	(18,129)
Recognized in other comprehensive income	-	-	-	2,147	2,147
Balance as of December 31, 2020	<u>\$ 46,170</u>	<u>2,970</u>	<u>119,156</u>	<u>51,548</u>	<u>219,844</u>
Balance as of January 1, 2019	\$ 32,474	58,961	3,102	41,265	135,802
Recognized in profit or loss	6,162	1,582	76,766	16,013	100,523
Recognized in other comprehensive income	-	-	-	(499)	(499)
Balance as of December 31, 2019	<u>\$ 38,636</u>	<u>60,543</u>	<u>79,868</u>	<u>56,779</u>	<u>235,826</u>

There were no change in the amount of deferred tax liabilities for the years ended December 31, 2020 and 2019.

(iii) Examination and approval

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.

(r) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the Company's authorized share capital consisted of 1,000,000 thousand shares of ordinary shares, with \$10 dollars par value per share, of which 424,056 thousand shares, were issued. The Company has reserved \$1,000,000 thousand for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2020 and 2019:

	<u>Ordinary share (in thousands)</u>	
	<u>2020</u>	<u>2019</u>
Balance as of beginning	424,056	423,814
Restricted shares of stock issued for employees	-	262
Redeemed restricted shares of stock issued for employees	-	(20)
Balance as of ending	<u>424,056</u>	<u>424,056</u>

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WIN Semiconductors Corp.
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On March 21, 2019, the Company's Board of Directors approved a resolution to redeem the unvested restricted employee share of stock amounting to 20 thousand shares, at \$10 dollars par value per share, amounting to \$200 thousand. The recognition date for capital reduction was March 31, 2019. Accordance with the resolution of Board of Directors meeting held on May 14, 2019, the Company issued 262 thousand shares, at \$10 dollars par value per share, amounting to \$2,620 thousand. All related registration procedures had been completed.

On December 22, 2017, the Company issued 20,000 thousand ordinary shares, with subscription price of \$277 per share, under private placement. The private placement of ordinary shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded publicly after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission. As of December 31, 2020, the Company has not applied for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 9,031,035	9,031,035
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	71,627	754
Employee stock options	698	698
Restricted shares of stock issued for employees	219,738	211,821
	<u>\$ 9,323,098</u>	<u>9,244,308</u>

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

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve and a special capital reserve is likewise appropriated or the annual income or earnings are retained in accordance with the relevant laws or regulations or as requested by the authorities. Otherwise, the 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.

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

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in appropriating its remaining earnings as its dividend policy in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth.

1) Legal reserve

If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

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

3) Appropriations of earnings

The appropriations of earning for 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	<u>\$ 2,968,394</u>	<u>2,118,972</u>

The above-mentioned appropriation 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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On March 18, 2021, the Company's Board of Directors resolved to appropriate the 2020 earnings. The earnings were appropriated as follows:

	2020		
	Amount per share (in dollars)	Total amount	
Cash dividends	\$ 10.00	\$ 4,240,564	
(iv) Other equity interest, 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) –			
Subsidiaries	(22,755)	-	-
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income (net of tax):			
– The company	-	378,045	-
– Subsidiaries	-	362,982	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	(45,117)	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments of the subsidiaries accounted for using equity methods at fair value through other comprehensive income (net of tax)	-	(4,950)	-
Changes in compensation cost arising from restricted shares of stock issued to employees due to demission	-	-	(7,917)
Compensation cost arising from restricted shares of employees	-	-	79,208
Balance as of December 31, 2020	\$ (202,205)	3,780,846	(65,738)

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

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2019	\$ (36,200)	958,390	(158,308)
Foreign currency differences (net of tax) –			
Subsidiaries	(143,250)	-	-
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income (net of tax):			
– The company	-	1,845,073	-
– Subsidiaries	-	269,783	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	(11,612)	-
Cumulative gains (losses) reclassified to retained earnings on disposal of investments in equity instruments of the subsidiaries accounted for using equity methods at fair value through other comprehensive income (net of tax)	-	28,252	-
Issuance of restricted shares of employees	-	-	(50,364)
Compensation cost arising from restricted shares of employees	-	-	71,643
Balance as of December 31, 2019	<u>\$ (179,450)</u>	<u>3,089,886</u>	<u>(137,029)</u>

(s) Share-based payment

The Company insurance restricted shares of stock for employee

On June 15, 2018, the shareholders' meeting approved a resolution to issue 1,700 thousand new restricted employee shares to full-time regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. The Company decided that the grant date was set on August 22, 2018 and in accordance with the resolution of Board of Directors meeting held on September 14, 2018, the Company issued 1,148 thousand shares (the date of capital increase was set on September 14, 2018), with the fair-value on grant date amounting to \$175,357 thousand. On March 21, 2019, the Company's Board of Directors approved a resolution to redeem the unvested restricted employee share of stock amounting to 20 thousand shares. The Company decided that the second grant date was set on May 10, 2019. And in accordance with the resolution of Board of Directors meeting held on May 14, 2019, the Company issued 262 thousand shares (the date of capital increase was set on May 14, 2019), with the fair-value on grant date amounting to \$50,364 thousand. The remaining amount of 290 thousand shares will not be processed during the remaining period.

As of December 31, 2020 and 2019, there were 1,390 thousand shares outstanding.

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

For the years ended December 31, 2020 and 2019, the Company recognized the compensation cost of \$79,216 thousand and \$71,643 thousand for the aforementioned RSA, respectively.

(t) Earnings per share ("EPS")

For the years ended December 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	<u>2020</u>	<u>2019</u>
Basic earnings per share:		
Profit belonging to common shareholders	\$ <u>6,528,740</u>	<u>4,474,399</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>15.45</u>	<u>10.59</u>
Diluted earnings per share:		
Profit belonging to common shareholders	\$ <u>6,528,740</u>	<u>4,474,399</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)	1,924	1,531
Restricted employee shares (in thousands shares)	<u>1,163</u>	<u>752</u>
Weighted average number of common stock (diluted) (in thousands shares)	<u>425,753</u>	<u>424,949</u>
Diluted earnings per share (in dollars)	\$ <u>15.33</u>	<u>10.53</u>

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Notes to the Parent-Company-Only Financial Statements

(u) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets:		
Asia	\$ 16,634,605	13,663,043
Americas	5,795,821	4,509,148
Taiwan	1,394,746	1,862,415
Europe	<u>1,115,333</u>	<u>817,952</u>
	<u><u>\$ 24,940,505</u></u>	<u><u>20,852,558</u></u>
Main product / services lines:		
Foundry	\$ 24,938,258	20,851,144
Other	<u>2,247</u>	<u>1,414</u>
	<u><u>\$ 24,940,505</u></u>	<u><u>20,852,558</u></u>

(ii) Balance of contracts

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2019</u>
Accounts receivable	\$ 2,033,714	2,401,924	553,914
Accounts receivable due from related parties	-	-	942,499
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 2,033,714</u></u>	<u><u>2,401,924</u></u>	<u><u>1,496,413</u></u>
Contract liabilities	<u><u>\$ 518,940</u></u>	<u><u>246,459</u></u>	<u><u>87,057</u></u>

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. The amount of revenue recognized for the years ended December 31, 2020 and 2019 that was included in the contract liabilities balance at the beginning of the period was \$231,429 thousand and \$74,679 thousand, respectively.

(v) 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:

(Continued)

WIN Semiconductors Corp.
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- (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) Directors' remuneration: no more than 3%.

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

For the years ended December 31, 2020 and 2019, the Company estimated its employees' and directors' remuneration as follows:

	<u>2020</u>	<u>2019</u>
Employees' remuneration	\$ 543,300	368,400
Directors' remuneration	<u>157,700</u>	<u>106,900</u>
	<u>\$ 701,000</u>	<u>475,300</u>

The amount of employees' remuneration, and directors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration was included in the operating costs and operating expenses of the years ended December 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. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2020 and 2019.

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

(w) Non-operating income and expenses

(i) Interest income

The details of interest incomes for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest income from bank deposits	\$ 20,725	44,935
Interest income from financial assets measured at amortized cost	-	205
Interest income from financial assets at fair value through profit or loss	1	-
Other interest income	<u>3</u>	<u>3</u>
Total	<u>\$ 20,729</u>	<u>45,143</u>

(Continued)

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

(ii) Other income

The details of other income for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Dividend income	\$ 155,206	95,870
Rent income	73,849	84,241
Other income	<u>\$ 229,055</u>	<u>180,111</u>

(iii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Gains (losses) on disposals of property, plant and equipment	\$ 21,124	(372,900)
Foreign exchange losses	(140,903)	(81,578)
Gains on financial assets or liabilities at fair value through profit or loss	23,184	221,437
Impairment losses	(139,071)	-
Others	75,705	63,049
Other gains and losses	<u>\$ (159,961)</u>	<u>(169,992)</u>

(iv) Finance costs

The details of finance costs for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Interest expenses	\$ 28,521	31,311
Other finance costs	248	253
Finance costs	<u>\$ 28,769</u>	<u>31,564</u>

(x) Financial instruments

(i) Credit risk

1) Exposure of credit risk

a) As at reporting, the Company's exposure to credit risk and the maximum exposure were mainly from:

- i) The carrying amount of financial assets recognized in the balance sheet; and
- ii) The amount of liabilities as a result from the Company providing financial guarantees were both USD\$200,000 thousand as of December 31, 2020 and 2019 (the amounts are equivalent to \$5,696,000 thousand and \$5,996,000 thousand, respectively).

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Notes to the Parent-Company-Only Financial Statements

In June 2019, the subsidiaries 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 Company is the joint guarantor of this syndicated loan agreement.

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

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

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.

2) Disclosures about concentrations of risk

As of December 31, 2020 and 2019, the Company's accounts receivable (included the related parties) were both concentrated on 5 customers, whose accounts represented 64% and 56% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible collectability of accounts receivable periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

3) Receivables and debt securities

For information on credit risk regarding accounts receivable, please refers to Note 6(c).

Other financial assets measured at amortized cost include other receivables. For related impairment, please refer to Notes 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.
Notes to the Parent-Company-Only 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 December 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 750,000	774,188	6,750	6,750	760,688	-
Unsecured bank loans	7,008,940	7,121,530	45,052	2,216,672	4,859,806	-
Accounts payable	1,767,092	1,767,092	1,767,092	-	-	-
Other payables (including related parties)	2,966,093	2,966,093	2,966,093	-	-	-
Guarantee deposits received	116,174	116,174	6,174	-	110,000	-
Lease liabilities	18,292	18,458	13,766	3,789	903	-
	<u>\$ 12,626,591</u>	<u>12,763,535</u>	<u>4,804,927</u>	<u>2,227,211</u>	<u>5,731,397</u>	<u>-</u>
As of December 31, 2019						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,620,000	1,693,049	19,110	19,110	1,293,443	361,386
Unsecured bank loans	3,606,000	3,712,122	39,312	1,068,695	2,277,837	326,278
Accounts payable	1,821,018	1,821,018	1,821,018	-	-	-
Other payables (including related parties)	1,254,326	1,254,326	1,254,326	-	-	-
Guarantee deposits received	119,619	119,619	9,619	-	110,000	-
Lease liabilities	48,598	49,133	33,941	12,442	2,750	-
	<u>\$ 8,469,561</u>	<u>8,649,267</u>	<u>3,177,326</u>	<u>1,100,247</u>	<u>3,684,030</u>	<u>687,664</u>

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

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk of financial assets and liabilities were as follows:

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NT\$</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 162,055	28.48	4,615,338	185,137	29.98	5,550,418
EUR	7	35.02	246	75	33.59	2,531
JPY	2,391,001	0.2763	660,634	1,321,385	0.2760	364,702
GBP	2	38.90	76	2	39.36	77
RMB	-	-	-	51,476	3.85	198,130
			<u>\$ 5,276,294</u>			<u>\$ 6,115,858</u>
<u>Non-monetary items</u>						
USD	\$ 308,073	28.48	<u>\$ 8,775,264</u>	184,562	29.98	<u>\$ 5,534,561</u>

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

	December 31, 2020			December 31, 2019		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 36,446	28.48	1,037,985	37,004	29.98	1,109,384
EUR	1,231	35.02	43,106	853	33.59	28,650
JPY	911,604	0.2763	251,876	595,366	0.2760	164,321
			\$ 1,332,967			\$ 1,302,355

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (included the related parties), other receivables (included the related parties), financial assets at fair value through profit or loss, accounts payable and other payables (included the related parties) that are denominated in foreign currency. A strengthening (weakening) 5% of appreciation (depreciation) of the NTD against the USD, EUR, JPY, GBP and the HKD etc. for the years ended December 31, 2020 and 2019 have increased (decreased) the net profit after tax by \$174,547 thousand and \$204,099 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2020 and 2019, foreign exchange losses (including realized and unrealized portions) amounted to \$140,903 thousand and \$81,578 thousand, respectively.

(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Company's net profit after tax have increased (decreased) by \$22,675 thousand and \$15,806 thousand for the years ended December 31, 2020 and 2019, respectively, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

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	December 31, 2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	\$ 3,145,387	3,145,387	-	-	3,145,387
Non-public stocks	440,056	-	-	440,056	440,056
Subtotal	<u>\$ 3,585,443</u>	<u>3,145,387</u>	<u>-</u>	<u>440,056</u>	<u>3,585,443</u>
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	\$ 3,763,950	-	-	-	-
Accounts receivable (including related parties) (Note)	2,401,924	-	-	-	-
Other receivables (Note)	29,821	-	-	-	-
Other non-current assets (Note)	47,248	-	-	-	-
Subtotal	<u>\$ 6,242,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Bank loans (Note)	\$ 5,226,000	-	-	-	-
Accounts payable (Note)	1,821,018	-	-	-	-
Other payables (Note)	1,254,326	-	-	-	-
Guarantee deposits received (Note)	119,619	-	-	-	-
Lease liabilities (Note)	48,598	-	-	-	-
Subtotal	<u>\$ 8,469,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

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

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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

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

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

- Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.

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

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

- 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.

(Continued)

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

4) Transfer between level 2 and level 1

For the years ended December 31, 2020 and 2019, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Private fund</u>	<u>Unquoted equity instruments</u>
January 1, 2020	\$ 565,804	440,056
Total gains or losses:		
Recognized in profit and loss	(34,282)	-
Recognized in other comprehensive income	-	(193,946)
Purchased	282,543	449,937
Disposals	-	(46,945)
Proceeds from capital reduction	-	(6,667)
December 31, 2020	<u>\$ 814,065</u>	<u>642,435</u>
January 1, 2019	\$ 722,405	477,003
Total gains or losses:		
Recognized in profit and loss	67,261	-
Recognized in other comprehensive income	-	(17,754)
Purchased	142,794	-
Disposals	(366,621)	(12,526)
Proceeds from capital reduction	(35)	(6,667)
December 31, 2019	<u>\$ 565,804</u>	<u>440,056</u>

The preceding gains and losses were recognized as other gains and losses and unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income. As of December 31, 2020 and 2019, the related information of the assets which were still held by the Company were as follows:

	<u>2020</u>	<u>2019</u>
Total gains or losses		
Profit or loss (recognized as other gains and losses)	\$ (34,282)	(89)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	(239,063)	(17,754)

(Continued)

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

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

The Company'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 December 31, 2020 and 2019 were 6.19 and 1.73, respectively) ● Market liquidity discount rate (as of December 31, 2020 and 2019 were both 80% of market value) 	<ul style="list-style-type: none"> ● The higher the price-book ratio, the higher the fair value ● The higher the market liquidity discount rate, the lower the fair value
	<ul style="list-style-type: none"> ● Net asset value method 	<ul style="list-style-type: none"> ● Net asset value 	<ul style="list-style-type: none"> ● The higher the net asset value, the higher the fair value
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 	<ul style="list-style-type: none"> ● The higher the net asset value, the higher fair value

- 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 Company'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:

(Continued)

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

	<u>Inputs</u>	<u>Increase or decrease</u>	<u>Effects of changes in fair value on profit or loss</u>		<u>Effects of changes in fair value on other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>	<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2020						
Financial assets at fair value through profit or loss:						
Private fund	Net asset value	5%	\$ 40,703	(40,703)	-	-
Financial assets at fair value through other comprehensive income:						
Equity investments without an active market	Price-book ratio	5%	-	-	10,467	(10,467)
"	Market liquidity discount rate	5%	-	-	10,467	(10,467)
"	Net asset value	5%	-	-	21,655	(21,655)
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%	-	-	5,929	(5,929)
"	Market liquidity discount rate	5%	-	-	5,929	(5,929)
"	Net asset value	5%	-	-	16,074	(16,074)

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.

(y) Management of financial risk

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

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

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

(Continued)

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Accounts receivable

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

2) Investments

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

3) Guarantees

In 2020 and 2019, the Company was the joint guarantor for the bank loan of its investment through subsidiary, and please refer to Note 7 for the further information.

(Continued)

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

(iv) Liquidity risk

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

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2020, the Company has unused bank credit lines for short-term borrowings, the unused bank credit lines for short-term borrowings and long-term borrowings, and long-term bank borrowings, amounted to \$802,430 thousand, \$3,450,712 thousand and \$7,821,328 thousand, respectively.

(v) Market risk

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

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

The policy of response to currency risk :

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

(Continued)

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

(z) Capital management

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

For the years ended December 31, 2020 and 2019, the Company's return on common equity was 20.49% and 16.26%, respectively. The Company's debt ratio at the reporting date were as follows:

	December 31, 2020	December 31, 2019
Debt ratio	29.71 %	27.55 %

As of December 31, 2020, there were no changes in the Company's approach to capital management.

(aa) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2020	Cash flows			Non-cash changes		December 31, 2020
		Proceeds from long-term debt	Repayments of long-term debt and lease liabilities	Others	Interest expense	Others	
Long-term borrowings	\$ 5,226,000	5,165,440	(2,632,500)	-	-	-	7,758,940
Guarantee deposit received	119,619	-	-	(3,445)	-	-	116,174
Lease liabilities	48,598	-	(33,990)	(427)	427	3,684	18,292
Total liabilities from financing activity	\$ 5,394,217	5,165,440	(2,666,490)	(3,872)	427	3,684	7,893,406

	January 1, 2019	Cash flows			Non-cash changes		December 31, 2019
		Proceeds from long-term debt	Repayments of long-term debt and lease liabilities	Others	Interest Expense	Others	
Long-term borrowings	\$ 5,802,600	4,715,000	(5,291,600)	-	-	-	5,226,000
Guarantee deposit received	119,619	-	-	-	-	-	119,619
Lease liabilities	78,201	-	(32,735)	(846)	846	3,132	48,598
Total liabilities from financing activity	\$ 6,000,420	4,715,000	(5,324,335)	(846)	846	3,132	5,394,217

(Continued)

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

(7) Related-party transactions:

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

The following are entities that have transactions with the Company during the periods covered in financial statements and its subsidiaries:

<u>Name of related party</u>	<u>Relationship with the Company</u>	<u>Remark</u>
WIN SEMI. USA, INC. (abbrev. WIN USA)	The Subsidiary	
Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	"	
WIN Venture Capital Corp.	"	
WIN Earn Investment Corp.	"	
WIN Chance Investment Corp.	"	
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	"	
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. (abbrev. Jiangsu Kang Yuan)	"	
Jiangsu Win Chance Agriculture Development Co., Ltd.	"	(Note 1)
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	"	(Note 2)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. (abbrev. Jiangsu Chainwin)	"	
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	"	
Jiangsu Win Yield Agriculture Development Co., Ltd. (abbrev. Jiangsu Win Yield)	"	
Jiangsu Win Shine Agriculture Development Co., Ltd.	"	
i-Chainwin Technology (Cayman Islands) Co., Ltd.	"	
Win Lux Biotech (Cayman Islands) Co., Ltd.	"	
i-Chainwin Technology Co., Ltd.	"	
Win Lux Biotech Co., Ltd.	"	
Jiangsu Win Boutique Agriculture Development Co., Ltd.	"	
Jiangsu Win Sunlight Agriculture Development Co., Ltd.	"	
Jiangsu Win Honor Management Technology Co., Ltd.	"	
Jiangsu Win Wonder Agriculture Development Co., Ltd.	"	
Phalanx Biotech Group, Inc. (abbrev. PBL)	"	
PhalanxBio, Inc.	"	
Phalanx Biotech Limited	"	
Onearray Biotech (Kunshan) Co., Ltd.	"	
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Associates	(Note 3)
ITEQ Corporation	Other related parties	(Note 4)
Taoyuan i-Fare Charity Foundation	"	

(Continued)

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

- Note 1: Jiangsu Merit/CM Agriculture Development Co., Ltd. renamed to Jiangsu Win Chance Agriculture Development Co., Ltd. in April 2020.
- Note 2: Jiansu Merit/Cofcojoycome Agriculture Development Co., Ltd. had been liquidated on January 25, 2019.
- Note 3: 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. in June 2019.
- Note 4: In July 2019, the Company's chairman of Board of Directors has been elected as the ITEQ Corporation's chairman of Board of Directors, and therefore ITEQ Corporation has become the Company's other related parties since July 2019.

(b) Significant transactions with related parties

(i) Operating revenues

The amounts of significant transaction with related-parties for the years ended December 31, 2020 and 2019 were as follow:

	<u>2020</u>	<u>2019</u>
Subsidiary – Win Cayman	\$ <u>-</u>	<u>1,297,921</u>

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

(ii) Operating expenses

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

	<u>2020</u>	<u>2019</u>
Subsidiary	\$ 85,394	82,724
Other related parties	<u>2,000</u>	<u>1,000</u>
	<u>\$ 87,394</u>	<u>83,724</u>

(iii) Payable to related parties

At the reporting date, the balance of other payable were as follow:

<u>Account</u>	<u>Categories</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other payable	Subsidiary – WIN USA	<u>\$ 6,835</u>	<u>7,195</u>

(iv) Guarantee

For the year ended December 31, 2020 and 2019, the Company provided a guarantee for the loans amounting to US\$200,000 thousand (the amounts are equivalent to NT\$5,696,000 thousand and NT\$5,996,000 thousand, respectively) to its subsidiaries, 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 Jiangsu Win Chance Agriculture Development Co., Ltd.

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

The amounts of the guarantee income and the unreceived amounts by the Company from the related parties were as follow:

	Other income		Other receivables due from related parties	
	2020	2019	December 31, 2020	December 31, 2019
Subsidiary- Jiangsu Kang Yuan	\$ 9,478	1,693	3,714	1,116
Subsidiary- Jiangsu Chainwin	5,790	83	2,120	83
Subsidiary- Jiangsu Win Yield	3,550	-	2,611	-
	<u>\$ 18,818</u>	<u>1,776</u>	<u>8,445</u>	<u>1,199</u>

(v) Leases

The Company 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 \$29,009 thousand and \$14,423 thousand for the year ended December 31, 2020 and 2019, respectively. The preceding rent payment has been received. The amount of guarantee deposit received is \$110,000 thousand for the year ended December 31, 2020 and 2019.

(c) Transactions with key management personnel

Key management personnel compensation was comprised as below:

	2020	2019
Short-term employee benefits	\$ 598,688	451,899
Post-employment benefits	1,256	821
	<u>\$ 599,944</u>	<u>452,720</u>

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2020	December 31, 2019
Other non-current assets	Gas deposits	\$ 4,700	4,700
Other non-current assets	Customs guarantee and its interest	20,380	20,192
Property, plant and equipment	Long-term borrowings	2,003,867	2,382,554
Investment property	Long-term borrowings	321,517	336,574
Total		<u>\$ 2,350,464</u>	<u>2,744,020</u>

(Continued)

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

(9) Commitments and contingencies:

- (a) Contingencies: None.
- (b) Commitment:
- (i) The unrecognized commitment of acquisition of plant expansion and machinery equipment were as follows:

	December 31, 2020	December 31, 2019
The unrecognized amount	\$ 2,472,550	2,146,550
	December 31, 2020	December 31, 2019
(ii) The unused letters of credit	\$ 10,358	206,008

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

- (a) For the purpose of procurement of raw materials and capital expenditure in foreign currencies of the Company, a resolution was passed by the Board of Directors' meeting held on November 27, 2020 for the issuance of the 1st unsecured overseas zero coupon convertible bonds, which had been approved by the Financial Supervisory Commission with approval No.1090377907. The 1st issued of overseas unsecured convertible bonds have announced on January 7, 2021. The issuance of the 5-year unsecured convertible bond amounting to US\$500,000 thousand with 100% of par value. The bond was issued at par value without coupon rate, with the issuance and maturity dates on January 14, 2021 and January 14, 2026, respectively.
- (b) The Company resolved to subscribe the new shares contributed by its subsidiary, Win Semiconductors Cayman Islands Co., Ltd., for 109,600 thousand shares, with par value US\$1 per share, as proposed in the Board of Director's meeting held on March 18, 2021.

(12) Other:

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

	2020			2019		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	2,696,684	860,710	3,557,394	2,383,778	856,319	3,240,097
Labor and health insurance	202,763	44,196	246,959	176,033	39,455	215,488
Pension	88,845	20,915	109,760	76,854	21,873	98,727
Directors remuneration	-	158,055	158,055	-	107,150	107,150
Others	137,571	42,929	180,500	124,089	42,185	166,274
Depreciation	3,267,769	273,572	3,541,341	2,978,951	305,949	3,284,900
Amortization	20,921	66,990	87,911	14,253	43,346	57,599

(Continued)

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

As of December 31, 2020 and 2019, the additional information for employee numbers and employee benefits were as follows:

	<u>2020</u>	<u>2019</u>
Average employee numbers	<u>3,046</u>	<u>2,796</u>
Average directors' numbers without serving concurrently as employee	<u>5</u>	<u>5</u>
Average employee benefits	<u>\$ 1,346</u>	<u>1,333</u>
Average employee salaries	<u>\$ 1,170</u>	<u>1,161</u>
Average adjustment rate of employee salaries	<u>0.78 %</u>	
Supervisor's remuneration	<u>\$ -</u>	<u>-</u>

The details of the compensation policies of the Company:

Directors:

Remuneration for Directors is made according to the Company's Articles of Incorporation. According to the Article, if there is any net profit after closing of a fiscal year, no more than 3% of the same shall be allocated as Directors' compensation. The rationale of Directors' remuneration policy takes into account the Procedures for Board Performance Evaluation, overall business performance of the Company, operation requirement and development of the industry in the future, and the individual Director contribution to the Company's operations. The reasonable Directors' compensation is proposed by the Compensation Committee and approved by the Board of Directors, in addition, a report of such remuneration shall be submitted to the shareholders' meeting.

Managers:

The compensation for managers shall be approved by the Board of Directors meeting. According to the Company's employer performance assessment rules, the compensation is measured based on the personal performance of officers' goal achievement, accomplishment of company's profit target and contribution made to the business operation, and the market benchmarking, which is prepared by the Human Resource Division. The compensation for managers shall be approved by the Compensation Committee and the Board of Directors.

Employees:

The Company has established the "Work Rules", "Employment Performance Assessment Rules", "Employee Reward and Discipline Rules" and "Procedures for Ethical Management and Guidelines for Conduct" according to relevant laws and regulations.

The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The Company offers competitive salaries and establishes and reviews a reasonable compensation policy by participating reliable compensation survey annually.

(Continued)

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

- (b) Due to the spread of COVID-19 pandemic, governments all over the world have continuously enforced the pandemic prevention of COVID-19 since January 2020. Because Taiwan successfully contained COVID-19 and the government continuously loosened the policies, the Company assessed that COVID-19 pandemic did not have significant impact on the Company's operation.

(13) Other disclosures:

- (a) Information on significant transactions

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

- (i) Loans to other parties: None.
 - (ii) Guarantees and endorsements for other parties: Please refer to schedule A.
 - (iii) Securities held as of December 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 capital stock: Please refer to schedule C.
 - (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to schedule D.
 - (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
 - (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
 - (ix) Trading in derivative instruments: None.
- (b) Information on investment (excluding information on investees in mainland China): Please refer to schedule F.
- (c) Information on investment in mainland China: Please refer to schedule F.
- (d) Major shareholders: Please refer to schedule G.

(14) Segment information:

Please refer to the parent-company-only financial statements for the year ended December 31, 2020.

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

Schedule A Guarantees and endorsements for other parties:

(In thousands of dollars)

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)(Note 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	Property pledged for guarantees and endorsements (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 third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to the companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	2	17,038,793	470,312	470,312	-	-	1.38%	Net equity 50% 17,038,793	Y	-	-
0	"	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. (Note 7)	2	17,038,793	1,045,138	1,045,138	1,566,400	-	3.07%	Net equity 50% 17,038,793	Y	-	Y
0	"	Jiangsu Win Yield Agriculture Development Co., Ltd.	2	17,038,793	1,567,705	1,567,705	1,281,600	-	4.60%	Net equity 50% 17,038,793	Y	-	Y
0	"	Jiangsu Win Shine Agriculture Development Co., Ltd.	2	17,038,793	522,569	522,569	-	-	1.53%	Net equity 50% 17,038,793	Y	-	Y
0	"	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	2	17,038,793	1,045,138	1,045,138	854,400	-	3.07%	Net equity 50% 17,038,793	Y	-	Y
0	"	Jiangsu Win Chance Agriculture Development Co., Ltd. (Note 6)	2	17,038,793	1,045,138	1,045,138	-	-	3.07%	Net equity 50% 17,038,793	Y	-	Y
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	6	2,536,008 (USD 89,045)	209,328 (USD 7,350)	209,328 (USD 7,350)	42,898 (USD 1,506)	-	2.48%	Net equity 50% 4,226,681	-	-	Y

Note 1: Company numbering as follows:

- Issuer—0
- Investee starts from 1

Note 2: Relationship with the Company

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

Note 3: WIN Semiconductors Corp.'s operating procedures of guarantee were as follows:

1. The guarantees and endorsements limit provided by WIN Semiconductors Corp. to other parties should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant. The individual guarantee amount should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant.
2. The guarantees and endorsements limit provided by WIN Semiconductors Corp. and its subsidiaries to other parties should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant. The individual guarantee amount should not exceed 50% of its equity based on the most recent audited or reviewed financial statement by a certified accountant.
3. Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd., Jiangsu 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 Jiangsu Win Chance 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, US\$60,000 thousand, and US\$60,000 thousand, respectively. The guarantee and endorsed counter-parties' highest balance and ending balance of guarantees and endorsements during the period are calculated according to the ratio of the each Borrower's credit line to total credit line and exchanged to NTD.

Note 4: Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.'s operating procedures of guarantee were as follows:

1. The individual guarantee amount should not exceed 30% 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 Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. to other parties should not exceed 50% 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 28.48 and USD 0.1537, respectively.

Note 6: Jiangsu Merit/CM Agriculture Development Co., Ltd. renamed to Jiangsu Win Chance Agriculture Development Co., Ltd. in April 2020.

Note 7: As of December 31, 2020, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.'s actual usage amount was US\$55,000 thousand (the amounts are equivalent to NT\$1,566,400 thousand) which did not exceed the maximum loans limit of US\$60,000 thousand (the amounts are equivalent to NT\$1,708,800 thousand).

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

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

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Lin BioScience, Inc./Stock	None	Current financial assets at fair value through profit or loss	100	10,239	0.15	10,239	
WIN Venture Capital Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	1,151	14,545	-	14,545	
"	Capital Money Market Fund	"	"	20,903	339,997	-	339,997	
				-	354,542		354,542	
WIN Chance Investment Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	5,604	70,799	-	70,799	
"	Capital Money Market Fund	"	"	1,834	29,839	-	29,839	
					100,638		100,638	
WIN Earn Investment Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	11,098	140,194	-	140,194	
"	Capital Money Market Fund	"	"	9,248	150,425	-	150,425	
					290,619		290,619	
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	292,544	5.81	292,544	
"	CDIB Capital Growth Partners L.P.	"	"	-	102,768	3.30	102,768	
"	CDIB Capital Healthcare Ventures II L.P.	"	"	-	8,279	1.61	8,279	
"	Fuh Hwa Oriental Fund	"	"	15,000	24,120	-	24,120	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	83,040	-	83,040	
"	LeaSun Winion L.P.	"	"	-	27,300	12.47	27,300	
"	NFC Fund II L.P.	"	"	-	156,014	32.88	156,014	
"	Foryou Venture Capital L.P.	"	"	-	21,000	5.77	21,000	
"	Renaissance Capital Limited Partnership	"	"	-	99,000	12.82	99,000	
					814,065		814,065	
"	ITEQ Corporation/Stock	Other related parties	Non-current financial assets at fair value through other comprehensive income	30,393	4,194,236	9.13	4,194,236	
"	Sino-American Silicon Products Inc./Stock	None	"	2,076	368,490	0.35	368,490	
"	Inventec Solar Energy Corporation/Stock	"	"	34,000	-	10.51	-	
"	CDIB Capital Creative Industries Limited/Stock	"	"	3,667	32,596	3.33	32,596	
"	MagiCap Venture Capital Co., Ltd./Preferred Stock A	"	"	726	91,753	18.28	91,753	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	104,600	15.87	104,600	
"	Grand Fortune Venture Corp./Stock	"	"	5,000	54,900	6.87	54,900	
"	NFC I Renewable Power Co., Ltd./Stock	"	"	15,000	149,250	15.00	149,250	
"	Gogolook Co., Ltd./Stock	"	"	2,013	209,336	11.83	209,336	
					5,205,161		5,205,161	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./Stock	Client	"	75	935,248	0.02	935,248	
"	Anokiwave Inc./Series B Preferred Stock	"	"	1,264	285,353	7.93	285,353	
					1,220,601		1,220,601	
WIN Venture Capital Corp.	MOAI Green Power Corporation/Stock	None	"	90	-	0.29	-	(Note 1)
"	Merit Biotech INC./Stock	"	"	1,320	-	2.93	-	(Note 2)
"	Winresp INC./Stock	"	"	2,740	35,510	18.16	35,510	
					35,510		35,510	
WIN Chance Investment Corp.	ITEQ Corporation/Stock	Other related parties	"	1,872	258,309	0.56	258,309	

Note 1: MOAI Electronics Corporation renamed to MOAI Green Power Corporation in September 2020.

Note 2: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company in 2017. As of December 31, 2020, the company is still within the period of liquidation.

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

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:

(In thousands of New Taiwan Dollars)

Name of Company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning		Purchases		Sales				Ending	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	ITEQ Corporation/Stock	Non-current financial assets at fair value through other comprehensive income	-	Other related parties	24,670	796,413	5,723	643,683	-	-	-	-	30,393	4,194,236
"	Win Semiconductors Cayman Islands Co., Ltd./Stock	Investments accounted for using equity method	-	Subsidiary	167,000	5,135,146	100,000	2,931,500	-	-	-	-	267,000	8,326,706
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd./Stock	"	-	Investment through subsidiary	85,054	5,219,959	50,000	2,922,000	-	-	-	-	135,054	7,025,440
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Win Yield Agriculture Development Co., Ltd.	"	-	"	-	155,300	-	1,331,345	-	-	-	-	-	1,526,517
"	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	"	-	"	-	1,363,751	-	798,291	-	-	-	-	-	1,969,938
"	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	"	-	"	-	676,169	-	409,070	-	-	-	-	-	1,058,842
WIN Venture Capital Corp.	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	None	10,066	162,753	20,592	334,400	9,755	158,095	157,721	374	20,903	339,997
"	Advanced Wireless Semiconductor Company/Stock	"	-	"	-	-	3,606	290,504	3,606	409,919	290,504	119,415	-	-

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.

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:

(In thousands of New Taiwan Dollars)

Name of Company	Name of Property	Transaction Date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Factory buildings	2018/10/25	617,213 (RMB 138,575)	As of December 31, 2020, the price paid \$576,265 thousand (RMB 131,646 thousand).	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
"	Factory buildings	2020/12/23	1,464,524 (RMB 335,900)	As of December 31, 2020, the price paid \$437,738 thousand (RMB 100,000 thousand).	Jiangsu Huaitian Construction Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Factory buildings	2018/11/20	772,168 (RMB 173,365)	As of December 31, 2020, the price paid \$662,567 thousand (RMB 151,362 thousand).	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
Jiangsu Win Yield Agriculture Development Co., Ltd.	Factory buildings	2020/01/10	1,482,045 (RMB 342,511)	As of December 31, 2020, the price paid \$1,431,402 thousand (RMB 327,000 thousand).	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
"	Factory buildings	2020/12/08	1,174,319 (RMB 268,600)	As of December 31, 2020, the price paid \$481,511 thousand (RMB 110,000 thousand).	Jiangsu Huaitian Construction Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None

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

Schedule E Information on investments:

The following is the information on investees for the year ended December 31, 2020 (excluding information on investees in mainland China):

(In thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		The ending balance at this year			Net income (losses) of investee	Investment income (losses)	Remark
				The ending balance at this year	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%	(12,755)	(13,161)	(13,161)	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	8,066,646	5,135,146	267,000	100.00%	8,326,706	(183,280)	(183,280)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	500,000	500,000	50,000	100.00%	553,604	101,844	101,844	
"	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%	277,667	(120,357)	(65,568)	
"	WIN Chance Investment Corp.	Taiwan	Investment activities	290,000	10,000	29,000	100.00%	358,850	16,474	16,474	
"	WIN Earn Investment Corp.	Taiwan	Investment activities	290,000	10,000	29,000	100.00%	290,559	593	593	
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%	31,485	(120,357)	(Note)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30%	55,876	(2,488)	(Note)	
"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	8,141,959	5,219,959	135,054	81.69%	7,025,440	(167,542)	(Note)	
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	i-Chainwin Technology (Cayman Islands) Co., Ltd.	"	Investment activities	194,670	-	6,500	100.00%	147,667	(38,683)	(Note)	
"	Win Lux Biotech (Cayman Islands) Co., Ltd.	"	Investment activities	15,010	-	500	100.00%	14,171	(541)	(Note)	
"	i-Chainwin Technology Co., Ltd.	Taiwan	Information software services	220,000	-	22,000	100.00%	217,794	(2,206)	(Note)	
"	Win Lux Biotech Co., Ltd.	Taiwan	Biotechnology services and pharmaceutical testing	30,000	-	3,000	100.00%	29,791	(209)	(Note)	
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00%	4,431	(3,460)	(Note)	
"	PhalanxBio, Inc.	USA	Selling of high-density gene chip and test service	208,110	208,110	2,550	100.00%	48	1,601	(Note)	

Note: 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.
Notes to Parent-Company-Only 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:

(In thousands of dollars)

Name of investee	Main businesses and products	Total amount of paid in capital	Method of investment	Accumulated outflow of investment from Taiwan at the beginning of this year	Investment flows		Accumulated outflow of investment from Taiwan at the end of this year	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)(Note 6)	Carrying value at the end of this year (Note 5)	Accumulated remittance of earnings in current period	Remark
					Outflow	Inflow							
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Developing hog farming technology and trading	2,162,042 (RMB 488,632)	(Note 1)	1,309,536 (USD 42,471)	798,291 (USD 27,572)	-	2,107,827 (USD 70,043)	(97,425) (USD (3,277))	81.69%	(97,425) (USD (3,277))	1,969,938 (USD 69,169)	-	
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	1,085,239 (USD 35,790)	(Note 1)	653,305 (USD 21,046)	409,070 (USD 14,000)	-	1,062,375 (USD 35,046)	2,434 (USD 106)	81.69%	2,434 (USD 106)	1,058,842 (USD 37,178)	-	
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	2,059,210 (USD 67,581)	(Note 1)	951,961 (USD 30,905)	170,913 (USD 5,916)	-	1,122,874 (USD 36,821)	259,706 (USD 8,868)	40.03%	127,256 (USD 4,345)	785,950 (USD 27,597)	-	
Jiangsu Win Chance Agriculture Development Co., Ltd.	Developing hog farming technology and trading	466,944 (USD 15,200)	(Note 1)	507,913 (USD 16,567)	79 (USD 2)	-	507,992 (USD 16,569)	(28,242) (USD (971))	81.69%	(28,242) (USD (971))	422,176 (USD 14,824)	-	(Note 9)
Jiangsu Merit/Cofojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	(Note 1)	149,664 (USD 4,872)	-	-	149,664 (USD 4,872)	-	-	-	-	-	(Note 8)
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	72,313 (RMB 16,177)	(Note 1)	41,009 (USD 1,335)	-	-	41,009 (USD 1,335)	(789) (USD (27))	81.69%	(789) (USD (27))	55,314 (USD 1,942)	-	
Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,486,645 (USD 50,500)	(Note 1)	155,300 (USD 5,000)	1,331,345 (USD 45,500)	-	1,486,645 (USD 50,500)	18,821 (USD 650)	81.69%	18,821 (USD 650)	1,526,517 (USD 53,600)	-	
Jiangsu Win Shine Agriculture Development Co., Ltd.	Logistics management service	259,960 (USD 9,000)	(Note 1)	-	-	-	-	(5,340) (USD (186))	81.69%	(5,340) (USD (186))	256,740 (USD 9,015)	-	
Jiangsu Win Boutique Agriculture Development Co., Ltd.	Developing hog farming technology and trading	288,100 (USD 10,000)	(Note 1)	-	-	-	-	(2,469) (USD (87))	81.69%	(2,469) (USD (87))	284,839 (USD 10,001)	-	
Jiangsu Win Sunlight Agriculture Development Co., Ltd.	Developing hog farming technology and trading	288,100 (USD 10,000)	(Note 1)	-	86,430 (USD 3,000)	-	86,430 (USD 3,000)	(2,507) (USD (88))	81.69%	(2,507) (USD (88))	284,823 (USD 10,001)	-	
Jiangsu Win Honor Management Technology Co., Ltd.	Logistics management service	288,100 (USD 10,000)	(Note 1)	-	-	-	-	(2,438) (USD (86))	81.69%	(2,438) (USD (86))	284,848 (USD 10,002)	-	
Jiangsu Win Wonder Agriculture Development Co., Ltd.	Developing hog farming technology and trading	43,774 (USD 10,000)	(Note 3)	-	-	-	-	-	81.69%	-	43,774 (USD 10,000)	-	
Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chip and test service	8,784 (RMB 1,898)	(Note 2)	8,784 (USD 300)	-	-	8,784 (USD 300)	(3,460) (USD (810))	58.87%	(3,460) (USD (810))	4,431 (RMB 1,012)	-	

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

(ii) Limitation on investment in mainland China:

(In thousands of dollars)

Investor Company Name	Accumulated Investment in mainland China at the end of this year (Note 8)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
The Company and subsidiaries	6,573,600 (USD 218,486)	7,136,817 (USD 250,590)	21,438,271

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

Note 2: The Company invested in mainland China companies through Phalanx Biotech Limited, which is established in a third region.

Note 3: The Company invested in mainland China companies through Jiansu Win Chance Agriculture Development Co., Ltd.

Note 4: The amount of net income (losses) was recognized based on the audit financial statements of the investee companies.

Note 5: Carrying value as of December 31, 2020 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 6: Investment income (loss) recognized was translated into New Taiwan Dollars at the average exchange rate for the each month from January 1 to December 31, 2020.

Note 7: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

Note 8: Jiansu Merit/Cofcojoycome Agriculture Development Co., Ltd. had been liquidated on January 25, 2019. However, according to the regulation of Investment Commission the remittance to mainland China amounting to US\$4,872 thousand (NT\$149,664 thousand) was included in the accumulated investment account.

Note 9: Jiangsu Merit/CM Agriculture Development Co., Ltd. renamed to Jiangsu Win Chance Agriculture Development Co., Ltd. in April 2020.

(iii) Significant transactions: None

Schedule G Information on major shareholders:

(In shares)

Shareholding Shareholder's Name	Shares	Percentage
Tien Ho Industrial Co., Ltd.	22,706,330	5.35%

WIN Semiconductors Corp.
Statement of cash and cash equivalents
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash and hand	USD : 936.5	\$ 27
Petty cash		135
Checkable deposits		311
Demand deposits		1,153,596
Foreign currency deposits	USD : 90,856,498.09 ; JPY : 2,391,001,024 ; EUR : 7,020.81 ; GBP : 1,951.81 ; AUD : 0.18 ; RMB : 6.84	3,248,548
		<u>\$ 4,402,617</u>

The closing rate on December 31, 2019 is as follow:

USD : TWD=1 : 28.48	GBP : TWD=1 : 38.90
JPY : TWD=1 : 0.2763	AUD : TWD=1 : 21.95
EUR : TWD=1 : 35.02	RMB : TWD=1 : 4.38

**Statement of current financial assets measured at
fair value through profit or loss**

<u>Name of financial instrument</u>	<u>Description</u>	<u>Shares or units (in thousand)</u>	<u>Unit cost (in dollars)</u>	<u>Acquisition cost</u>	<u>Gain (loss) on valuation</u>	<u>Book value</u>	<u>Fair Value</u>	
							<u>Unit price (in dollars)</u>	<u>Total amount</u>
Lin BioScience, Inc.	Stock	100	100.00 \$	<u>10,000</u>	<u>239</u>	<u>10,239</u>	102.39	<u>10,239</u>

WIN Semiconductors Corp.
Statement of accounts receivable
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
A Company	\$ 496,784
B Company	365,627
C Company	181,800
D Company	137,253
E Company	119,229
Others (Each amount is less than 5% of accounts receivable)	<u>733,021</u>
	<u><u>\$ 2,033,714</u></u>

Statement of inventories

<u>Item</u>	<u>Amount</u>	
	<u>Cost (Note)</u>	<u>Net realizable value</u>
Raw materials, supplies and spare parts	\$ 3,390,369	3,820,055
Work in progress	1,277,161	2,656,147
Finished good	<u>779,330</u>	<u>1,201,755</u>
Total	<u><u>\$ 5,446,860</u></u>	<u><u>7,677,957</u></u>

Note: The amount excludes the allowance to reduce inventory to market and obsolescence.

WIN Semiconductors Corp.

**Statement of changes in non-current financial assets measured at fair value
through profit or loss**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Gain (loss) on valuation</u>	<u>Ending balance</u>		<u>Collateral</u>
	<u>Shares or units (in thousand)</u>	<u>Fair value</u>	<u>Shares or units (in thousand)</u>	<u>Fair value</u>	<u>Shares or units (in thousand)</u>	<u>Fair value</u>		<u>Shares or units (in thousand)</u>	<u>Fair value</u>	
MagiCapital Fund II L.P.	-	\$ 217,722	-	79,847	-	-	(5,025)	-	292,544	None
CDIB Capital Growth Partners L.P.	-	77,842	-	24,912	-	-	14	-	102,768	//
CDIB Capital Healthcare Ventures II L.P.	-	-	-	8,363	-	-	(84)	-	8,279	//
Fuh Hwa Oriental Fund	15,000	38,160	-	-	-	-	(14,040)	15,000	24,120	//
Fuh Hwa Smart Energy Fund	12,000	89,664	-	-	-	-	(6,624)	12,000	83,040	//
LeaSun Winion L.P.	-	29,968	-	-	-	-	(2,668)	-	27,300	//
NFC Fund II L.P.	-	100,546	-	60,421	-	-	(4,953)	-	156,014	//
Foryou Venture Capital Limited Partnership	-	11,902	-	9,000	-	-	98	-	21,000	//
Renaissance Capital Limited Partnership	-	-	-	100,000	-	-	(1,000)	-	99,000	//
		<u>\$ 565,804</u>		<u>282,543</u>		<u>-</u>	<u>(34,282)</u>		<u>814,065</u>	

WIN Semiconductors Corp.

**Statement of changes in non-current financial assets measured at fair value
through other comprehensive income**

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Name of financial instrument</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Gain (loss) on valuation</u>	<u>Ending balance</u>		<u>Collateral</u>
	<u>Shares or units (in thousand)</u>	<u>Fair value</u>	<u>Shares or units (in thousand)</u>	<u>Fair value</u>	<u>Shares or units (in thousand)</u>	<u>Fair value</u>		<u>Shares or units (in thousand)</u>	<u>Fair value</u>	
Inventec Solar Energy Corporation/ Stock	34,000	\$ 118,581	-	-	-	-	(118,581)	34,000	-	None
CDIB Capital Creative Industries Limited/ Stock (Note)	4,333	44,633	-	-	(666)	(6,667)	(5,370)	3,667	32,596	"
MagiCap Venture Capital Co., Ltd./ Preferred Stock A	909	131,492	-	-	(183)	(46,945)	7,206	726	91,753	"
New Future Capital Co., Ltd./ Stock	10,000	90,800	-	-	-	-	13,800	10,000	104,600	"
Grand Fortune Venture Corp./ Stock	5,000	54,550	-	-	-	-	350	5,000	54,900	"
NFC I Renewable Power Co., Ltd./ Stock	-	-	15,000	150,000	-	-	(750)	15,000	149,250	"
Gogolook Co., Ltd. / Stock	-	-	2,013	299,937	-	-	(90,601)	2,013	209,336	"
ITEQ CORPORATION / Stock	24,670	3,145,387	5,723	643,683	-	-	405,166	30,393	4,194,236	"
Sino-American Silicon Products Inc. / Stock	-	-	2,076	201,665	-	-	166,825	2,076	368,490	"
		<u>\$ 3,585,443</u>		<u>1,295,285</u>		<u>(53,612)</u>	<u>378,045</u>		<u>5,205,161</u>	

Note: The decrease of shares and amount were due to capital reduction.

WIN Semiconductors Corp.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning balance		Addition (decrease)		Gains (losses) on investment	Exchange differences on transaction foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Retained earnings	Impairment loss	Capital surplus	Ending balance		Market value or net assets value		Collateral	
	Shares (in thousand)	Amount	Shares (in thousand)	Amount							Amount	Percentage of ownership	Shares (in thousand)	Unit price		Total amount
WIN SEMI. USA, INC.	1,000	\$ 406	-	-	(13,161)	-	-	-	-	-	(12,755)	100.00	1,000	-	(12,755)	None
Win Semiconductors Cayman Islands Co., Ltd.	167,000	5,216,293	100,000	2,931,500	(183,280)	(22,803)	310,636	4,950	-	69,410	8,326,706	100.00	267,000	-	8,326,706	"
WIN Venture Capital Corp.	50,000	456,661	-	-	101,844	4	(5,014)	-	-	109	553,604	100.00	50,000	-	553,604	"
Phalanx Biotech Group, Inc.	44,650	480,908	-	-	(65,568)	44	-	-	(139,071)	1,354	277,667	54.48	44,650	-	277,667	"
WIN Chance Investment Corp.	1,000	9,966	28,000	280,000	16,474	-	52,410	-	-	-	358,850	100.00	29,000	-	358,850	"
WIN Earn Investment Corp.	1,000	9,966	28,000	280,000	593	-	-	-	-	-	290,559	100.00	29,000	-	290,559	"
Total		<u>\$ 6,174,200</u>		<u>3,491,500</u>	<u>(143,098)</u>	<u>(22,755)</u>	<u>358,032</u>	<u>4,950</u>	<u>(139,071)</u>	<u>70,873</u>	<u>9,794,631</u>				<u>9,794,631</u>	

WIN Semiconductors Corp.
Statement of accounts payable
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
F Company	\$ 294,475
G Company	131,661
Others (Each amount is less than 5% of accounts payable)	<u>1,340,956</u>
Total	<u><u>\$ 1,767,092</u></u>

Statement of other payables

<u>Item</u>	<u>Amount</u>
Accrued payroll	\$ 1,370,861
Payables on equipment	950,349
Income tax payable	998,615
Other accrued expense	635,201
Others (Each amount is less than 5% of other payables)	<u>2,847</u>
Total	<u><u>\$ 3,957,873</u></u>

WIN Semiconductors Corp.

Statement of lease liabilities

December 31, 2020

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate (%)</u>	<u>Ending balance</u>	<u>Note</u>
Land	Parking lots	2017.01.01~2021.12.31	1.35	\$ 7,079	
Buildings and structures	Dormitories	2015.01.01~2022.12.31	1.18~1.35	5,934	
Other equipment	Company vehicles, printers and copiers	2017.05.01~2023.10.18	1.18~1.35	<u>5,279</u>	
Subtotal				18,292	
Less: Current portion				<u>(13,635)</u>	
Total				<u><u>\$ 4,657</u></u>	

Statement of other current liabilities

<u>Item</u>	<u>Amount</u>
Employee benefit provisions	\$ 102,382
Receipts under custody	34,034
Refund liabilities	9,701
Others (Each amount is less than 5% of other current liabilities)	<u>1,482</u>
Total	<u><u>\$ 147,599</u></u>

WIN Semiconductors Corp.
Statement of other non-current liabilities
December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Net defined benefit liabilities	\$ 110,883
Guarantee deposits received	<u>116,174</u>
Total	<u><u>\$ 227,057</u></u>

Statement of long-term borrowings

<u>Creditor</u>	<u>Amount</u>	<u>Term of contract</u>	<u>Interest rate</u>	<u>Collateral</u>
Hua Nan Commercial Bank, Ltd. — secured bank loans	\$ 750,000	2018.8.16~2025.8.16	0.9000%	Refer to Note 8
CTBC Bank Co., Ltd. — unsecured bank loans	1,223,000	2019.7.17~2025.3.15	0.6500%~0.8600%	None
O-Bank Co., Ltd. — unsecured bank loans	210,000	2020.6.24~2022.6.24	1.0040%	"
Bank of Taiwan — unsecured bank loans	364,400	2020.3.19~2025.3.15	0.6500%~0.8500%	"
Bank SinoPac Co., Ltd. — unsecured bank loans	300,000	2019.7.17~2022.4.11	0.8034%	"
Agricultural Bank of Taiwan — unsecured bank loans	1,000,000	2020.3.25~2025.3.15	0.3500%	"
Hua Nan Commercial Bank, Ltd. — unsecured bank loan	2,330,500	2018.8.30~2025.8.16	0.2500%~0.9000%	"
HSBC Bank (Taiwan) Limited — unsecured bank loans	348,000	2019.9.12~2022.5.30	0.8680%~0.9100%	"
Far Eastern International Bank Co., Ltd. — unsecured bank loan	<u>1,233,040</u>	2020.1.16~2025.3.15	0.6400%~0.9000%	"
Total	<u><u>\$ 7,758,940</u></u>			

WIN Semiconductors Corp.
Statement of operating revenues
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Foundry	371,361 pieces	\$ 24,962,135
Sales returns		(15,176)
Sales discounts and allowances		<u>(6,454)</u>
Net operating revenues		<u><u>\$ 24,940,505</u></u>

WIN Semiconductors Corp.
Statement of operating costs
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Raw materials	
Beginning balance of raw materials	\$ 2,467,478
Add : Purchases	4,880,980
Transferred from self-manufacturing raw materials	1,265,482
Transferred from indirect materials	120,844
Metal recycling	132,570
Less : Ending balance of raw materials	(3,006,595)
Transferred to engineering laboratory fees – Research and Development	(102,625)
Transferred to engineering laboratory fees – Manufacturing	(70,439)
Transferred to costs of testing	(2,161)
Scrap of raw materials	(65)
Others	<u>(2,871)</u>
Raw materials consumed	5,682,598
Indirect material (including \$120,844 thousand transferred to raw materials)	2,917,922
Direct labor	1,166,258
Manufacturing overhead	<u>7,012,517</u>
Manufacturing costs	16,779,295
Beginning balance of work-in process inventory	1,189,109
Less : Ending balance of work-in process inventory	<u>(1,355,593)</u>
Cost of goods manufactured	16,612,811
Beginning balance of finished goods	384,358
Less : Ending balance of finished goods	(784,505)
Scrap of work-in process inventory and finished goods	(16,252)
Self-manufacturing raw materials transfer-out	(1,265,482)
Transferred to engineering laboratory fees – Research and Development	(217,127)
Transferred to engineering laboratory fees – Manufacturing	(178,591)
Transferred to promotion expenses – Manufacturing	(434)
Transferred to promotion expenses – Selling	(5,137)
Transferred to costs of testing	<u>(31,896)</u>
Cost of self-manufacturing goods sold	14,497,745
Losses on valuation of inventories and obsolescence	56,239
Others	(4,572)
Revenues from sale of scraps	<u>(27,405)</u>
Operating costs	<u><u>\$ 14,522,007</u></u>

WIN Semiconductors Corp.
Statement of operating expenses
For the year ended December 31, 2020
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expense</u>
Salary and wages expenses	\$ 109,594	425,513	325,603
Engineering laboratory fees	-	-	404,133
Depreciation expenses	204	94,077	179,291
Amortization expenses	560	38,828	27,602
Donations expenses	-	54,162	-
Insurance expenses	28,866	40,913	18,791
Employee benefits expenses	121	30,293	389
Professional service fees	97,980	19,192	4,071
Cleaning fees	-	21,678	-
Commissions expenses	13,442	-	-
Entertainment expenses	403	7,628	25
Pension expenses	2,969	8,188	9,758
Rent expenses	60	889	38
Tax expenses	96	14,679	33
Repairs and maintenance expenses	3	19,853	12,022
Advertising expenses	7,448	289	-
Traveling expenses	454	4,705	461
Other expenses	18,871	201,638	28,561
	<u>\$ 281,071</u>	<u>982,525</u>	<u>1,010,778</u>

Statement of other receivables due from related parties was disclosed in Note 7

Statement of other current assets was disclosed in Note 6(k)

Statement of changes in property, plant and equipment was disclosed in Note 6(g)

Statement of changes in accumulated depreciation of property, plant and equipment was disclosed in Note 6(g)

Statement of changes in right-of-use assets was disclosed in Note 6(h)

Statement of changes in accumulated depreciation of right-of-use assets was disclosed in Note 6(h)

Statement of change in investment property was disclosed in Note 6(i)

Statement of changes in accumulated depreciation of investment property was disclosed in Note 6(i)

Statement of changes in intangible assets was disclosed in Note 6(j)

Statement of deferred tax assets was disclosed in Note 6(q)

Statement of other non-current assets was disclosed in Note 6(k)

Statement of other payables to related parties was disclosed in Note 7

Statement of interest income was disclosed in Note 6(w)

Statement of other income was disclosed in Note 6(w)

Statement of other gains and losses was disclosed in Note 6(w)

Statement of finance cost was disclosed in Note 6(w)

Statement of functional aggregation of employee benefits, depreciation, depletion and amortization was disclosed in Note 12