

**WIN SEMICONDUCTORS CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2021 and 2020**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statement of Comprehensive Income	5
6. Consolidated Statement of Changes in Equity	6
7. Consolidated Statement of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~12
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	12
(6) Explanation of significant accounts	13~50
(7) Related-party transactions	50~52
(8) Pledged assets	52
(9) Commitments and contingencies	52
(10) Losses due to major disasters	53
(11) Subsequent events	53
(12) Other	53
(13) Other disclosures	
(a) Information on significant transactions	56~59
(b) Information on investments	60
(c) Information on investment in mainland China	61~62
(d) Information on major shareholders	62
(14) Segment information	55



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Independent Auditors' Review Report

To the Board of Directors of WIN Semiconductors Corp.:

Introduction

We have reviewed the accompanying consolidated balance sheets of WIN Semiconductors Corp. and subsidiaries (the "Group") as of March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2021 and 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph in the first quarter of 2020, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently, does not enable us to obtain assurance that we would become aware of any significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion in the First Quarter of 2020

As stated in Note 6(g), the other equity accounted investments of the Group's investments accounted for using the equity method of \$60,273 thousand as of March 31, 2020; and the shares of losses of associates and joint ventures accounted for using the equity method of \$(290) thousand, were recognized solely in the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Unqualified and Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain equity accounted investee companies described in the Basis for Qualified Conclusion paragraph in the first quarter of 2020 above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (The Republic of China)
May 7, 2021

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2021 and 2020

WIN Semiconductors Corp. and Subsidiaries

Consolidated Balance Sheets

March 31, 2021, December 31, and March 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2021		December 31, 2020		March 31, 2020		Liabilities and Equity		March 31, 2021		December 31, 2020		March 31, 2020	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (Note 6(a))	\$ 22,333,515	32	8,356,270	15	4,811,948	11	2120	Current financial liabilities at fair value through profit or loss (Note 6(b))	\$ 190,291	-	-	-	-	-
1110	Current financial assets at fair value through profit or loss (Note 6(b))	895,581	1	756,038	1	587,370	1	2130	Current contract liabilities (Note 6(x))	507,395	1	534,426	1	193,683	-
1170	Notes and accounts receivable, net (Notes 6(c) and 6(x))	1,999,433	3	2,037,502	4	2,297,368	5	2170	Notes and accounts payable (Note 7)	1,943,421	3	1,794,668	3	1,879,229	4
1310	Inventories (Note 6(e))	5,945,195	8	5,498,603	10	4,977,245	12	2200	Other payables (Note 6(u))	8,468,027	12	4,131,595	8	6,764,558	16
1400	Current biological assets (Note 6(f))	111,468	-	283,273	1	12,567	-	2280	Current lease liabilities (Notes 6(q) and 6(ad))	89,108	-	84,993	-	58,040	-
1470	Other current assets (Notes 6(d) and 6(m))	462,131	1	549,745	1	368,258	1	2399	Other current liabilities (Note 6(ad))	170,069	-	157,203	-	282,200	1
	Total current assets	31,747,323	45	17,481,431	32	13,054,756	30		Total current liabilities	11,368,311	16	6,702,885	12	9,177,710	21
Non-current assets:								Non-current liabilities:							
1510	Non-current financial assets at fair value through profit or loss (Note 6(b))	969,440	1	814,065	1	607,248	2	2530	Bonds payable (Notes 6(p) and 6(ad))	13,159,502	20	-	-	-	-
1517	Non-current financial assets at fair value through other comprehensive income (Note 6(b))	6,758,572	10	6,719,581	12	5,213,314	12	2540	Long-term borrowings (Notes 6(o), 6(ad) and 8)	11,535,565	16	11,418,620	21	4,833,303	11
1550	Investments accounted for using equity method (Note 6(g))	796,952	1	841,825	2	521,833	1	2570	Deferred tax liabilities	12,450	-	-	-	3,503	-
1600	Property, plant and equipment (Notes 6(i), 7 and 8)	24,675,580	35	23,422,217	43	18,198,110	43	2580	Non-current lease liabilities (Notes 6(q) and 6(ad))	595,501	1	614,891	1	290,438	1
1755	Right-of-use assets (Note 6(j))	769,294	1	787,133	1	421,062	1	2600	Other non-current liabilities (Notes 6(ad) and 7)	247,292	-	235,615	1	227,748	1
1760	Investment property (Notes 6(k) and 8)	1,057,935	2	1,380,781	3	1,396,061	3		Total non-current liabilities	25,550,310	37	12,269,126	23	5,354,992	13
1780	Intangible assets (Notes 6(l) and 7)	594,916	1	578,431	1	594,306	1		Total liabilities	36,918,621	53	18,972,011	35	14,532,702	34
1830	Non-current biological assets (Note 6(f))	339,772	-	281,943	1	28,644	-	Equity (Notes 6(h), 6(p), 6(u) and 6(v)):							
1840	Deferred tax assets	258,303	-	219,844	-	259,830	1	3110	Ordinary shares	4,240,414	6	4,240,564	8	4,240,564	10
1915	Prepayments for business facilities	1,785,448	3	1,833,676	3	2,517,796	6	3200	Capital surplus	9,963,079	14	9,323,098	17	9,244,674	22
1990	Other non-current assets (Notes 6(m), 7 and 8)	395,577	1	341,536	1	183,038	-	3300	Retained earnings	13,912,031	20	17,001,021	31	12,022,465	28
	Total non-current assets	38,401,789	55	37,221,032	68	29,941,242	70	3400	Other equity interests	3,527,944	5	3,512,903	6	2,791,107	6
	Total assets	\$ 70,149,112	100	54,702,463	100	42,995,998	100		Total equity attributable to owners of parent	31,643,468	45	34,077,586	62	28,298,810	66
								36XX	Non-controlling interests	1,587,023	2	1,652,866	3	164,486	-
									Total equity	33,230,491	47	35,730,452	65	28,463,296	66
									Total liabilities and equity	\$ 70,149,112	100	54,702,463	100	42,995,998	100

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statement of Comprehensive Income

For the three months ended March 31, 2021 and 2020

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

		<u>For the three months ended March 31</u>			
		<u>2021</u>		<u>2020</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6(x))	\$ 6,009,383	100	6,071,022	100
5000	Operating costs (Notes 6(e), 6(f), 6(g), 6(i), 6(j), 6(q), 6(s), 6(v), 6(y), 7 and 12)	<u>(3,997,649)</u>	<u>(67)</u>	<u>(3,459,525)</u>	<u>(57)</u>
	Gross profit from operating	<u>2,011,734</u>	<u>33</u>	<u>2,611,497</u>	<u>43</u>
	Operating expenses (Notes 6(c), 6(i), 6(j), 6(k), 6(q), 6(s), 6(v), 6(y), 7 and 12):				
6100	Selling expenses	(90,063)	(1)	(85,008)	(1)
6200	Administrative expenses	(402,155)	(7)	(309,089)	(5)
6300	Research and development expenses	(324,018)	(5)	(278,662)	(5)
6450	Losses on expected credit impairment (reversal of expected credit impairment)	48	-	(402)	-
	Total operating expenses	<u>(816,188)</u>	<u>(13)</u>	<u>(673,161)</u>	<u>(11)</u>
	Net operating income	<u>1,195,546</u>	<u>20</u>	<u>1,938,336</u>	<u>32</u>
	Non-operating income and expenses (Notes 6(b), 6(g), 6(i), 6(p), 6(q), 6(z) and 7):				
7100	Interest income	7,601	-	13,889	-
7010	Other income	16,616	-	21,788	-
7020	Other gains and losses	274,373	5	15,127	-
7050	Finance costs	(68,582)	(1)	(18,975)	-
7060	Share of loss of associates and joint ventures accounted for using equity method	<u>(39,064)</u>	<u>(1)</u>	<u>(5,666)</u>	<u>-</u>
	Total non-operating income and expenses	<u>190,944</u>	<u>3</u>	<u>26,163</u>	<u>-</u>
7900	Profit before tax	1,386,490	23	1,964,499	32
7950	Tax expense (Note 6(t))	<u>(291,334)</u>	<u>(5)</u>	<u>(389,365)</u>	<u>(6)</u>
	Profit	<u>1,095,156</u>	<u>18</u>	<u>1,575,134</u>	<u>26</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss (Note 6(u))				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	38,864	1	22,180	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>38,864</u>	<u>1</u>	<u>22,180</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss (Notes 6(g) and 6(u))				
8361	Exchange differences on translation of foreign financial statements	(45,624)	(1)	(15,580)	-
8370	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(7,009)	-	(9,387)	-
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 (loss) that will be reclassified to profit or loss	<u>(52,633)</u>	<u>(1)</u>	<u>(24,967)</u>	<u>-</u>
8300	Other comprehensive income, net	<u>(13,769)</u>	<u>-</u>	<u>(2,787)</u>	<u>-</u>
8500	Total comprehensive income	<u>\$ 1,081,387</u>	<u>18</u>	<u>1,572,347</u>	<u>26</u>
	Profit (loss) attributable to:				
8610	Profit attributable to owners of parent	\$ 1,151,424	19	1,590,895	26
8620	Profit (losses) attributable to non-controlling interests	<u>(56,268)</u>	<u>(1)</u>	<u>(15,761)</u>	<u>-</u>
		<u>\$ 1,095,156</u>	<u>18</u>	<u>1,575,134</u>	<u>26</u>
	Comprehensive income (loss) attributable to:				
8710	Comprehensive income, attributable to owners of parent	\$ 1,147,403	19	1,590,180	26
8720	Comprehensive income (loss), attributable to non-controlling interests	<u>(66,016)</u>	<u>(1)</u>	<u>(17,833)</u>	<u>-</u>
		<u>\$ 1,081,387</u>	<u>18</u>	<u>1,572,347</u>	<u>26</u>
	Earnings per common share (expressed in New Taiwan dollars) (Note 6(w))				
9750	Basic earnings per share	<u>\$ 2.72</u>		<u>3.76</u>	
9850	Diluted earnings per share	<u>\$ 2.71</u>		<u>3.74</u>	

See accompanying notes to consolidated financial statements.

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

WIN Semiconductors Corp. and Subsidiaries
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other equity interests				Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees	Total other equity interest			
Balance at January 1, 2020	\$ 4,240,564	9,244,308	2,068,260	11,330,929	13,399,189	(179,450)	3,089,886	(137,029)	2,773,407	29,657,468	182,064	29,839,532
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary shares	-	-	-	(2,968,394)	(2,968,394)	-	-	-	-	(2,968,394)	-	(2,968,394)
Profit (losses) for the three months ended March 31, 2020	-	-	-	1,590,895	1,590,895	-	-	-	-	1,590,895	(15,761)	1,575,134
Other comprehensive income for the three months ended March 31, 2020	-	-	-	-	-	(22,895)	22,180	-	(715)	(715)	(2,072)	(2,787)
Total comprehensive income for the three months ended March 31, 2020	-	-	-	1,590,895	1,590,895	(22,895)	22,180	-	(715)	1,590,180	(17,833)	1,572,347
Compensation cost arising from restricted shares of employees	-	-	-	775	775	-	-	18,415	18,415	19,190	-	19,190
Stock option compensation cost of subsidiary	-	366	-	-	-	-	-	-	-	366	255	621
Balance at March 31, 2020	\$ 4,240,564	9,244,674	2,068,260	9,954,205	12,022,465	(202,345)	3,112,066	(118,614)	2,791,107	28,298,810	164,486	28,463,296
Balance at January 1, 2021	\$ 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	1,652,866	35,730,452
Appropriation and distribution of retained earnings:												
Cash dividends of ordinary shares	-	-	-	(4,240,414)	(4,240,414)	-	-	-	-	(4,240,414)	-	(4,240,414)
Profit (losses) for the three months ended March 31, 2021	-	-	-	1,151,424	1,151,424	-	-	-	-	1,151,424	(56,268)	1,095,156
Other comprehensive income for the three months ended March 31, 2021	-	-	-	-	-	(42,885)	38,864	-	(4,021)	(4,021)	(9,748)	(13,769)
Total comprehensive income for the three months ended March 31, 2021	-	-	-	1,151,424	1,151,424	(42,885)	38,864	-	(4,021)	1,147,403	(66,016)	1,081,387
Compensation cost arising from restricted shares of employees	-	-	-	-	-	-	-	19,062	19,062	19,062	-	19,062
Purchase and retirement of restricted shares of stock for employees	(150)	150	-	-	-	-	-	-	-	-	-	-
Recognition of equity component of convertible bonds issued	-	639,583	-	-	-	-	-	-	-	639,583	-	639,583
Stock option compensation cost of subsidiary	-	248	-	-	-	-	-	-	-	248	173	421
Balance at March 31, 2021	\$ 4,240,414	9,963,079	2,515,700	11,396,331	13,912,031	(245,090)	3,819,710	(46,676)	3,527,944	31,643,468	1,587,023	33,230,491

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WIN Semiconductors Corp. and Subsidiaries
Consolidated Statement of Cash Flows
For the three months ended March 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2021	2020
Cash flows from (used in) operating activities:		
Profit before tax	\$ 1,386,490	1,964,499
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	999,543	841,031
Amortization expense	31,407	22,516
(Reversal of) losses on expected credit impairment	(48)	402
Net (gains) losses on financial assets or liabilities at fair value through profit or loss	(78,497)	74,391
Interest expense	68,582	18,975
Interest income	(7,601)	(13,889)
Dividend income	(15,478)	(9,875)
Share-based payments	19,483	19,811
Shares of losses of associates and joint ventures accounted for using equity method	39,346	5,956
Losses on disposal of property, plant and equipment	5,428	1,405
Gains on disposal of investments	-	(738)
Changes in biological assets at fair value	(9,000)	-
Unrealized foreign exchange losses	52,535	25,476
Property, plant and equipment and prepayments for business facilities transferred to expenses	917	235
Total adjustments to reconcile profit (loss)	<u>1,106,617</u>	<u>985,696</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in financial assets at fair value through profit or loss	(129,985)	(24,578)
Decrease in notes and accounts receivable	38,118	108,942
Increase in inventories	(489,890)	(586,663)
Decrease (increase) in biological assets	113,888	(10,646)
Decrease in other current assets	87,822	31,025
Total changes in operating assets	<u>(380,047)</u>	<u>(481,920)</u>
Changes in operating liabilities:		
Decrease in contract liabilities	(27,031)	(66,743)
Increase in notes and accounts payable	148,753	53,015
Decrease in other payables	(271,853)	(499,643)
Increase in other current liabilities	12,866	121,879
Increase in other non-current liabilities	387	421
Total changes in operating liabilities	<u>(136,878)</u>	<u>(391,071)</u>
Total changes in operating assets and liabilities	<u>(516,925)</u>	<u>(872,991)</u>
Cash inflow generated from operations	1,976,182	2,077,204
Dividends received	7,660	7,351
Income taxes paid	(1,400)	(1,239)
Net cash flows from operating activities	<u>1,982,442</u>	<u>2,083,316</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(640,872)
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	6,667
Acquisition of financial assets at fair value through profit or loss	(36,966)	(168,516)
Proceeds from capital reduction of financial assets at fair value through income	901	-
Acquisition of property, plant and equipment	(1,359,554)	(848,276)
Proceeds from disposal of property, plant and equipment	243	7
Acquisition of intangible assets	(29,692)	(48,659)
Increase in other non-current assets	(53,926)	(32,759)
Increase in prepayments for business facilities	(474,205)	(474,190)
Interest received	7,172	13,683
Dividends received	7,818	-
Net cash flows used in investing activities	<u>(1,938,209)</u>	<u>(2,192,915)</u>
Cash flows from (used in) financing activities:		
Issuance of convertible bonds payable	13,902,774	-
Proceeds from long-term debt	1,653,750	1,664,922
Repayments of long-term debt	(1,558,000)	(2,632,500)
Repayments of lease liabilities	(29,665)	(21,600)
Decrease in other non-current liabilities	11,290	2,755
Interest paid	(20,683)	(7,850)
Net cash flows from (used in) financing activities	<u>13,959,466</u>	<u>(994,273)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(26,454)</u>	<u>(10,653)</u>
Net increase (decrease) in cash and cash equivalents	<u>13,977,245</u>	<u>(1,114,525)</u>
Cash and cash equivalents at beginning of period	<u>8,356,270</u>	<u>5,926,473</u>
Cash and cash equivalents at end of period	<u>\$ 22,333,515</u>	<u>4,811,948</u>

See accompanying notes to consolidated financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

March 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history:

WIN Semiconductors Corp. (the “Company”) was incorporated on October 16, 1999 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan.

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

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

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

These consolidated financial statements were reported for issuance by the Board of Directors as of May 7, 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on April 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 16 “A one-year extension to the for COVID-19 related rent concessions”

(Continued)

WIN Semiconductors Corp. and Subsidiaries
Notes to the Consolidated 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 Group, 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”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of consolidation

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %	100.00 %	
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Investment activities	100.00 %	100.00 %	100.00 %	
The Company	WIN Venture Capital Corp. (abbrev. WVC)	Investment activities	100.00 %	100.00 %	100.00 %	
The Company	Phalanx Biotech Group, Inc. (abbrev. PBL)	Researching, manufacturing and selling of high-density gene chips and testing service	54.48 %	54.48 %	54.48 %	
The Company	WIN Earn Investment Corp.	Investment activities	100.00 %	100.00 %	100.00 %	
The Company	WIN Chance Investment Corp.	Investment activities	100.00 %	100.00 %	100.00 %	
WVC	Phalanx Biotech Group, Inc.	Researching, manufacturing and selling of high-density gene chips and testing service	4.39 %	4.39 %	4.39 %	
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman)	Investment activities	81.69 %	81.69 %	96.30 %	(Note 1)
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Jiangsu Win Chance Agriculture Development Co., Ltd. (abbrev. Jiangsu Win Chance)	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	(Note 2)
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed development and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	100.00 %	
Chainwin Cayman	i-Chainwin Technology (Cayman Islands) Co., Ltd.	Investment activities	100.00 %	100.00 %	-	
Chainwin Cayman	Win Lux Biotech (Cayman Islands) Co., Ltd.	Investment activities	100.00 %	100.00 %	-	
Chainwin Cayman	Jiangsu Win Shine Agriculture Development Co., Ltd.	Logistics management service	100.00 %	100.00 %	-	
Chainwin Cayman	i-Chainwin Technology Co., Ltd.	Information software services	100.00 %	100.00 %	-	
Chainwin Cayman	Win Lux Biotech Co., Ltd.	Biotechnology service and pharmaceutical testing	100.00 %	100.00 %	-	
Chainwin Cayman	Jiangsu Win Boutique Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	-	
Chainwin Cayman	Jiangsu Win Sunlight Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	-	
Chainwin Cayman	Jiangsu Win Honor Management Technology Co., Ltd.	Logistics management service	100.00 %	100.00 %	-	
Jiangsu Win Chance	Jiangsu Win Wonder Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %	-	

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding			Remark
			March 31, 2021	December 31, 2020	March 31, 2020	
PBL	PhalanxBio, Inc.	Selling of high-density gene chips and testing service	100.00 %	100.00 %	100.00 %	
PBL	Phalanx Biotech Limited. (abbrev. PBL (HK))	Investment activities	100.00 %	100.00 %	100.00 %	
PBL (HK)	Onearray Biotech (Kunshan) Co., Ltd.	Selling of high-density gene chips and testing service	100.00 %	100.00 %	100.00 %	

Note 1: For the related information of the shareholding percentage change, please refer to Note 6(h) of the consolidated financial statements for the year ended December 31, 2020.

Note 2: Jiangsu Merit/CM Agriculture Development Co., Ltd. renamed to Jiangsu Win Chance Agriculture Development Co., Ltd. in April 2020.

Note 3: The aforementioned subsidiaries were recognized based on the audited financial statements by the certified public accountant.

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

(c) Financial instruments

(i) Financial liabilities

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in NTD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting."

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

(Continued)

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

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

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

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

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

Except for the following, the preparation of the consolidated financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to Note 5 of the consolidated financial statements for the year ended December 31, 2020.

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

(a) Judgment of whether the Group has substantive control over its investee

The Group holds 49% of the outstanding voting shares of Rainbow Star Group Limited and is the single largest shareholder of the investee. The remaining 51% of Rainbow Star Group Limited’s shares are concentrated within specific shareholders, and therefore the Group cannot obtain more than half of the total number of Rainbow Star Group Limited directors, and it also cannot obtain more than half of the voting rights at a shareholders’ meeting. As a result, it is determined that the Group has significant influence but not control over Rainbow Star Group Limited.

(b) Judgment of whether the Group has significant influence on its investee

The Group’s 32.88% shares in NCF Fund II L.P. is deemed as a mutual fund. The Group 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 Group does not have significant influence on NCF Fund II L.P.

(Continued)

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

(6) Explanation of significant accounts:

Except for the following disclosure, the significant account disclosure in the consolidated financial statements for the three months ended March 31, 2021, which compare with the consolidated financial statements for the year ended December 31, 2020, was not changed significantly. For the related information, please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2020.

(a) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Cash on hand	\$ 337	348	498
Cash in bank	15,834,334	8,211,545	4,396,244
Time deposits	<u>6,498,844</u>	<u>144,377</u>	<u>415,206</u>
	<u>\$ 22,333,515</u>	<u>8,356,270</u>	<u>4,811,948</u>

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

(b) Financial instruments

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Mandatorily measured at financial assets at fair value through profit or loss:			
Derivative instruments not used for hedging			
Foreign currency forward contracts	\$ -	-	49
Non-derivative financial assets			
Stock listed on domestic markets	19,292	10,239	465,775
Equity funds and money market funds	876,289	745,799	121,546
Private fund (Note)	<u>969,440</u>	<u>814,065</u>	<u>607,248</u>
Total	<u>\$ 1,865,021</u>	<u>1,570,103</u>	<u>1,194,618</u>
Current	\$ 895,581	756,038	587,370
Non-current	<u>969,440</u>	<u>814,065</u>	<u>607,248</u>
	<u>\$ 1,865,021</u>	<u>1,570,103</u>	<u>1,194,618</u>

(Continued)

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

Note: As of March 31, 2021, December 31 and March 31, 2020, part of the private fund is during the lock-up period.

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Mandatorily measured at current financial liabilities at fair value through profit or loss			
Convertible bonds with embedded derivatives	\$ <u>190,291</u>	<u>-</u>	<u>-</u>

The derivative financial instruments arose from the issuance of convertible bonds of the Group disclosed in Note 6(p).

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

Foreign currency forward contracts:

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

For the three months ended March 31, 2020, the gains on derivative settlement, amounting to \$2,890 thousand, were recognized as other gains and losses. There was no transaction for the three months ended March 31, 2021.

Refer to Note 6(z) for 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):

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Stocks listed on domestic markets	\$ 4,754,991	4,821,035	4,071,191
Stocks listed on US markets	992,464	935,248	537,565
Non-public stocks	<u>1,011,117</u>	<u>963,298</u>	<u>604,558</u>
	<u>\$ 6,758,572</u>	<u>6,719,581</u>	<u>5,213,314</u>

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

There were no disposals of equity instruments through other comprehensive income for the three months ended March 31, 2021 and 2020.

(Continued)

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

(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	For the three months ended March 31, 2021		For the three months ended March 31, 2020	
	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	\$ 202,757	579	156,399	13,973
Decreasing 3%	\$ (202,757)	(579)	(156,399)	(13,973)

(iv) As of March 31, 2021, December 31 and March 31, 2020, the financial assets were not pledged. For information on the Group's credit risk and market risk was disclosed in Note 6(aa).

(c) Notes and accounts receivable, net

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 606	632	648
Accounts receivable	1,998,926	2,037,018	2,301,409
Less: loss allowance	(99)	(148)	(4,689)
	<u>\$ 1,999,433</u>	<u>2,037,502</u>	<u>2,297,368</u>

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

The loss allowance provision was determined as follows:

(i) The segment of foundry and agriculture technology:

	March 31, 2021		
	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 1,942,044	0%	-
Past due 1~60 days	46,182	0%	-
Past due 61~120 days	7,880	0%	-
Past due 121~180 days	-	1.67%~5.43%	-
Past due more than 181 days	-	100%	-
	<u>\$ 1,996,106</u>		<u>-</u>

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 1,936,837	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%	-
	\$ 2,033,953		-
		March 31, 2020	
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,001,783	0%	-
Past due 1~60 days	287,693	0%	-
Past due 61~120 days	3,754	0%	-
Past due 121~180 days	-	21.28%~36.46%	-
Past due more than 181 days	-	100%	-
	\$ 2,293,230		-

(ii) The segment of gene chip testing service:

	March 31, 2021		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,598	0.52%~9.40%	32
Past due 1~60 days	766	4.26%~48.02%	34
Past due 61~120 days	14	8.58%~60.93%	1
Past due 121~180 days	48	37.83%~77.78%	32
Past due more than 181 days	-	100%	-
	\$ 3,426		99

(Continued)

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

	December 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,363	0.52%~9.40%	25
Past due 1~60 days	1,152	4.26%~48.02%	50
Past due 61~120 days	100	8.58%~60.93%	9
Past due 121~180 days	82	40.61%~77.78%	64
Past due more than 181 days	-	100%	-
	<u>\$ 3,697</u>		<u>148</u>
	March 31, 2020		
	Gross carrying amount	Weighted- average expected loss rate	Lifetime expected credit loss allowance
Not past due	\$ 2,948	0.68%~12.17%	16
Past due 1~60 days	1,019	6.02%~49.84%	237
Past due 61~120 days	252	11.61%~60.76%	111
Past due 121~180 days	756	42.42%~80.56%	473
Past due more than 181 days	3,852	100%	3,852
	<u>\$ 8,827</u>		<u>4,689</u>

The movements of loss allowance were as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Beginning balance	\$ 148	4,344
Impairment loss recognized (reversed), net	(48)	402
Amount written off	-	(18)
Effect of changes in foreign exchange rates	(1)	(39)
Ending balance	<u>\$ 99</u>	<u>4,689</u>

As of March 31, 2021, December 31 and March 31, 2020, the notes and accounts receivable were not discounted and pledged.

(Continued)

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	\$ 22,447	72,308	33,045
Less: loss allowance	-	-	-
	<u>\$ 22,447</u>	<u>72,308</u>	<u>33,045</u>

As of March 31, 2021, December 31 and March 31, 2020, other receivables were not past due nor impaired.

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

- (e) Inventories

	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials, supplies and spare parts	\$ 3,763,683	3,429,039	3,119,838
Work in process	1,309,623	1,288,669	1,111,464
Finished goods	871,889	780,895	745,943
	<u>\$ 5,945,195</u>	<u>5,498,603</u>	<u>4,977,245</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:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Losses on valuation of inventories and obsolescence	\$ 34,418	90,121
Revenue from sale of scraps	\$ (8,973)	(6,784)
Gains on physical inventory count	\$ -	(3)

As of March 31, 2021, December 31 and March 31, 2020, the inventories were not pledged.

- (f) Biological assets

- (i) List of biological assets:

	March 31, 2021	December 31, 2020	March 31, 2020
Consumable biological assets	\$ 111,468	283,273	12,567
Bearer biological assets	\$ 339,772	281,943	28,644

(Continued)

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

(ii) Change in biological assets:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Beginning balance	\$ 565,216	31,989
Increase due to purchase	78,951	-
Input costs	126,073	24,774
Depreciation expenses	(6,383)	(954)
Decrease due to sales and disposals	(318,912)	(14,128)
Changes in fair value less costs to sell due to price changes	9,000	-
Effect of changes in foreign exchange rates	<u>(2,705)</u>	<u>(470)</u>
Ending balance	<u>\$ 451,240</u>	<u>41,211</u>
Current	\$ 111,468	12,567
Non-current	<u>339,772</u>	<u>28,644</u>
	<u>\$ 451,240</u>	<u>41,211</u>

For the three months ended March 31, 2021 and 2020, the gains of \$9,000 thousand and \$0 thousand, respectively, were recognized as operating costs of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the higher of its carrying amount or fair value less costs to sell.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Farrows, hogs and breeders	<u>26,072</u>	<u>28,753</u>	<u>3,993</u>

Unit: head

(iv) Fair value

There were no significant addition regarding the fair value of the Group's biological assets. For the related information, please refer to Note 6(f) of the consolidated financial statements for the year ended December 31, 2020.

(v) As of March 31, 2021, December 31 and March 31, 2020, the biological assets were not pledged.

(Continued)

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

(g) Investments accounted for using equity method

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

	March 31, 2021	December 31, 2020	March 31, 2020
Associates	<u>\$ 796,952</u>	<u>841,825</u>	<u>521,833</u>

(i) Associates

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

<u>Name of Associates</u>	<u>Main Businesses and Products</u>	<u>Main Operating Location/ Registered Country of the Company</u>	<u>Proportion of Shareholding and Voting Rights</u>		
			<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	China	49 %	49 %	49 %

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Current assets	\$ 424,719	327,458	408,743
Non-current assets	1,220,696	1,532,346	1,246,501
Current liabilities	(99,224)	(222,515)	(427,188)
Non-current liabilities	(30,502)	(30,367)	(282,973)
Net assets	<u>\$ 1,515,689</u>	<u>1,606,922</u>	<u>945,083</u>
		For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating revenue		<u>\$ 321,022</u>	<u>561</u>
Losses from continuing operations		\$ (79,722)	(11,564)
Other comprehensive income		-	-
Total comprehensive income		<u>\$ (79,722)</u>	<u>(11,564)</u>

(Continued)

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Shares of net assets of associates at the beginning	\$ 785,949	472,528
Losses attributable to the Group	(39,064)	(5,666)
Exchange differences on translation of foreign financial statements attributable to the Group	(7,009)	(9,387)
Shares of net assets of associates at the end	739,876	457,475
Add: Effect of changes in foreign exchange rates	1,367	4,085
Carrying amount of equity of associates attributable to the Group	<u>\$ 741,243</u>	<u>461,560</u>

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the consolidated financial statements of the Group:

	March 31, 2021	December 31, 2020	March 31, 2020
Total equity of the individually insignificant investments in associates	<u>\$ 55,709</u>	<u>55,876</u>	<u>60,273</u>
		For the three months ended March 31, 2021	For the three months ended March 31, 2020
Attributable to the Group:			
Losses		\$ (282)	(290)
Other comprehensive income		-	-
Total comprehensive income		<u>\$ (282)</u>	<u>(290)</u>

(ii) Pledge to secure

As of March 31, 2021, December 31 and March 31, 2020, the investments accounted for using equity method were not pledged.

(h) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

Subsidiaries	Registration	Percentage of non-controlling interests		
		March 31, 2021	December 31, 2020	March 31, 2020
Chainwin Cayman (Note)	Cayman Islands	18.31 %	18.31 %	3.70 %

Note: For the fourth quarter of 2020, the Group subscribed the new shares unproportionally contributed by Chainwin Cayman, resulting in a change in percentage of ownership changed. For the first quarter of 2020, Chainwin Cayman was not a material non-controlling interests of the Company's subsidiary.

(Continued)

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

The following information of the aforementioned subsidiaries have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Included in the information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intragroup transactions were not eliminated in this information.

	March 31, 2021	December 31, 2020
Current assets	\$ 3,744,944	4,175,192
Non-current assets	9,611,890	8,558,461
Current liabilities	(173,788)	(213,678)
Non-current liabilities	<u>(5,061,966)</u>	<u>(4,064,329)</u>
Net assets	<u>\$ 8,121,080</u>	<u>8,455,646</u>
Non-controlling interests	<u>\$ 1,495,258</u>	<u>1,548,228</u>
		For the three months ended March 31, 2021
Operating revenue		<u>\$ 227,774</u>
Losses		\$ (236,152)
Other comprehensive income (loss)		<u>(53,146)</u>
Total comprehensive income (loss)		<u>\$ (289,298)</u>
Loss, attributable to non-controlling interests		<u>\$ (43,239)</u>
Comprehensive income (loss), attributable to non-controlling interests		<u>\$ (9,731)</u>
		For the three months ended March 31, 2021
Net cash flows used in operating activities		\$ (135,673)
Net cash flows used in investing activities		(1,130,610)
Net cash flows from financing activities		965,326
Effect of changes in foreign exchange rate		<u>22,065</u>
Decrease in cash and cash equivalents		<u>\$ (278,892)</u>

(Continued)

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

(i) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress and inspection-awaited devices	Total
Cost:							
Balance as of January 1, 2021	\$ 2,546,534	2,445,758	22,097,218	6,180,047	642,560	6,706,796	40,618,913
Additions	-	15,896	89,366	107,298	26,759	1,329,909	1,569,228
Reclassification (Note 1)	-	468,209	188,794	230,648	(14,724)	(90,421)	782,506
Disposals	-	(38,134)	(455,764)	(54,341)	(78,454)	-	(626,693)
Effect of changes in foreign exchange rates	-	(510)	(60)	(360)	(415)	(55,609)	(56,954)
Balance as of March 31, 2021	<u>\$ 2,546,534</u>	<u>2,891,219</u>	<u>21,919,554</u>	<u>6,463,292</u>	<u>575,726</u>	<u>7,890,675</u>	<u>42,287,000</u>
Balance as of January 1, 2020	\$ 2,546,534	2,440,170	21,000,682	5,717,323	537,768	2,224,358	34,466,835
Additions	-	-	145,259	46,977	42,638	596,138	831,012
Reclassification (Note 2)	-	-	328,196	63,688	20,740	(62,528)	350,096
Disposals	-	(100)	(328,961)	(5,138)	(84,285)	-	(418,484)
Effect of changes in foreign exchange rates	-	(621)	(71)	(505)	(583)	(29,189)	(30,969)
Balance as of March 31, 2020	<u>\$ 2,546,534</u>	<u>2,439,449</u>	<u>21,145,105</u>	<u>5,822,345</u>	<u>516,278</u>	<u>2,728,779</u>	<u>35,198,490</u>
Accumulated depreciation:							
Balance as of January 1, 2021	\$ -	921,015	12,894,424	3,019,553	361,704	-	17,196,696
Depreciation	-	35,607	753,004	130,525	46,941	-	966,077
Reclassification (Note 3)	-	73,108	(1)	-	(2,897)	-	70,210
Disposals	-	(38,134)	(455,764)	(48,670)	(78,454)	-	(621,022)
Effect of changes in foreign exchange rates	-	(141)	(38)	(175)	(187)	-	(541)
Balance as of March 31, 2021	<u>\$ -</u>	<u>991,455</u>	<u>13,191,625</u>	<u>3,101,233</u>	<u>327,107</u>	<u>-</u>	<u>17,611,420</u>
Balance as of January 1, 2020	\$ -	799,279	12,925,067	2,576,431	299,748	-	16,600,525
Depreciation	-	31,495	629,777	118,658	37,583	-	817,513
Disposals	-	(64)	(327,584)	(5,139)	(84,285)	-	(417,072)
Effect of changes in foreign exchange rates	-	(138)	(32)	(202)	(214)	-	(586)
Balance as of March 31, 2020	<u>\$ -</u>	<u>830,572</u>	<u>13,227,228</u>	<u>2,689,748</u>	<u>252,832</u>	<u>-</u>	<u>17,000,380</u>
Carrying value:							
Balance as of January 1, 2021	<u>\$ 2,546,534</u>	<u>1,524,743</u>	<u>9,202,794</u>	<u>3,160,494</u>	<u>280,856</u>	<u>6,706,796</u>	<u>23,422,217</u>
Balance as of March 31, 2021	<u>\$ 2,546,534</u>	<u>1,899,764</u>	<u>8,727,929</u>	<u>3,362,059</u>	<u>248,619</u>	<u>7,890,675</u>	<u>24,675,580</u>
Balance as of January 1, 2020	<u>\$ 2,546,534</u>	<u>1,640,891</u>	<u>8,075,615</u>	<u>3,140,892</u>	<u>238,020</u>	<u>2,224,358</u>	<u>17,866,310</u>
Balance as of March 31, 2020	<u>\$ 2,546,534</u>	<u>1,608,877</u>	<u>7,917,877</u>	<u>3,132,597</u>	<u>263,446</u>	<u>2,728,779</u>	<u>18,198,110</u>

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

Note 2: Inventories, prepayments for business facilities, and capitalized right-of-use depreciation expenses were reclassified as property, plant and equipment.

Note 3: Investment property was reclassified as property, plant and equipment.

(Continued)

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

(i) Pledge to secure

As of March 31, 2021, December 31 and March 31, 2020, property, plant and equipment were subject to a registered debenture to secured bank loans and line of credit, the collateral for these long-term borrowings was disclosed in Note 8.

(ii) Property, plant and equipment under construction

The Group rented some pieces of land and entered into different agreements for the construction of its new factories on the said lands. For the three months ended March 31, 2021, the Group has constructed factories amounting to \$1,062,737 thousand, and has recognized as construction in progress. As of March 31, 2021, the total amount of the construction is \$7,027,018 thousand, and is recognized as construction in progress.

(iii) For the three months ended March 31, 2021 and 2020, capitalized interest expenses amounted to \$9,617 thousand and \$10,654 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 0.57%~0.72% and 1.04%~2.88%, respectively.

(j) Right-of-use assets

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2021	\$ 530,419	393,559	13,630	937,608
Additions	-	13,373	137	13,510
Disposals	(382)	(1,667)	(910)	(2,959)
Effect of change in foreign exchange rates	(3,875)	(320)	1	(4,194)
Balance at March 31, 2021	<u>\$ 526,162</u>	<u>404,945</u>	<u>12,858</u>	<u>943,965</u>
Balance at January 1, 2020	\$ 391,749	103,892	11,025	506,666
Additions	-	-	1,297	1,297
Disposals	(46)	-	-	(46)
Effect of change in foreign exchange rates	(4,152)	-	-	(4,152)
Balance at March 31, 2020	<u>\$ 387,551</u>	<u>103,892</u>	<u>12,322</u>	<u>503,765</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Other equipment</u>	<u>Total</u>
Accumulated depreciation:				
Balance at January 1, 2021	\$ 60,596	82,963	6,916	150,475
Depreciation (Note 1)	10,594	15,702	1,301	27,597
Disposals	(382)	(1,667)	(910)	(2,959)
Effect of change in foreign exchange rates	(388)	(54)	-	(442)
Balance at March 31, 2021	<u>\$ 70,420</u>	<u>96,944</u>	<u>7,307</u>	<u>174,671</u>
Balance at January 1, 2020	\$ 24,602	35,729	3,987	64,318
Depreciation (Note 2)	7,817	9,516	1,297	18,630
Effect of change in foreign exchange rates	(245)	-	-	(245)
Balance at March 31, 2020	<u>\$ 32,174</u>	<u>45,245</u>	<u>5,284</u>	<u>82,703</u>
Carrying amount:				
Balance at January 1, 2021	<u>\$ 469,823</u>	<u>310,596</u>	<u>6,714</u>	<u>787,133</u>
Balance at March 31, 2021	<u>\$ 455,742</u>	<u>308,001</u>	<u>5,551</u>	<u>769,294</u>
Balance at January 1, 2020	<u>\$ 367,147</u>	<u>68,163</u>	<u>7,038</u>	<u>442,348</u>
Balance at March 31, 2020	<u>\$ 355,377</u>	<u>58,647</u>	<u>7,038</u>	<u>421,062</u>

Note 1: Including capitalized depreciation expenses transferred to construction in progress, which amounted to \$1,843 thousand.

Note 2: Including capitalized depreciation expenses transferred to construction in progress, which amounted to \$1,160 thousand.

(k) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2021	\$ 963,127	529,952	1,493,079
Additions	-	-	-
Reclassification as property, plant and equipment	-	(391,727)	(391,727)
Balance as of March 31, 2021	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2020	\$ 963,127	529,952	1,493,079
Additions	-	-	-
Balance as of March 31, 2020	<u>\$ 963,127</u>	<u>529,952</u>	<u>1,493,079</u>

(Continued)

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

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Accumulated depreciation:			
Balance as of January 1, 2021	\$ -	112,298	112,298
Depreciation	-	1,329	1,329
Reclassification as property, plant and equipment	-	(70,210)	(70,210)
Balance as of March 31, 2021	<u>\$ -</u>	<u>43,417</u>	<u>43,417</u>
Balance as of January 1, 2020	\$ -	91,924	91,924
Depreciation	-	5,094	5,094
Balance as of March 31, 2020	<u>\$ -</u>	<u>97,018</u>	<u>97,018</u>
Carrying amount:			
Balance as of January 1, 2021	<u>\$ 963,127</u>	<u>417,654</u>	<u>1,380,781</u>
Balance as of March 31, 2021	<u>\$ 963,127</u>	<u>94,808</u>	<u>1,057,935</u>
Balance as of January 1, 2020	<u>\$ 963,127</u>	<u>438,028</u>	<u>1,401,155</u>
Balance as of March 31, 2020	<u>\$ 963,127</u>	<u>432,934</u>	<u>1,396,061</u>
Fair value:			
Balance as of January 1, 2021			<u>\$ 1,533,631</u>
Balance as of March 31, 2021			<u>\$ 1,201,648</u>
Balance as of March 31, 2020			<u>\$ 1,567,356</u>

When measuring the fair value of its investment property, the Group considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect its specified inherit risk on the net cash flows. The inputs to the valuation technique used for measuring fair value were categorized as a Level 2 fair value. As of March 31, 2021, December 31 and March 31, 2020, the yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Hsinchu	0.40%	0.36%	0.32%
Taoyuan	-%	0.53%	0.43%

As of March 31, 2021, December 31 and March 31, 2020, investment property was subject to a registered debenture to secured bank loans and line of credit, the collateral for these long-term borrowings was disclosed in Note 8.

(Continued)

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

(l) Intangible assets

	Technical know-how	Computer software and information systems	Goodwill	Others	Total
Carrying value:					
Balance as of January 1, 2021	\$ 8,775	285,763	277,404	6,489	578,431
Balance as of March 31, 2021	\$ 7,622	305,149	277,653	4,492	594,916
Balance as of January 1, 2020	\$ 13,436	113,831	443,002	7,185	577,454
Balance as of March 31, 2020	\$ 12,252	132,156	444,038	5,860	594,306

There was no significant additions, disposals, or recognition and reversal of impairment losses of intangible assets for the three months ended March 31, 2021 and 2020. As of March 31, 2021, amortization of intangible assets was disclosed in Note 12(a). Other information was disclosed in Note 6(m) of the consolidated financial statements for the year ended December 31, 2020.

As of March 31, 2021, December 31 and March 31, 2020, the intangible assets were not pledged.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Tax refund receivables	\$ 97,106	134,541	127,213
Prepayments to suppliers	78,384	32,181	6,020
Prepaid expenses	90,899	137,367	73,290
Restricted assets	168,490	165,982	43,684
Refundable deposits	165,334	115,344	59,875
Other receivables	22,447	72,308	33,045
Long-term prepaid intangible assets	54,797	54,682	73,950
Offset against business tax payable and input taxes	155,045	148,672	105,505
Others	25,206	30,204	28,714
	<u>\$ 857,708</u>	<u>891,281</u>	<u>551,296</u>

(n) Short-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured short-term borrowings	\$ -	-	-
Unused bank credit lines for short-term borrowings	\$ 1,010,000	802,430	1,269,775
Unused bank credit lines for short-term and long-term borrowings	\$ 4,098,900	3,450,712	3,265,060

(Continued)

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

(o) Long-term borrowings

	March 31, 2021	December 31, 2020	March 31, 2020
Secured long-term borrowings (in NTD)	\$ 750,000	750,000	750,000
Secured long-term syndicated borrowings (in USD)	4,673,425	3,659,680	959,803
Unsecured long-term borrowings (in NTD)	6,112,140	7,008,940	3,123,500
Less: long-term liabilities, current portion	-	-	-
Total	<u>\$ 11,535,565</u>	<u>11,418,620</u>	<u>4,833,303</u>
Unused bank credit lines for long-term borrowings	<u>\$ 11,070,128</u>	<u>9,814,928</u>	<u>17,548,180</u>
Annual interest rate	<u>0.25%~0.90%</u>	<u>0.25%~1.00%</u>	<u>0.35%~1.43%</u>
Expiry date	<u>2022/7/8~2025/8/16</u>	<u>2022/3/15~2025/8/16</u>	<u>2021/6/27~2025/8/16</u>

As of March 31, 2021, the remaining balances of the borrowing due were as follows:

<u>Year due</u>	<u>Amount</u>
April 1, 2022~March 31, 2023	\$ 5,196,425
April 1, 2023~March 31, 2024	3,163,320
April 1, 2024 and after	<u>3,175,820</u>
	<u>\$ 11,535,565</u>

- (i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in Note 6(n).
- (ii) The collateral for these long-term borrowings was disclosed in Note 8.
- (iii) In June 2019, the Group entered into a three-year syndicated loan agreement with Far Eastern International Bank and other four banks. The total credit facility under this loan agreement is US\$200,000 thousand.

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

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

(Continued)

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

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

For the year ended December 31, 2020 and for the six months ended June 30, 2020, the Group were in compliance with the above financial covenants and restrictions.

(p) Bonds payable

The details of bonds payable were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Overseas convertible bonds	\$ 13,992,000	-	-
Less: Unamortized discounted bonds payable	(832,498)	-	-
Current portion	-	-	-
Total	<u>\$ 13,159,502</u>	<u>-</u>	<u>-</u>
Proceeds from issuance (less transaction cost amounted to \$89,226 thousand)			\$ 13,902,774
Equity components (less transaction cost amortized to equity component of \$4,147 thousand)			(639,583)
Embedded derivatives instruments – put/ call options			<u>(139,920)</u>
Liability components at the issuance date (less transaction cost allocated to liability component of \$85,079 thousand)			13,123,271
Interest expense at an effective interest rate of 1.28%			<u>36,231</u>
Liability components at March 31, 2021			<u>\$ 13,159,502</u>

The Company resolved to issue the first unsecured overseas convertible bonds, as proposed in the Board of Director's meeting held on November 27, 2020, which had been approved by the Financial Supervisory Commission with approval No.1090377907 on December 25, 2020 and been issued on the Singapore Exchange Securities Trading Limited on January 14, 2021. The Company issued the 5 years unsecured convertible bond, amounting to US\$500,000 thousand without coupon rate, with the maturity dates on January 14, 2026.

Unless previously redeemed, repurchased, and cancelled or converted and except during the closed period, the bonds may be converted into the Company's common shares pursuant to the applicable laws and regulations and the indenture at any time starting from the next day immediately after three months from the issue date to (1) the 10 day prior to the maturity date or (2) the 5 business day prior to the applicable redemption date on which a bondholder exercises its put right or the applicable date (other than the maturity date) on which the Company exercises its redemption right.

(Continued)

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

The conversion price was 140% of the closing price of the Company's common share on the Taipei Exchange on the pricing date, which was NT\$497. The number of common share to be delivered upon conversion of any bond will be determined with the principal amount of the bonds multiplied by the fixed exchange rate, which is NT\$27.984 to US\$1, which as determined on the pricing date and divided by the conversion price in effect on the date of conversion. After the issuance of the bonds, the conversion price shall be adjusted in accordance with the relevant anti-dilution provisions of the indenture. As of March 31, 2021, the conversion price was not adjusted.

The above-mentioned convertible bonds included liabilities and equity components. The equity component was accounted under the capital surplus-stock option. The effective interest rate originally recognized for the liability component was 1.28%.

(q) Lease liabilities

The carrying amounts of lease liabilities were as follow:

	March 31, 2021	December 31, 2020	March 31, 2020
Current	<u>\$ 89,108</u>	<u>84,993</u>	<u>58,040</u>
Non-current	<u>\$ 595,501</u>	<u>614,891</u>	<u>290,438</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest expenses on lease liabilities	<u>\$ 4,998</u>	<u>2,314</u>
Expenses relating to short-term leases	<u>\$ 3,650</u>	<u>2,392</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 350</u>	<u>323</u>

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Total cash outflow for leases	<u>\$ 36,077</u>	<u>24,906</u>

(i) Real estate and buildings leases

The Group leases land and buildings and structures for its factories and staff dormitories. The leases of them typically run for a period of 2 to 50 years.

(Continued)

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

(ii) Other leases

The Group leases printer and transportation equipment, with lease terms of 2 to 6 years.

(iii) Others

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

(r) Operating lease

There were no significant changes in operating lease for the three months ended March 31, 2021 and 2020. Please refer to Note 6(r) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(s) Employee benefits

(i) Defined benefit plans

At the end of the prior fiscal year, there was no material volatility of the market, no material reimbursement and settlement or other material one-time events. As a result, pension cost in the consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2020 and 2019.

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating costs	\$ -	-
Operating expenses	<u>435</u>	<u>467</u>
	<u>\$ 435</u>	<u>467</u>

(ii) Defined contribution plans

The Group's expenses under the pension plan cost to the Bureau of Labor Insurance for the three months ended March 31, 2021 and 2020 were as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Operating costs	\$ 23,610	21,771
Operating expenses	<u>7,045</u>	<u>5,505</u>
	<u>\$ 30,655</u>	<u>27,276</u>

(Continued)

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

(iii) The Group's mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the three months ended March 31, 2021 and 2020, the Group recognized the pension costs in accordance with the pension regulations and amounted to \$2,590 thousand and \$495 thousand, respectively.

(t) Income tax

(i) Income tax expense

The amount of income tax expense was as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Income tax expense	\$ 291,334	389,365

(ii) There was no income tax expense recognized in other comprehensive income for the three months ended March 31, 2021 and 2020.

(iii) Assessment

The Company's corporate income tax returns for all the years through 2019 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

(u) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the three months ended March 31, 2021 and 2020. For the related information, please refer to Note 6(u) of the consolidated financial statements for the year ended December 31, 2020.

(i) Ordinary share issuance

On March 18, 2021, the Company's Board of Directors approved a resolution to redeem the unvested restricted employee share of stock 15 thousand shares, at \$10 dollars par value per share, amounting to \$150 thousand. The recognition date for capital reduction was March 31, 2021. All related registration procedures had been completed.

(Continued)

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

(ii) Capital surplus

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

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>March 31,</u> <u>2020</u>
Additional paid-in capital	\$ 9,031,035	9,031,035	9,031,035
Equity component of convertible bonds	639,583	-	-
Changes in ownership interests in subsidiaries	69,410	69,410	-
Employee stock options	3,163	2,915	1,818
Restricted shares of stock issued for employees	<u>219,888</u>	<u>219,738</u>	<u>211,821</u>
	<u>\$ 9,963,079</u>	<u>9,323,098</u>	<u>9,244,674</u>

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve and a special capital reserve is likewise appropriated or the annual income or earnings are retained in accordance with the relevant laws or regulations or as requested by the authorities. Otherwise, the Company shall set aside at least 50% for shareholder, the distribution of remaining balance of the earnings should be further proposed by the Board of Directors and resolved by the shareholders' meeting. And the cash dividends should not lower than 10% of the total stockholders' dividends.

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

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

The appropriations of earning for 2020 and 2019 had been approved in the meeting of Board of Directors held on March 18, 2021 and March 18, 2020, respectively. The appropriations and dividends were as follows:

	<u>2020</u>	<u>2019</u>
Cash dividends	<u>\$ 4,240,414</u>	<u>2,968,394</u>

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

(Continued)

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

(iv) Other equity interests, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2021	\$ (202,205)	3,780,846	(65,738)
Foreign currency differences (net of tax):			
The Group	(37,152)	-	-
Associates	(5,733)	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	38,864	-
Compensation cost arising from restricted shares of employees	-	-	19,062
Balance as of March 31, 2021	<u>\$ (245,090)</u>	<u>3,819,710</u>	<u>(46,676)</u>
	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2020	\$ (179,450)	3,089,886	(137,029)
Foreign currency differences (net of tax):			
The Group	(13,851)	-	-
Associates	(9,044)	-	-
Unrealized gain (losses) from financial assets measured at fair value through other comprehensive income (net of tax)	-	22,180	-
Compensation cost arising from restricted shares of employees	-	-	18,415
Balance as of March 31, 2020	<u>\$ (202,345)</u>	<u>3,112,066</u>	<u>(118,614)</u>

(v) Share-based payment

Except for the following disclosure, there were no significant changes for share-based payment for the three months ended March 31, 2021 and 2020. For the related information, please refer to Note 6(v) of the consolidated financial statements for the year ended December 31, 2020.

(Continued)

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

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

On March 18, 2021, the Company resolved to redeem the unvested restricted employee share of stock amounting to 15 thousand shares. As of March 31, 2021 and 2020, there were 1,375 thousand and 1,390 thousand shares outstanding, respectively.

For the three months ended March 31, 2021 and 2020, the Company recognized the compensation cost of \$19,062 thousand and \$19,190 thousand for the aforementioned RSA, respectively.

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

For the three months ended March 31, 2021 and 2020, the PBL recognized the compensation cost of \$421 thousand and \$621 thousand for the aforementioned ESOPs, respectively.

- (w) Earnings per share (“EPS”)

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Basic earnings per share:		
Profit belonging to common shareholders	\$ <u>1,151,424</u>	<u>1,590,895</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>2.72</u>	<u>3.76</u>
Diluted earnings per share:		
Profit belonging to common shareholders	\$ <u>1,151,424</u>	<u>1,590,895</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)	1,441	1,921
Restricted employee shares (in thousands shares)	<u>1,258</u>	<u>935</u>
Weighted-average number of common stock (diluted) (in thousands shares)	<u>425,365</u>	<u>425,522</u>
Diluted earnings per share (in dollars)	\$ <u>2.71</u>	<u>3.74</u>

For the three months ended March 31, 2021, the convertible bonds have anti-diluted effects if the bonds were converted, and hence the convertible bonds were not included in the calculation of effect on potentially diluted common stock.

(Continued)

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

(x) Revenue from contracts with customers

(i) Disaggregation of revenue

For the three months ended March 31, 2021				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 3,830,980	227,774	1,037	4,059,791
Americas	1,455,083	-	7,660	1,462,743
Taiwan	241,833	-	12,262	254,095
Europe	232,754	-	-	232,754
	<u>\$ 5,760,650</u>	<u>227,774</u>	<u>20,959</u>	<u>6,009,383</u>
Main product/ services lines:				
Foundry	\$ 5,760,650	-	-	5,760,650
Others	-	227,774	20,959	248,733
	<u>\$ 5,760,650</u>	<u>227,774</u>	<u>20,959</u>	<u>6,009,383</u>
For the three months ended March 31, 2020				
	Segment- Foundry	Segment- Agriculture technology	Segment- Others	Total
Primary geographical markets:				
Asia	\$ 4,101,564	10,475	489	4,112,528
Americas	1,406,537	-	7,351	1,413,888
Taiwan	245,398	-	11,968	257,366
Europe	287,240	-	-	287,240
	<u>\$ 6,040,739</u>	<u>10,475</u>	<u>19,808</u>	<u>6,071,022</u>
Main product/ services lines:				
Foundry	\$ 6,040,511	-	-	6,040,511
Others	228	10,475	19,808	30,511
	<u>\$ 6,040,739</u>	<u>10,475</u>	<u>19,808</u>	<u>6,071,022</u>

(Continued)

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

(ii) Balance of contracts

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	\$ 606	632	648
Accounts receivable	1,998,926	2,037,018	2,301,409
Less: loss allowance	<u>(99)</u>	<u>(148)</u>	<u>(4,689)</u>
	<u>\$ 1,999,433</u>	<u>2,037,502</u>	<u>2,297,368</u>
Contract liabilities	<u>\$ 507,395</u>	<u>534,426</u>	<u>193,683</u>

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

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. The amount of revenue recognized for the three months ended March 31, 2021 and 2020, that was included in the contract liabilities balance at the beginning of the period was \$463,757 thousand and \$194,284 thousand, respectively.

(y) Employees' and directors' remuneration

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

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

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

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Employees' remuneration	\$ 102,700	131,000
Directors' remuneration	<u>28,300</u>	<u>37,900</u>
	<u>\$ 131,000</u>	<u>168,900</u>

(Continued)

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

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 for the three months ended March 31, 2021 and 2020. The differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

For the years ended December 31, 2020 and 2019, the Company accrued and recognized its employee remuneration amounting to \$543,300 thousand and \$368,400 thousand, and directors' remuneration amounting to \$157,700 thousand and \$106,900 thousand, respectively. There were no differences between the actual distributed amounts as determined by the Board of Directors and those recognized in the financial statements. The related information mentioned above can be found on websites such as the Market Observation Post System.

(z) Non-operating income and expenses

(i) Interest income

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest income from bank deposits	\$ 7,569	13,860
Other interest income	32	29
Interest income	<u>\$ 7,601</u>	<u>13,889</u>

(ii) Other income

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Dividend income	\$ 7,818	2,524
Rent income	8,798	19,264
Other income	<u>\$ 16,616</u>	<u>21,788</u>

(Continued)

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

(iii) Other gains and losses

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Losses on disposals of property, plant and equipment	(5,428)	(1,405)
Foreign exchange gains	191,273	63,554
Gains (losses) on financial assets or liabilities at fair value through profit or loss	77,992	(56,751)
Others	10,536	9,729
Other gains and losses	<u>\$ 274,373</u>	<u>15,127</u>

(iv) Finance costs

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Interest expenses		
Bank borrowings	\$ 35,414	26,163
Bounds payable	36,231	-
Lease liabilities	6,516	3,401
Less: capitalized interest	<u>(9,617)</u>	<u>(10,654)</u>
Subtotal	68,544	18,910
Other finance costs	<u>38</u>	<u>65</u>
Finance costs	<u>\$ 68,582</u>	<u>18,975</u>

(aa) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(aa) of the consolidated financial statements for the year ended December 31, 2020.

(i) Credit risk

1) Credit risk of receivables and debt securities

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

Other financial assets measured at amortized cost include other receivables. For related information of investment and impairment, please refers 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. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
As of March 31, 2021						
Non-derivative financial liabilities						
Secured bank loans	\$ 5,423,425	5,518,225	35,475	4,723,750	759,000	-
Unsecured bank loans	6,112,140	6,210,374	34,516	555,290	5,620,568	-
Bounds payable	13,159,502	13,577,452	-	-	13,577,452	-
Notes and accounts payable	1,943,421	1,943,421	1,943,421	-	-	-
Other payables	7,153,370	7,153,370	7,153,370	-	-	-
Guarantee deposits received	136,022	136,022	17,530	8,492	110,000	-
Lease liabilities	684,609	924,849	97,013	79,219	186,546	562,071
	<u>34,612,489</u>	<u>35,463,713</u>	<u>9,281,325</u>	<u>5,366,751</u>	<u>20,253,566</u>	<u>562,071</u>
Derivative financial liabilities						
Convertible bonds with embedded derivatives	190,291	-	-	-	-	-
Subtotal	190,291	-	-	-	-	-
	<u>\$ 34,802,780</u>	<u>35,463,713</u>	<u>9,281,325</u>	<u>5,366,751</u>	<u>20,253,566</u>	<u>562,071</u>
As of December 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 4,409,680	4,513,312	30,831	3,721,793	760,688	-
Unsecured bank loans	7,008,940	7,121,530	45,052	2,216,672	4,859,806	-
Notes and accounts payable	1,794,668	1,794,668	1,794,668	-	-	-
Other payables	3,132,855	3,132,855	3,132,855	-	-	-
Guarantee deposits received	124,732	124,732	6,174	8,558	110,000	-
Lease liabilities	699,884	940,240	92,885	81,864	196,046	569,445
	<u>\$ 17,170,759</u>	<u>17,627,337</u>	<u>5,102,465</u>	<u>6,028,887</u>	<u>5,926,540</u>	<u>569,445</u>
As of March 31, 2020						
Non-derivative financial liabilities						
Secured bank loans	\$ 1,709,803	1,849,608	23,548	23,548	1,651,922	150,590
Unsecured bank loans	3,123,500	3,211,331	29,877	238,452	2,779,863	163,139
Notes and accounts payable	1,879,229	1,879,229	1,879,229	-	-	-
Other payables	5,574,728	5,574,728	5,574,728	-	-	-
Guarantee deposits received	128,366	128,366	9,619	8,747	110,000	-
Lease liabilities	348,478	472,379	58,707	44,466	98,243	270,963
	<u>\$ 12,764,104</u>	<u>13,115,641</u>	<u>7,575,708</u>	<u>315,213</u>	<u>4,640,028</u>	<u>584,692</u>

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

(Continued)

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

(iii) Currency risk

1) Exposure to currency risk

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

	March 31, 2021			December 31, 2020			March 31, 2020		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets									
<u>Monetary items</u>									
USD	\$ 719,672	28.54	20,539,427	242,839	28.48	6,916,049	161,236	30.23	4,874,167
EUR	1,460	33.48	48,882	7	35.02	246	5,837	33.24	194,019
JPY	1,306,358	0.2577	336,649	2,391,001	0.2763	660,634	2,286,744	0.2788	637,544
GBP	11	39.23	432	11	38.90	428	11	37.25	410
HKD	60	3.670	219	60	3.67	221	6,133	3.898	23,906
RMB	1,824	4.34	7,915	1,232	4.38	5,398	171	4.26	729
SGD	1	21.21	18	-	-	-	-	-	-
			<u>\$ 20,933,542</u>			<u>\$ 7,582,976</u>			<u>\$ 5,730,775</u>
<u>Non-monetary items</u>									
USD	\$ 20,704	28.54	590,736	15,703	28.48	448,558	12,713	30.23	384,311
RMB	170,977	4.34	741,243	179,878	4.38	785,950	108,799	4.26	461,560
			<u>\$ 1,331,979</u>			<u>\$ 1,234,508</u>			<u>\$ 845,871</u>
Financial liabilities									
<u>Monetary items</u>									
USD	\$ 201,680	28.54	5,755,955	172,495	28.48	4,912,645	71,565	30.23	2,163,405
EUR	528	33.48	17,667	1,233	35.02	43,180	2,436	33.24	80,985
JPY	720,492	0.2577	185,671	911,604	0.2763	251,876	1,235,294	0.2788	344,400
			<u>\$ 5,959,293</u>			<u>\$ 5,207,701</u>			<u>\$ 2,588,790</u>

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through profit or loss, notes and accounts payable, other payables and long-term borrowings that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, JPY, HKD, RMB, etc. for the three months ended March 31, 2021 and 2020 would have increased (decreased) the net profit after tax by \$622,734 thousand and \$141,064 thousand, respectively. The analysis assumes that all other variables remain constant.

(Continued)

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

3) Exchange gains or losses

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For three months ended March 31, 2021 and 2020, foreign exchange gains (including realized and unrealized portions) amounted to \$191,273 thousand and \$63,554 thousand, respectively.

(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have increased (decreased) by \$11,793 thousand and \$4,561 thousand for the three months ended March 31, 2021 and 2020, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(v) Fair value

1) Financial instrument classifications and fair values

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

	March 31, 2021				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 19,292	19,292	-	-	19,292
Funds and investment	876,289	876,289	-	-	876,289
Private fund	969,440	-	-	969,440	969,440
Subtotal	<u>\$ 1,865,021</u>	<u>895,581</u>	<u>-</u>	<u>969,440</u>	<u>1,865,021</u>
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	\$ 5,747,455	5,747,455	-	-	5,747,455
Non-public stocks	1,011,117	-	-	1,011,117	1,011,117
Subtotal	<u>\$ 6,758,572</u>	<u>5,747,455</u>	<u>-</u>	<u>1,011,117</u>	<u>6,758,572</u>

(Continued)

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

March 31, 2021				
Carrying value	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets measured at amortized cost				
Cash and cash equivalents (Note)	\$ 22,333,515	-	-	-
Notes and accounts receivable (Note)	1,999,433	-	-	-
Other receivables (Note)	22,447	-	-	-
Other non-current assets (Note)	333,824	-	-	-
Subtotal	<u>\$ 24,689,219</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	<u>\$ 190,291</u>	<u>-</u>	<u>190,291</u>	<u>-</u>
Financial liabilities measured at amortized cost				
Bank loans (Note)	\$ 11,535,565	-	-	-
Notes and accounts payable (Note)	1,943,421	-	-	-
Bonds payable (Note)	13,159,502	-	-	-
Other payables (Note)	7,153,370	-	-	-
Guarantee deposits received (Note)	136,022	-	-	-
Lease liabilities (Note)	684,609	-	-	-
Subtotal	<u>\$ 34,612,489</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2020				
Carrying value	Fair value			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss				
Stocks listed on domestic markets	\$ 10,239	10,239	-	10,239
Funds and investment	745,799	745,799	-	745,799
Private fund	814,065	-	814,065	814,065
Subtotal	<u>\$ 1,570,103</u>	<u>756,038</u>	<u>-</u>	<u>1,570,103</u>
Financial assets at fair value through other comprehensive income				
Stocks listed on domestic and foreign markets	5,756,283	5,756,283	-	5,756,283
Non-public stocks	963,298	-	963,298	963,298
Subtotal	<u>\$ 6,719,581</u>	<u>5,756,283</u>	<u>-</u>	<u>6,719,581</u>
Financial assets measured at amortized cost				
Cash and cash equivalents (Note)	\$ 8,356,270	-	-	-
Notes and accounts receivable (Note)	2,037,502	-	-	-
Other receivables (Note)	72,308	-	-	-
Other non-current assets (Note)	281,326	-	-	-
Subtotal	<u>\$ 10,747,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost				
Bank loans (Note)	\$ 11,418,620	-	-	-
Notes and accounts payable (Note)	1,794,668	-	-	-
Other payables (Note)	3,132,855	-	-	-
Guarantee deposits received (Note)	124,732	-	-	-
Lease liabilities (Note)	699,884	-	-	-
Subtotal	<u>\$ 17,170,759</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

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

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

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

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

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

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

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

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.

(Continued)

WIN Semiconductors Corp. and Subsidiaries

Notes to the Consolidated Financial Statements

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

Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when:

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

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

- Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.
- Close-end funds with standard terms and conditions, such as money market funds; investors can require the investment trust company to redeem the fund at any time. The fair value is based on the net value of the fund.

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

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

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

(Continued)

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

b) Derivative instruments

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

4) Transfer between level 2 and level 1

For three months ended March 31, 2021 and 2020, there was no transfer between level 2 and level 1 financial asset of the fair value hierarchy.

5) Movement of level 3

	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>
	<u>Private fund</u>	<u>Unquoted equity instruments</u>
Balance as of January 1, 2021	\$ 814,065	963,298
Total gains or losses:		
Recognized in profit and loss	119,310	-
Recognized in other comprehensive income	-	47,759
Purchased	36,966	-
Capital reduction	(901)	-
Effect of changes in foreign exchange rates	-	60
Balance as of March 31, 2021	<u>\$ 969,440</u>	<u>1,011,117</u>
Balance as of January 1, 2020	\$ 565,804	700,247
Total gains or losses:		
Recognized in profit and loss	(23,407)	-
Recognized in other comprehensive income	-	(89,465)
Purchased	64,851	-
Capital reduction	-	(6,667)
Effect of changes in foreign exchange rates	-	443
Balance as of March 31, 2020	<u>\$ 607,248</u>	<u>604,558</u>

(Continued)

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

The preceding gains and losses were recognized as “other gains and losses” and “unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income”. As of March 31, 2021 and 2020, the related information of the assets which were still held by the Group were as follows:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Total gains or losses		
Profit or loss (recognized as other gains and losses)	\$ 119,310	(23,407)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)	47,759	(89,465)

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

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

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

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	<ul style="list-style-type: none"> ● Comparable listed companies approach ● Net asset value method 	<ul style="list-style-type: none"> ● Price-book ratio (as of March 31, 2021, December 31 and March 31, 2020 were 1.78~7.90, 1.62~7.33 and 1.35~5.55, respectively) ● Market liquidity discount rate (as of March 31, 2021, December 31 and March 31, 2020 were all 20%) ● Net asset value 	<ul style="list-style-type: none"> ● The higher the price-book ratio, the higher the fair value ● The higher the market liquidity discount rate, the lower the fair value ● The higher the net assets 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 assets value, the higher the fair value

(Continued)

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

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

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

	Inputs	Increase or decrease	Effects of changes in fair value on profit or loss		Effects of changes in fair value on other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
March 31, 2021						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 48,472	(48,472)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	29,682	(29,682)
"	Market liquidity discount rate	5%	-	-	29,682	(29,682)
"	Net asset value	5%	-	-	20,874	(20,874)
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%	-	-	26,510	(26,510)
"	Market liquidity discount rate	5%	-	-	26,510	(26,510)
"	Net asset value	5%	-	-	21,655	(21,655)
March 31, 2020						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	\$ 30,362	(30,362)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	14,735	(14,735)
"	Market liquidity discount rate	5%	-	-	14,735	(14,735)
"	Net asset value	5%	-	-	15,493	(15,493)

(Continued)

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

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

(ab) Management of financial risk

There was no significant change in the Group's objective and policies for the management of financial risk of the consolidated financial statements for the three months ended March 31, 2021 which compared with the consolidated financial statements Note 6(ab) for the year ended December 31, 2020.

(ac) Capital management

The Group's objective, policies and process of capital management of the consolidated financial statements for the three months ended March 31, 2021 was the same as the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to Note 6(ac) of the consolidated financial statements for the year ended December 31, 2020.

As of March 31, 2021, December 31 and March 31, 2020, the Group's return on common equity was 14.02%, 20.49% and 21.96%, respectively. The Group's debt ratio at the reporting date were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Debt ratio	52.63 %	34.68 %	33.80 %

(ad) Financing activity

Reconciliations of liabilities arising from financing activities were as follows:

	January 1, 2021	Cash flows			Non-cash changes			March 31, 2021
		Proceeds from long- term debt and bonds payable	Repayments of long-term debt and lease liabilities	Others	Interest expense	Others	Amortization of arranger fee of syndicated loan	
Long-term borrowings	\$ 11,418,620	1,653,750	(1,558,000)	-	-	14,103	7,092	11,535,565
Bonds payable	-	13,902,774	-	-	36,231	(779,503)	-	13,159,502
Guarantee deposit received	124,732	-	-	11,290	-	-	-	136,022
Lease liabilities (Note 1)	699,884	-	(29,665)	(2,412)	6,516	10,286	-	684,609
Total liabilities from financing activity	\$ 12,243,236	15,556,524	(1,587,665)	8,878	42,747	(755,114)	7,092	25,515,698

(Continued)

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

	Cash flows				Non-cash changes			March 31, 2020
	January 1, 2020	Proceeds from long- term debt	Repayments of long-term debt and lease liabilities	Others	Interest expense	Others	Amortization of arranger fee of syndicated loan	
Long-term borrowings	\$ 5,788,125	1,664,922	(2,632,500)	-	-	5,229	7,527	4,833,303
Guarantee deposit received	125,611	-	-	2,755	-	-	-	128,366
Lease liabilities (Note 2)	369,327	-	(21,600)	(591)	3,401	(2,059)	-	348,478
Total liabilities from financing activity	<u>\$ 6,283,063</u>	<u>1,664,922</u>	<u>(2,654,100)</u>	<u>2,164</u>	<u>3,401</u>	<u>3,170</u>	<u>7,527</u>	<u>5,310,147</u>

Note 1: Interest expense includes capitalized interest expense transferred to construction in progress, which amounted to \$1,518 thousand.

Note 2: Interest expense includes capitalized interest expense transferred to construction in progress, which amounted to \$1,087 thousand.

(7) Related-party transactions:

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Associates
Chainwin i-Management Co., Ltd.	Other related parties
Chainwin i-Management (Huaian) Co., Ltd.	Other related parties
Taoyuan i-Fare Charity Foundation	Other related parties
ITEQ Corporation	Other related parties

(b) Significant transactions with related parties

(i) Purchases

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Other related parties	<u>\$ 1,618</u>	<u>233</u>

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

(ii) Payables to Related Parties

The payables to related parties were as follows:

Account	Categories	March 31, 2021	December 31, 2020	March 31, 2020
Accounts payable	Other related parties	<u>\$ 59</u>	<u>-</u>	<u>-</u>

(Continued)

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

(iii) Operating expenses

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

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Other related parties	<u>\$ 4,000</u>	<u>2,000</u>

(iv) Guarantee

As of March 31, 2021, December 31, and March 31, 2020, Chainwin Cayman had provided a guarantee for loans amounting to US\$7,350 thousand (\$209,769 thousand, \$209,328 and \$222,191 thousand, respectively) to its associate, Jiangsu CM/Chainwin Agriculture Development Co., Ltd.

(v) Property transactions—acquire assets

<u>Account</u>	<u>Category</u>	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Intangible assets	Other related parties— Chainwin i- Management Co., Ltd.	<u>\$ -</u>	<u>15,909</u>
Property, plant and equipment	Other related parties	<u>\$ 93</u>	<u>-</u>

(vi) Prepayment to related parties

The prepayment due to property transactions to related parties were as follows:

<u>Account</u>	<u>Category</u>	March 31, 2021	December 31, 2020	March 31, 2020
Other non-current assets	Other related parties— Chainwin i-Management Co., Ltd.	<u>\$ -</u>	<u>-</u>	<u>15,909</u>

(vii) Leases

The Group leased the office and factories to its other related party, ITEQ Corporation, and the rent income received monthly is based on the nearby office and factories rental rates. The amount of rent income is \$7,231 thousand and \$7,252 thousand for the three months ended March 31, 2021 and 2020. The preceding rent payment has been received. The guarantee deposits received amounted to \$110,000 thousand as of March 31, 2021, December 31, and March 31, 2020.

(Continued)

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

(c) Transactions with key management personnel

Key management personnel compensation was comprised as below:

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
Short-term employee benefits	\$ 181,643	153,919
Post-employment benefits	314	206
	<u>\$ 181,957</u>	<u>154,125</u>

(8) Pledged assets:

The carrying amounts of pledged assets were as follows:

Pledged assets	Pledged to secure	March 31, 2021	December 31, 2020	March 31, 2020
Other non-current assets	Land lease guarantee	\$ 23,206	-	-
Other non-current assets	Bank deposits — reserve accounts	7,848	6,693	6,197
Other non-current assets	Gas deposits	4,700	4,700	4,700
Other non-current assets	Customs guarantee with interest	20,430	20,430	20,242
Other non-current assets	Guarantee deposits of letters of credit	75,572	97,258	-
Other non-current assets	Plant deposits	11,844	11,819	12,545
Other non-current assets	Seizure deposits	24,890	25,082	-
Property, plant and equipment	Long-term borrowings	2,303,481	2,003,867	2,061,529
Investment property	Long-term borrowings	-	321,517	332,810
Total		<u>\$ 2,471,971</u>	<u>2,491,366</u>	<u>2,438,023</u>

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

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

	March 31, 2021	December 31, 2020	March 31, 2020
The unrecognized amount	<u>\$ 5,247,061</u>	<u>5,521,073</u>	<u>4,616,940</u>

(ii) The unused letters of credit was as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
The unused letters of credit	<u>\$ 2,600</u>	<u>82,674</u>	<u>54,165</u>

(Continued)

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

(10) Losses due to major disasters: None.

(11) Subsequent events:

- (a) The Company's subsidiary, WIN Chance Investment Corp., resolved to issue 29,000 thousand shares at NT\$10 per share, as proposed by the directors on April 6, 2021.
- (b) On April 1, 2021, The Group entered into a land lease agreement with South Taiwan Science Park, Ministry of Science and Technology, for a period of 20 years, at an amount of \$1,842 thousand (excluded tax), resulting in the recognition of right-of-use assets amounting to \$404,679 thousand.
- (c) The Company resolved to subscribe not exceeding 40,000 thousand new shares of its subsidiary, Phalanx Biotech Group, Inc., with par value of NT\$12 per share, at an amount not exceeding \$480,000, as proposed in the Board of Director's meeting held on May 7, 2021.

(12) Other:

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

	For the three months ended March 31, 2021			For the three months ended March 31, 2020		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	742,276	358,334	1,100,610	760,724	286,116	1,046,840
Labor and health insurance	62,610	19,115	81,725	55,753	18,675	74,428
Pension	24,195	9,485	33,680	21,920	6,318	28,238
Director remuneration	-	28,357	28,357	-	37,906	37,906
Others	36,042	15,663	51,705	34,814	13,869	48,683
Depreciation	897,795	101,748	999,543	749,362	91,669	841,031
Amortization	7,932	23,475	31,407	5,842	16,674	22,516

- (b) Seasonality of operations:

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

- (c) 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 Group assessed that COVID-19 pandemic did not have significant impact on the Group's operation.

(Continued)

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

(13) Other disclosures:

(a) Information on significant transactions:

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the three months ended March 31, 2021:

- (i) Loans to other parties: Please refer to schedule A.
 - (ii) Guarantees and endorsements for other parties: Please refer to schedule B.
 - (iii) Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures): Please refer to schedule C.
 - (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the Company’s paid-in capital: None.
 - (v) Information on acquisition of real estate with purchase amount exceeding the lower of NT\$300 million or 20% of the Company’s paid-in capital: Please refer to schedule D.
 - (vi) Information on disposal of real estate with amounts exceeding the lower of NT\$300 million or 20% of the Company’s paid-in capital: None.
 - (vii) Information regarding related-parties purchases and/or sales with amounts exceeding the lower of NT\$100 million or 20% of the Company’s paid-in capital: None.
 - (viii) Information regarding receivables from related-parties exceeding the lower of NT\$100 million or 20% of the Company’s paid-in capital: Please refer to schedule E.
 - (ix) Information regarding trading in derivative financial instruments: Please refer to Note 6(b).
 - (x) Business relationships and significant intercompany transactions: Please refer to schedule F.
- (b) Information on investments: Please refer to schedule G.
- (c) Information on investment in mainland China: Please refer to schedule H.
- (d) Information on major shareholders: Please refer to schedule I.

(Continued)

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

(14) Segment information:

- (a) The Group's reportable segment is the foundry segment, and agriculture technology segment. The segment engages separately in researching, developing, manufacturing, selling of GaAs wafers and developing hog farming technology and trading, etc., respectively.

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

- (b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the three months ended March 31, 2021 and 2020, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in Note 4 "significant accounting policies" were as follows:

For the three months ended March 31, 2021	Foundry	Agriculture technology	Others	Reconciliation and elimination	Total
Revenue :					
Revenue from external customers	\$ 5,760,650	227,774	20,959	-	6,009,383
Interest expenses	\$ 45,261	21,575	1,746	-	68,582
Depreciation and amortization	\$ 992,336	31,045	6,595	974	1,030,950
Shares of losses of associates and joint ventures accounted for using equity method	\$ -	(39,064)	(282)	-	(39,346)
Reportable segment profit or loss	\$ 1,314,666	(87,938)	(30,208)	(974)	1,195,546
Assets:					
Capital expenditures in noncurrent assets	\$ 666,017	1,150,936	46,498	-	1,863,451
For the three months ended March 31, 2020	Foundry	Agriculture technology	Others	Reconciliation and elimination	Total
Revenue :					
Revenue from external customers	\$ 6,040,739	10,475	19,808	-	6,071,022
Interest expenses	\$ 5,286	13,684	5	-	18,975
Depreciation and amortization	\$ 843,476	14,190	4,847	1,034	863,547
Shares of losses of associates and joint ventures accounted for using equity method	\$ -	(5,666)	(290)	-	(5,956)
Reportable segment profit or loss	\$ 2,042,735	(48,039)	(55,326)	(1,034)	1,938,336
Assets:					
Capital expenditures in noncurrent assets	\$ 907,884	484,371	1,007	-	1,393,262

For the three months ended March 31, 2021 and 2020, reportable segment profit or loss excludes non-operating income and expenses, amounting to \$190,944 thousand and \$26,163 thousand, respectively.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule A Loans to other parties:

(In thousands of Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual amount drawn down	Interest Rate	Purposes of fund financing for the borrower (Note 3)	Transaction amount	Reasons for short-term financing	Allowance for bad debts	Collateral		Individual funding loan limits (Note 4) (Note 5)	Maximum limit of fund financing (Note 4) (Note 5)	Remark
													Item	Value			
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Other receivables	Y	428,100 (USD 15,000)	428,100 (USD 15,000)	142,700 (USD 5,000)	1%	2	-	Working Capital	-	None	-	Net equity 20% 1,633,008	Net equity 40% 3,266,016	(Note 6)
2	i-Chainwin Technology (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Other receivables	Y	142,700 (USD 5,000)	142,700 (USD 5,000)	142,700 (USD 5,000)	1%	2	-	Working Capital	-	None	-	Net equity 100% 151,109	Net equity 200% 302,218	(Note 6)

Note 1: Company numbering as follows:

Issuer—0

Investee starts from 1

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

Note 4: Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.'s operating procedures of financing to other parties :

1. The loan limit to an individual party : (1) the total amount for lending to a company having business relationship with Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. shall not exceed their previous or current's total purchasing or sales amount (whichever is higher).
(2) the total amount for lending to a company having short-term funding needs shall not exceed 20% of Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.'s equity based on its most recent audited or reviewed financial statements by a certified accountant.
2. The loans to other parties limit provided by Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. to other parties should not exceed 40% of its equity based on its most recent audited or reviewed financial statements by a certified accountant.

Note 5: i-Chainwin Technology (Cayman Islands) Co., Ltd.'s operating procedures of financing to other parties :

1. The loan limit to an individual party : (1) the total amount for lending to a company having business relationship with i-Chainwin Technology (Cayman Islands) Co., Ltd. shall not exceed their previous or current's total purchasing or sales amount (whichever is higher).
(2) the total amount for lending to a company having short-term funding needs shall not exceed 20% of i-Chainwin Technology (Cayman Islands) Co., Ltd.'s equity based on its most recent audited or reviewed financial statements by a certified accountant.
2. The maximum loans to other parties provided by i-Chainwin Technology (Cayman Islands) Co., Ltd. should not exceed 40% of its equity based on its most recent audited or reviewed financial statements by a certified accountant.
3. The fund lending to Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.'s non-Taiwan subsidiaries (between subsidiaries) having, directly or indirectly, 100% of the voting rights; or the fund lending to the parent company, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.,(subsidiary-to-parent), should not be restricted by the above limitations; however, the maximum limit for an individual party should not exceed 100% of i-Chainwin Technology (Cayman Islands) Co., Ltd.'s equity, and the total amount should not exceed 200% of i-Chainwin Technology (Cayman Islands) Co., Ltd.'s equity.

Note 6: The amount of the transaction had been offset in the consolidated financial statements.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule B 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 of guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)(Note 4)	Parent company endorsements/ guarantees to subsidiary	Subsidiary endorsements/ guarantees to parent company	Endorsements/ guarantees to the companies in mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	2	15,821,734	230,515	230,515	-	-	0.73%	Net equity 50% 15,821,734	Y	-	-
0	"	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	2	15,821,734	1,712,400	1,712,400	1,712,400	-	5.41%	Net equity 50% 15,821,734	Y	-	Y
0	"	Jiangsu Win Yield Agriculture Development Co., Ltd.	2	15,821,734	2,140,500	2,140,500	2,140,500	-	6.76%	Net equity 50% 15,821,734	Y	-	Y
0	"	Jiangsu Win Shine Agriculture Development Co., Ltd.	2	15,821,734	256,128	256,128	-	-	0.81%	Net equity 50% 15,821,734	Y	-	Y
0	"	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	2	15,821,734	856,200	856,200	856,200	-	2.71%	Net equity 50% 15,821,734	Y	-	Y
0	"	Jiangsu Win Chance Agriculture Development Co., Ltd.	2	15,821,734	512,257	512,257	-	-	1.62%	Net equity 50% 15,821,734	Y	-	Y
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	6	2,449,512 (USD 85,827)	209,769 (USD 7,350)	209,769 (USD 7,350)	-	-	2.57%	Net equity 50% 4,082,520	-	-	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 28.54 and USD 0.1522, respectively.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule C Securities held as of March 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the 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	19,292	0.15	19,292	
WIN Venture Capital Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	5,108	64,572	-	64,572	
"	Capital Money Market Fund	"	"	25,820	420,227	-	420,227	
WIN Chance Investment Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	5,604	70,842	-	70,842	
"	Capital Money Market Fund	"	"	1,834	29,856	-	29,856	
WIN Earn Investment Corp.	Allianz Global Investors Taiwan Money Market Fund	"	"	11,098	140,278	-	140,278	
"	Capital Money Market Fund	"	"	9,248	150,514	-	150,514	
					895,581		895,581	
The Company	MagiCapital Fund II L.P.	"	Non-current financial assets at fair value through profit or loss	-	287,074	5.81	287,074	
"	CDIB Capital Growth Partners L.P.	"	"	-	113,430	3.30	113,430	
"	CDIB Capital Healthcare Ventures II L.P.	"	"	-	8,028	1.61	8,028	
"	Fuh Hwa Oriental Fund	"	"	15,000	28,200	-	28,200	
"	Fuh Hwa Smart Energy Fund	"	"	12,000	82,656	-	82,656	
"	LeaSun Winion L.P.	"	"	-	27,600	12.47	27,600	
"	NFC Fund II L.P.	"	"	-	303,662	32.88	303,662	
"	Foryou Venture Capital L.P.	"	"	-	20,790	5.77	20,790	
"	Renaissance Capital Limited Partnership	"	"	-	98,000	12.82	98,000	
					969,440		969,440	
"	ITEQ Corporation/Stock	Other related parties	Non-current financial assets at fair value through other comprehensive income	30,393	4,148,646	9.13	4,148,646	
"	Sino-American Silicon Products Inc./Stock	None	"	2,076	350,844	0.35	350,844	
"	Inventec Solar Energy Corporation/Stock	"	"	34,000	-	10.51	-	
"	CDIB Capital Creative Industries Limited/Stock	"	"	3,667	31,936	3.33	31,936	
"	MagiCap Venture Capital Co., Ltd./Preferred Stock A	"	"	726	73,347	18.28	73,347	
"	New Future Capital Co., Ltd./Stock	"	"	10,000	107,800	15.87	107,800	
"	Grand Fortune Venture Corp./Stock	"	"	5,000	55,750	6.87	55,750	
"	NFC I Renewable Power Co., Ltd./Stock	"	"	15,000	148,650	15.00	148,650	
"	Gogolook Co., Ltd./Stock	"	"	2,013	247,955	11.83	247,955	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./Stock	Client	"	75	992,464	0.02	992,464	
"	Anokiwave Inc./Series B Preferred Stock	"	"	1,264	297,531	7.93	297,531	
WIN Venture Capital Corp.	MOAI Green Power Corporation/Stock	None	"	90	-	0.28	-	
"	Merit Biotech INC./Stock	"	"	1,320	-	2.93	-	(Note)
"	Winresp INC./Stock	"	"	2,740	48,148	18.07	48,148	
WIN Chance Investment Corp.	ITEQ Corporation/Stock	Other related parties	"	1,872	255,501	0.56	255,501	
					6,758,572		6,758,572	

Note : The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company in 2017. As of March 31, 2021, the company is still within the period of liquidation.

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

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

(In thousands of 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 March 31, 2021, the price paid \$571,843 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 March 31, 2021, the price paid \$629,849 thousand (RMB 145,000 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 March 31, 2021, the price paid \$657,483 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	2020/1/10	1,482,045 (RMB 342,511)	As of March 31, 2021, the price paid \$1,420,419 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	2020/12/8	1,174,319 (RMB 268,600)	As of March 31, 2021, the price paid \$781,882 thousand (RMB 180,000 thousand).	Jiangsu Huaitian Construction Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None
"	Factory buildings	2021/2/8	548,075 (RMB 125,000)	As of March 31, 2021, the price paid \$369,222 thousand (RMB 85,000 thousand).	Jiangsu Huaitian Construction Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Operating purpose	None

Schedule E receivables from related-parties exceeding the lower of NT\$100 million or 20% of the Company's paid-in capital :

(In thousands of New Taiwan Dollars)

Name of company	Name of Counter-party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowances for bad debts	Remark
					Amount	Action taken			
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Investment through subsidiary	142,736	(Note 1)	-	-	-	-	(Note 2)
i-Chainwin Technology (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Investment through subsidiary	142,863	(Note 1)	-	-	-	-	(Note 2)

Note 1: Other receivables arose from non-sales transactions.

Note 2: The amount of the transaction had been offset in the consolidated financial statements.

Schedule F Business relationships and significant inter company transactions:

(In thousands of New Taiwan Dollars)

Number (Note 1)	Name of Company	Name of Counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount (Note 3)	Trading terms	Percentage of the consolidated net revenue or total assets
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	3	Other receivables due from related parties	142,736	no difference with non-related parties	0.20%
2	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	3	Other receivables due from related parties	142,736	no difference with non-related parties	0.20%
2	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	i-Chainwin Technology (Cayman Islands) Co., Ltd.	3	Other receivables due from related parties	142,863	no difference with non-related parties	0.20%
3	i-Chainwin Technology (Cayman Islands) Co., Ltd.	Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	3	Other receivables due from related parties	142,863	no difference with non-related parties	0.20%

Note 1: Company numbering as follows:

Parent company—0
Subsidiary starts from 1

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

Parent company to subsidiary—1
Subsidiary to parent company—2
Subsidiary to subsidiary—3

Note 3: The amount of the transaction had been offset in the consolidated financial statements..

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule G Information on investments:

The following is the information on investees for the years ended March 31, 2021 (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 period			Net income (losses) of investee	Investment income (losses)	Remark
				The ending balance at this year	The ending balance at the beginning	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%	(17,047)	(4,292)	(4,292)	(Note 1)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Investment activities	8,066,646	8,066,646	267,000	100.00%	8,161,633	(191,478)	(191,478)	(Note 1)
"	WIN Venture Capital Corp.	Taiwan	Investment activities	500,000	500,000	50,000	100.00%	564,242	(2,016)	(2,016)	(Note 1)
"	Phalanx Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high-density gene chips and testing service	604,150	604,150	44,650	54.48%	260,617	(31,677)	(17,257)	(Note 1)
"	WIN Chance Investment Corp.	Taiwan	Investment activities	290,000	290,000	29,000	100.00%	356,048	5	5	(Note 1)
"	WIN Earn Investment Corp.	Taiwan	Investment activities	290,000	290,000	29,000	100.00%	290,677	118	118	(Note 1)
WIN Venture Capital Corp.	Phalanx Biotech Group, Inc.	Taiwan	Researching, manufacturing and selling of high-density gene chips and testing service	39,600	39,600	3,600	4.39%	30,111	(31,677)	(Note 2)	(Note 1)
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30%	55,709	(573)	(Note 2)	
"	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	8,141,959	8,141,959	135,054	81.69%	6,789,361	(235,177)	(Note 2)	(Note 1)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	i-Chainwin Technology (Cayman Islands) Co., Ltd.	"	Investment activities	194,670	194,670	6,500	100.00%	151,109	3,125	(Note 2)	(Note 1)
"	Win Lux Biotech (Cayman Islands) Co., Ltd.	"	Investment activities	15,010	15,010	500	100.00%	13,219	(961)	(Note 2)	(Note 1)
"	i-Chainwin Technology Co., Ltd.	Taiwan	Information software services	220,000	220,000	22,000	100.00%	197,984	(19,810)	(Note 2)	(Note 1)
"	Win Lux Biotech Co., Ltd.	Taiwan	Biotechnology services and pharmaceutical testing	30,000	30,000	3,000	100.00%	29,476	(315)	(Note 2)	(Note 1)
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00%	4,279	(113)	(Note 2)	(Note 1)
"	PhalanxBio, Inc.	USA	Selling of high-density gene chip and test service	208,110	208,110	2,550	100.00%	23	(25)	(Note 2)	(Note 1)

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

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

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

Schedule H 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 as of March 31, 2021	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 4)(Note 6)	Carrying value at the end of this period (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	2,332,382 (RMB 527,491)	(Note 1)	2,107,827 (USD 70,043)	-	-	2,107,827 (USD 70,043)	(97,012) (3,421)	81.69%	(97,012) (3,421)	2,027,379 (USD 71,036)	-	(Note 9)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing and trading	1,085,239 (USD 35,790)	(Note 1)	1,062,375 (USD 35,046)	-	-	1,062,375 (USD 35,046)	(14,488) (511)	81.69%	(14,488) (511)	1,036,297 (USD 36,310)	-	(Note 9)
Jiangsu CM/Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	2,059,210 (USD 67,581)	(Note 1)	1,122,874 (USD 36,821)	-	-	1,122,874 (USD 36,821)	(79,722) (2,810)	40.03%	(39,064) (1,377)	741,243 (USD 25,972)	-	
Jiangsu Win Chance Agriculture Development Co., Ltd.	Developing hog farming technology and trading	466,944 (USD 15,200)	(Note 1)	507,992 (USD 16,569)	-	-	507,992 (USD 16,569)	(6,008) (212)	81.69%	(6,008) (212)	412,987 (USD 14,470)	-	(Note 9)
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	-	(Note 1)	149,664 (USD 4,872)	-	-	149,664 (USD 4,872)	-	-	-	-	-	(Note 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)	(203) (7)	81.69%	(203) (7)	54,688 (USD 1,916)	-	(Note 9)
Jiangsu Win Yield Agriculture Development Co., Ltd.	Developing hog farming technology and trading	1,486,645 (USD 50,500)	(Note 1)	1,486,645 (USD 50,500)	-	-	1,486,645 (USD 50,500)	(26,442) (932)	81.69%	(26,442) (932)	1,488,446 (USD 52,153)	-	(Note 9)
Jiangsu Win Shine Agriculture Development Co., Ltd.	Logistics management service	345,130 (USD 12,000)	(Note 1)	-	85,170	-	85,170 (USD 3,000)	709 (25)	81.69%	709 (25)	339,844 (USD 11,908)	-	(Note 9)
Jiangsu Win Boutique Agriculture Development Co., Ltd.	Developing hog farming technology and trading	288,100 (USD 10,000)	(Note 1)	-	-	-	-	1,931 (68)	81.69%	1,931 (68)	284,590 (USD 9,972)	-	(Note 9)
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)	2,367 (84)	81.69%	2,367 (84)	285,010 (USD 9,986)	-	(Note 9)
Jiangsu Win Honor Management Technology Co., Ltd.	Logistics management service	288,100 (USD 10,000)	(Note 1)	-	-	-	-	2,665 (94)	81.69%	2,665 (94)	285,331 (USD 9,998)	-	(Note 9)
Jiangsu Win Wonder Agriculture Development Co., Ltd.	Developing hog farming technology and trading	43,774 (RMB 10,000)	(Note 3)	-	-	-	-	(172)	81.69%	(172)	43,268 (RMB 9,961)	-	(Note 9)
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)	(113) (26)	58.87%	(113) (26)	4,279 (RMB 986)	-	(Note 9)

WIN Semiconductors Corp. and Subsidiaries
Notes to Consolidated Financial Statements

(ii) Limitation on investment in mainland China:

(In thousands of Dollars)

Investor Company Name	Accumulated Investment in mainland China at the end (Note 8)	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
The Company and subsidiaries	6,658,770 (USD 221,486)	7,151,852 (USD 250,590)	19,938,294

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

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

Note 3: The 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 reviewed financial statements of the investee companies.

Note 5: Carrying value as of March 31, 2021 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 March 31, 2021.

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

(iii) Significant transactions: None

Schedule I Information on major shareholders:

(In shares)

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