Stock Code: 3105

WIN Semiconductors Corp.

2016 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw
WIN's website: http://www.winfoundry.com
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Headquarters
Address: No.69, Keji 7th Road, Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan 333
Tel: 886-3-397-5999

Factories
Fab A: No.69, Keji 7th Road, Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan 333
Fab B: No.358, Hwaya 2nd Road, Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan 333
Fab C: No.200-5, Shanying Road, Guishan District, Taoyuan City, Taiwan 333

Auditors
Firm: KPMG
Auditors: Yai-Ling Chen and Mei-Yen Chen
Address: 68F, Taipei 101 Tower, No.7, Sec. 5, Xinyi Rd., Taipei, Taiwan 110
Tel: 886-2-8101-6666
Website: http://www.kpmg.com.tw

Stock Transfer Agent
Firm: Registrar Transfer Dept., Grand Fortune Securities Corporation
Address: 6F, No.6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City, Taiwan 100
Tel: 886-2-2371-1658
Website: http://www.gfortune.com.tw

Overseas Securities Exchange
Luxembourg Stock Exchange
Disclosed information can be found at http://www.bourse.lu

IR Contact
Spokesman: Joe Tsen, Associate Vice President of Finance Division
Deputy Spokesman: Lilith Wu, Associate Manager
Tel: 886-3-397-5999
E-mail: ir@winfoundry.com

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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

In 2016, the global environment remained challenging, with several countries experiencing significant impact from political “Black Swan” events. Despite these headwinds, WIN’s revenue and net income continued to grow, reaching a record high for the second consecutive year. This strong financial performance under challenging conditions validates our strategy to leverage WIN’s technology leadership and diversify into new applications and markets. The strength of our technology portfolio, developed over many years, insulates WIN from the volatility of an individual market or the sales of a single product. Also, we have accurately recognized market trends and expanded capacity to capture greater market share. As a result, our revenue remained at higher levels than the previous year, while maintaining utilization rates above 80 percent each quarter even though we experienced typical market seasonality. Demand trends and utilization rates provide confidence of customers increased reliance on WIN’s technologies and manufacturing scale. More importantly, WIN has taken the initiative to continually expand our factories in order to provide sufficient capacity for customers and the global wireless supply chain. Looking back at the previous year, we are encouraged to see the industry trend outlined a year ago has materialized. Although growth for the global smartphone market has slowed, WIN continues to benefit from more difficult RF performance requirements used in tier one smartphones. For both cellular and WiFi applications, the demand for GaAs components is increasing. Infrastructure and non-handset markets have delivered good financial performance over the past few years, and are benefiting from WIN’s expertise and unique high frequency, high power component technology. In the area of optical devices and related technologies announced last year, we expect these to begin contributing to revenue this year. In general, we are confident the company’s operations will continue to grow in 2017.

While our 2016 revenue and net income increased 13 percent and 17 percent respectively, we did not forget the importance of continually improving return on equity and strengthening corporate governance. In the third quarter of 2016, WIN executed a capital reduction of 30 percent, and also implemented treasury stock repurchases in the second and fourth quarters. These actions were taken to improve ROE and enhance shareholder value, and have been favorably received by our stockholders. In the area of corporate governance, WIN placed in the top 5 percent of companies assessed in the second annual Taiwan Stock Exchange/Taipei Exchange Corporate Governance Evaluation published in early 2016. For business operations and efficiency, WIN was awarded the 2015 Top5000 Outstanding Performance Enterprise Award from China Credit Information Service.

2016 operating results and 2017 outlook are reported as follows:

A. Operating Performance in 2016

- **Operating Performance**

The Company's 2016 consolidated revenues totaled NT$13,623,076 thousand, representing an increase of 13.38% compared to the year 2015. 2016 net profit attributable to owners of parent was NT$ 3,112,774 thousand, representing an increase of 16.51% compared to the prior year, and EPS for 2016 was NT$6.04.

- **Analysis of Receipts, Expenditures, and Profitability**

Unit: NT$ thousand; %

<table>
<tr><th colspan="3">Items</th><th>2016 (Consolidated)</th><th>2015 (Consolidated)</th></tr>
<tr><td rowspan="2">Interest Income & Interest Expense</td><td colspan="2">Interest Income</td><td>11,104</td><td>20,280</td></tr>
<tr><td colspan="2">Interest Expense</td><td>20,220</td><td>13,852</td></tr>
<tr><td rowspan="6">Profitability</td><td colspan="2">Return on Total Assets (%)</td><td>12.32</td><td>11.68</td></tr>
<tr><td colspan="2">Return on Equity (%)</td><td>17.87</td><td>16.12</td></tr>
<tr><td rowspan="2">Ratio to Issued Capital (%)</td><td>Operating Income</td><td>85.72</td><td>58.84</td></tr>
<tr><td>Profit before Tax</td><td>95.36</td><td>57.56</td></tr>
<tr><td colspan="2">Profit Ratio (%)</td><td>22.73</td><td>22.23</td></tr>
<tr><td colspan="2">Earnings Per Share (NT$ dollars)</td><td>6.04</td><td>3.97</td></tr>
</table>

- **Budget Implementation**

The Company is not required to make public its 2016 financial forecast information; however, the Board of Directors approved the budget plan and the overall operating plan is in good condition.

- **Research and Development Status**

Market leading technology enables WIN to create significant differentiation in our industry and enhances our competitiveness. WIN's R&D expense is typically half of operating expense, and these sustained R&D investments now form the basis of new customer products that are the next drivers of revenue growth. A good example of this success is our BiHEMT technology, which was launched more than 10 years ago and has now become widely adopted by mainstream tier one smartphones. Additionally, WIN utilizes its upstream expertise and capabilities in compound semiconductor epitaxy to improve quality control, and accelerate the development of new technologies and applications. Consistent with our strategic approach to vertical integration, WIN also provides customers with wafer level copper-pillar bumping solutions to enable advanced packaging approaches, simplify supply chain logistics and increase customer loyalty. Furthermore, the optical device technologies we announced last year are soon expected to contribute to revenue, and is the result of several years R&D investment focused on technology and manufacturing of 2.5G/10G/25G laser diodes, photodiodes and vertical cavity surface emitter lasers. Lastly, our high power RF GaN technology, under development for many years, started to have small revenue contribution in 2016 and will see continued R&D investment in support of future 5G and IoT infrastructure applications.

B. Business Plan in 2017

In 2016 WIN's revenue grew 13% YoY, and was much higher than the growth rate of both the global semiconductor industry and the GaAs device market. Our position as the largest compound semiconductor wafer foundry with the most advanced technology portfolio makes WIN the preferred manufacturing partner for global IDMs and design houses, enabling revenue to grow faster than the overall market. We will continue to pursue this highly successful business model and strategy in 2017, and leverage our core technologies to diversify into adjacent markets and applications to reduce the risk of customer and product volatility. Additionally, we will maintain our industry-leading position with our state-of-art technologies and apply these to entirely new applications and opportunities. Moreover, to increase manufacturing scale we will continue the expansion plan for fab C, which began mass production in 2016. After more than 2 years of preparation, fab C now provides ample capacity enabling fabs A & B to moderate utilization rates to more efficient levels. Furthermore, capital expenditure for 2017 is expected to remain at similar levels as previous years, and this CAPEX will not only be used for optical device equipment relocation/optimization amongst the 3 fabs, but also for continued build-out of Fab C's clean room space in anticipation of next year's capacity expansion.

C. Development Strategy

WIN's fundamental strategy has always been to provide our customers with the most advanced compound semiconductor technology along with flexible manufacturing scale to support any end-market. Access to our capacity and R&D capabilities provides a clear market advantage enabling WIN's customers to successfully take share in their markets. Our PA customers have a long track record of success in the handset market and this has translated to superior growth at WIN. We have now entered new markets beyond handset, and are duplicating our success in the mobile PA market, creating an extremely high entry barrier for competitors. The key to our success has been continual investment in core technology and production capabilities. These investments not only include capacity for wafer production, but also in talented employees and R&D initiatives. Particularly for R&D of new compound semiconductor technologies, a correct decision with an accurate market view has to be made 3 to 5 years in advance. Prime examples of these investment choices are WIN's BiHEMT processes; wafer level Cu pillar bumping services; high power GaN process; and optical device technologies, which all have been realized through the same decision path.

For WIN's optical device business, we expect revenue contribution this year. In the coming years, we will continue to develop the communication technologies necessary for applications in vehicles, data centers and fiber to the home. For microwave communication, applications in V2V/V2X systems are another technology focus for us in the mid to long term. In the area of emerging network architectures, 5G communication specifications are still being developed and are expected to be ready for commercialization in 2020. Global supply chains are preparing for 5G deployments, and all process technologies needed for both pre-5G and 5G have been incorporated into WIN's technology roadmap.

D. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

Over the past year, political and economic “Black Swans” have affected daily business decisions and often we see changes in local government regulations that work against economic growth. In Taiwan for example, the treatment of employee share bonus causes employees a heavy tax burden. The law of “one fixed day off and one flexible rest day” causes increased labor costs and less flexibility for production scheduling. All these unfavorable factors create challenging business conditions, however, WIN maintains flexibility in business operations and continues innovating. WIN remains committed to developing new process technologies to offset price erosion and provide customers added value, increased functionality, improved quality and better performance to succeed in their highly competitive markets. In addition, the red supply chain has emerged with direct competition or even the threat of merger and acquisition. In response to this, WIN, as a pure play foundry, is continually building a higher entry barrier with superior technology, greater economic scale and strategic customer alliances.

Also, we expect the government to recognize the importance of economic development and create a favorable environment for economic growth through the formulation of a tax-light policy and simplification of business regulation.

Sincerely yours,

Chin-Tsai Chen	*Yu-Chi Wang*	*Linna Su*
Chairman & President	*CEO*	*Head of Accounting*

WIN Semiconductors Corp.

II. COMPANY PROFILE

2.1. Date of Incorporation

WIN Semiconductors Corp. was founded in October 16, 1999.

2.2. Company History

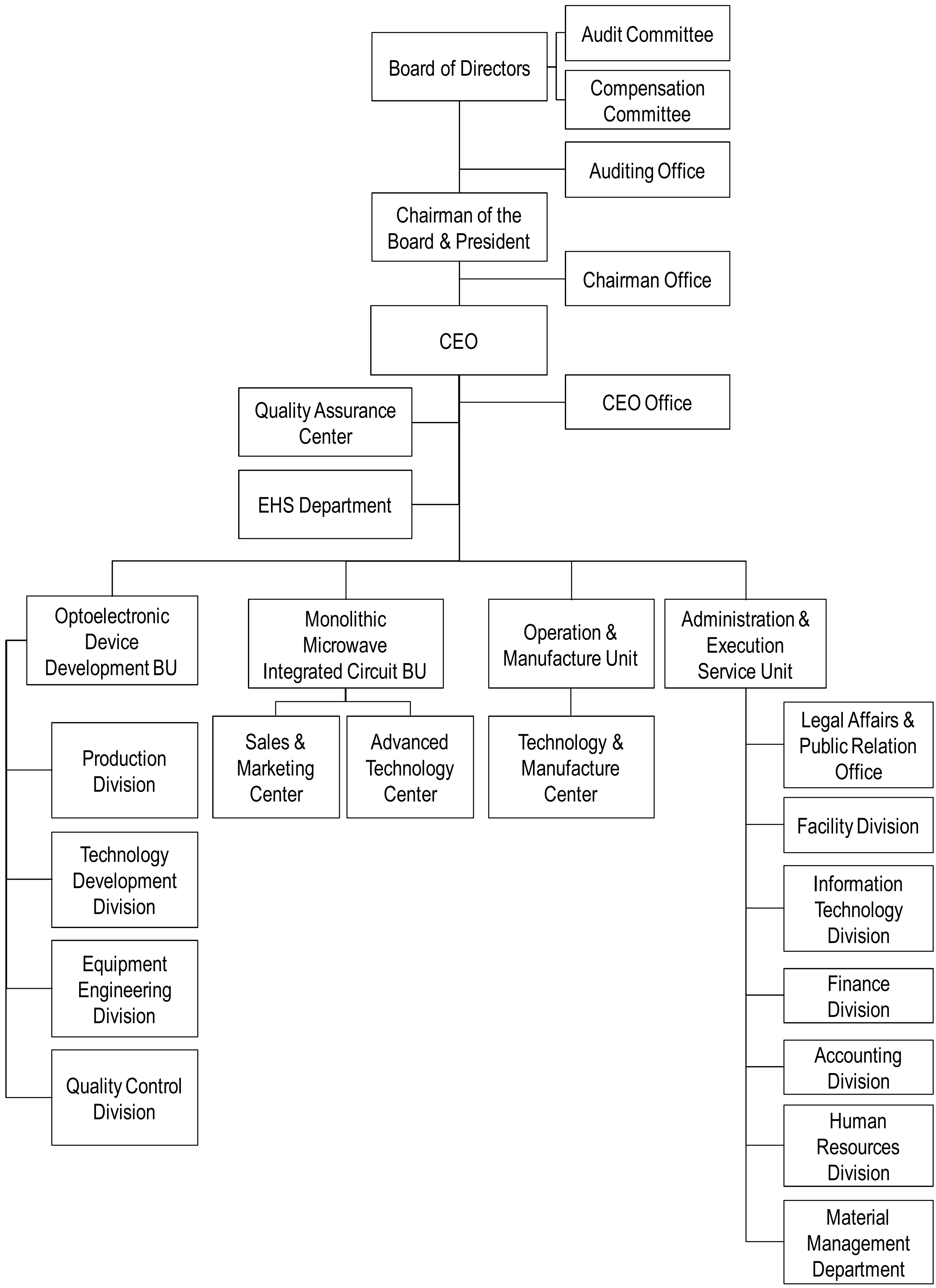
Year	Month	Milestones
1 9 9 9	Oct.	WIN Semiconductors Incorporates in Taiwan
	Dec.	Ground breaking ceremony
2 0 0 0	July	Facility construction complete for corporate offices & Fab #1
	Nov.	Completes production of Asia's 1st,6-inch,GaAs HBT MMIC wafer Completes production of Asia's 1st,6-inch,GaAs pHEMT wafer
2 0 0 1	Mar.	Presents the world's 1st,6-inch,0.15μm GaAs pHEMT MMIC wafer
	May	Produced the worlds' 1st, 6-inch, 50μm thick pHEMT MMIC wafer
	Sep.	Awarded QS-9000 and ISO 9001 quality management system certification
	Nov.	Began foundry production for 0.15μm pHEMT
2 0 0 2	June	Production release of 2um HBT
	June	First 0.5um switch pHEMT wafer for customer
	Oct.	Foundry production of 0.5-um power pHEMT started
	Nov.	ISO14001 and OHSAS 18001 Certified
2 0 0 3	Jan.	Foundry production of customer specific 3um HBT started
	Apr.	Mr. Chin-Tsai Chen was unanimously elected chairman of our board
	Dec.	Shipped more than 1.5 million WLAN PAs in a single month
2 0 0 4	Sep.	Pilot run of 0.5 um 35V pHEMT for CATV
2 0 0 5	May.	Successfully developed HBT process for high efficiency, high performance 2G/3G cellphone application
2 0 0 7	Apr.	Acquired additional Hwaya land and factory in Science Park
	Apr.	Established MMIC and Optoelectronic business units, lead by PhD Y.C. Wang and PhD W.M. Chang respectively
	Dec.	Start making profit annually, yearend profit is NTD0.79 per share
2 0 0 8	May	Successfully developed 0.25um pHEMT MMIC wafer process
	June	Skyworks Solution announced WIN as their official GaAs foundry
	Oct.	First pilot run of HBT GaAs wafer in Fab B
2 0 0 9	Apr.	Fab B formally announced for mass production
	July	Successfully integrates HBT and pHEMT processes named as BiHEMT process
	Sep.	Company stock is offered in public
	Oct.	Initial public offering
	Oct.	Announcing strategic partnership with ANADIGICS

Year	Month	Milestones
2010	Apr.	Acquired Fab B second phase land and factory
	May	Start renovating Fab B second phase
	Nov.	Passed ISO/TS 16949 quality system certification
	Dec.	Developed high performance application for multiphase, multisystem cell phone switch process
	Dec.	Successfully developed world first 6” 0.1um MMIC wafer
2011	Jan.	Signed NTD4.8 Billion business loan contract with group of banks lead by International Mega Bank
	May.	Morgan Stanley Capital International enlists WIN Semiconductor Corp. in MSCI Index
	Oct.	Taipei Exchange (TPEx) awarded Contribution Excellence Golden Laurel Award to WIN Semiconductors
	Nov.	Awarded best supplier award from M/A COM Technology Solutions
	Dec.	Stock is offered publically in TPEx
2012	Oct.	WIN participates seasoned equity offering and offers Global Depositary Receipts
	Dec.	Granted 2012 Best Supplier Award by muRata, a public traded company in Japan
	Dec.	Awarded 2012 Best Technology Partner by Inphi, a public traded company in US
	Dec.	Become the only GaAs foundry in the world top12 foundries and overtake 62.4% of pure play foundry service market share
2013	Oct.	Awarded Certificate of Corporate Governance System CG6008 General Assessment
	Dec.	Win 3rd National Industrial Innovation Award, Outstanding Enterprise Innovation Award category
2014	Feb.	Win 2nd Taiwan Mittelstand Award
2015	Apr.	WIN was honored the top 5% listed companies in the 1st Corporate Governance Assessment on listed companies
	Jul.	To improve the capital structure and enhance return on equity, the Company conducted a 20% capital reduction by distributing cash to shareholders
2016	Mar.	WIN attended the 2016 Optical Fiber Conference and launched foundry services for optical device manufacturing
	Apr.	WIN garnered the top 5% listed companies in the 2nd Corporate Governance Assessment on listed companies
	Aug.	To improve the capital structure and enhance return on equity, the Company conducted a 30% capital reduction by distributing cash to shareholders
	Sep.	WIN GaN Technology Project Got A+ Industrial Innovative R&D Program of the MOEA
2017	Apr.	WIN garnered the top 5% listed companies in the 2nd Corporate Governance Assessment on listed companies

III. CORPORATE GOVERNANCE REPORT

3.1. Organization

Organization Chart



Major Corporate Functions

Department	Functions
Auditing Office	• Regularly and on an ad-hoc basis implementing auditing activities to ensure the operation performance and progress of improvement in different business operation aspects; supervising and reviewing the self-inspection reports prepared by all departments and subsidiaries. • Submitting the audit reports, findings of deficiencies of the internal control system and follow up on the correction of any defects and irregularities to the independent directors. • Attending and presenting audit reports to the Board of Directors and the Audit Committee.
Monolithic Microwave Integrated Circuit BU	• Planning and executing GaAs MMIC's key materials, technologies, process, equipment improvement, manufacturing and selling.
Optoelectronic Device Development BU	• R&D and manufacturing for III-V optoelectronic materials and components.
Operation & Manufacture Unit	• Manages efficiency of manufacturing operations of all fabs and conducts capacity management. • Operates mainstream product manufacturing and integrates process engineering technology development to support all BU's production orders. • Ensures implementing quality management system to meet customers' expectations on products. • Coordinates manufacturing operations resources and production demands to drive business efficiency.
Quality Assurance Center	• Coordination of product quality improvement and execution of quality control.
EHS Department	• Planning, managing and operating of environmental protection, fire prevention and labor safety and health of the company.
Administration & Execution Service Unit	• Legal Affairs & Public Relation Office: Drafting, reviewing, negotiating and managing of contracts and legal documents. Providing of legal advice and consultation to the management, intellectual property management, legal disputes and litigations. Public relation, corporate social responsibility and related projects. • Facility Division: Planning, set-up and maintaining of fab facility system. • Information Technology Division: Planning, implementation, managing and integration of IT systems, including application system fulfillment and infrastructure establishment in the company. • Finance Division: Fund raising, cash control and management analysis, maintaining credit facility and bank relationship, evaluating and monitoring investments, property insurance, stock affairs and investor relations. • Accounting Division: Reviewing transaction documents and vouchers, conducting accounting close, tax filing, budgeting and book-keeping. • Human Resources Division: Ensuring human resources management to contribute to organization's accomplishment, based upon the company's business strategy, goals and objectives. Setting up, planning and executing the matters of employee recruitment, training, salary, compensation, welfare performance management and employee engagement. • Material Management Department: Supply chain planning and risk management, raw material, machinery and equipments purchasing and subcontracting; inventory planning and controlling, import, export and storage management. • Established an interdepartmental team for Corporate Social Responsibility (CSR) project to collaborate various organization for the company for planning, implementing, compiling and exploring issues of CSR related activities and issuing of CSR report.

3.2. Directors, Supervisors and Management Team

Directors and Supervisors

A. Information Regarding Directors and Supervisors

Apr. 18, 2017

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Chin-Tsai Chen	Male	06/24/2016	3	05/01/2003	17,848,895	2.99	12,402,953	3.08	1,045,368	0.26	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager, Namchow Chemical Industrial Co., Ltd.	• President, WIN Semiconductors Corp. • Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Supervisor, Taipei Financial Center Corp. • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Chairman, Inventec Energy Corporation • Independent Director, PlexBio Co.,Ltd. • Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Director	Shun-Ping Chen	Son
Director	R.O.C	International Fiber Technology Co., Ltd. (Note 2)-	-	06/24/2016	3	10/12/1999	5,041,253	0.84	3,503,097	0.87	0	0	0	0	None	None	-	-	-
	R.O.C	Representative: Shih-Chuan Hsieh	Male				0	0	0	0	0	0	0	0	• Bachelor Degree in Agricultural Economics, National Taiwan University, Taiwan • Chairman, WIN Semiconductors Corp. • Director, Episil Technologies Inc.	• Chairman, International Fiber Technology Co., Ltd.	-	-	-
Director	R.O.C	Li-Cheng Yeh	Male	06/24/2016	3	06/24/2016	11,062,997	1.85	7,687,525	1.91	1,306,708	0.32	0	0	• Master Degree in Computer Science, Pace University, USA • Supervisor, Inventec Energy Corporation	• Supervisor, E-Ton Solar Tech Co., Ltd. • Supervisor, Kou Hsieh Investment Co., Ltd. • Supervisor, Inventec Besta Co., Ltd. • Chairman, Fu Tai Investment Co., Ltd. • Chairman, Chuan Cheng Assets Management Co., Ltd. • Vice Chairman, Royal Base Corporation	-	-	-
Director	R.O.C	Yu-Chi Wang	Male	06/24/2016	3	06/19/2008	1,602,993	0.27	1,035,153	0.26	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• CEO, WIN Semiconductors Corp. • Director and CEO, WIN SEMI. USA, INC.	-	-	-
Director	R.O.C	Wen-Ming Chang	Male	06/24/2016	3	06/19/2008	540,737	0.09	375,750	0.09	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• BU General Manager, WIN Semiconductors Corp. • Director Representative, Inventec Energy Corporation	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	Shun-Ping Chen	Male	06/24/2016	3	06/10/2013	2,731,373	0.46	1,897,993	0.47	0	0	0	0	• Master's Degree in Business Administration, Rutgers University, USA • Deputy Spokesman, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Senior Vice President, WIN Semiconductors Corp. • Director Representative, WIN Venture Capital Corp. • Director Representative, Phalanx Biotech Group, Inc. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	Chairman	Chin-Tsai Chen	Father
Independent Director	R.O.C	Shen-Yi Li (Note 3)	Male	06/24/2016	3	06/24/2010	60,045	0.01	38,000	0.01	0	0	0	0	• PhD in Law, Chinese Culture University, Taiwan • Qualified Arbitrator, Chinese Arbitration Association • Chairman, Consumer's Foundation, Taiwan, R.O.C. • Commissioner, Political Party Review Commission, Executive Yuan, Taiwan • Commissioner, Fair Trade Commission, Executive Yuan, Taiwan • Member, 2nd and 3rd Sessions, Control Yuan, Taiwan	• General Secretary, Dharma Drum Mountain Humanity and Social Foundation • Member of Compensation Committee, Capital Futures Corporation • Director Representative, Nan Ya Plastics Corporation • Director, East Tender Optoelectronics Corporation • Independent Director, Entie Commercial Bank, Ltd. • Supervisor, Chinese Culture University • Supervisor, Taoyuan International Airport Services Co., Ltd.	-	-	-
Independent Director	R.O.C	Wei-Lin Wang	Male	06/24/2016	3	06/24/2010	0	0	0	0	0	0	0	0	• Juris Science Doctor, Washington University in St. Louis, USA • Partner, New Hope Law Firm, Taiwan • Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA • Sr. Counselor, Lee and Li, Attorneys-at-Law • Associate Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan • Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan • Assistant Professor, Graduate Institute of Financial and Economic Law, Feng Chia University	• Professor, Financial Law Department, Ming Chuan University • Independent Director, Young Fast Optoelectronics Co., Ltd. • Independent Director, ANT Precision Industry Co. Ltd. • Director Representative, Global Strategic Investment Fund	-	-	-

Note 1: Shareholdings as of April 18, 2017.
Note 2: Newly elected as Director on June 24, 2016.
Note 3: Newly elected as Independent Director on June 24, 2016 and first elected as Director on June 24, 2010.
Note 4: After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors.

B. Major Shareholders of the Institutional Shareholders

Apr. 18, 2017

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
International Fiber Technology Co., Ltd.	Yun-Yun Hou (26.0%) Ming-Hui Hsieh (21.9%) Ming-Chieh Hsieh (6.3%) Kuo Cheng Investment Enterprise Co., Ltd. (20.3%) Kuo Chang Investment Enterprise Co., Ltd. (20.4%)

C. Major Shareholders of the Company's Institutional Shareholders

Apr. 18, 2017

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Kuo Cheng Investment Enterprise Co., Ltd.	Ming-Chieh Hsieh (66.9%) Chao-Chi Hsiung (16.9%)
Kuo Chang Investment Enterprise Co., Ltd.	Ming-Chien Hsieh (77.8%) Ming-Chieh Hsieh (11.1%) Ming-Hui Hsieh (11.1%)

D. Professional Qualifications and Independence Analysis of Directors and Supervisors

Apr. 18, 2017

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chin-Tsai Chen	✓		✓					✓	✓	✓		✓	✓	2
Shih-Chuan Hsieh (Representative of International Fiber Technology Co., Ltd.) (Note 2)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Li-Cheng Yeh			✓	✓	✓			✓	✓	✓	✓	✓	✓	0
Yu-Chi Wang	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Ming Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shun-Ping Chen			✓			✓		✓	✓	✓		✓	✓	1
Cheng-Huei Wang (Note 3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chao-Shun Chang (Note 4)		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shen-Yi Li (Note 5)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Mei-Lan Wang (Note 6)	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen-Li Huang (Note 6)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note1: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to be elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any

affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the TPEx.

8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Note 2: Newly elected as Director on June 24, 2016.
Note 3: Tenure expired on June 24, 2016.
Note 4: Resigned on September 2, 2016.
Note 5: Newly elected as Independent Director on June 24, 2016 and first elected as Director on June 24, 2010.
Note 6: After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors.

Management Team

Apr. 18, 2017

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Chin-Tsai Chen	Male	12/16/2011	12,402,953	3.08	1,045,368	0.26	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager , Namchow Chemical Industrial Co., Ltd.	• Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Supervisor, Taipei Financial Center Corp. • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Chairman, Inventec Energy Corporation • Indepdnednt Director, PlexBio Co., Ltd. • Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Sr. Vice President	Shun-Ping Chen	Son
CEO	R.O.C	Yu-Chi Wang	Male	09/28/2010	1,035,153	0.26	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• Director and CEO, WIN SEMI. USA, INC.	-	-	-
BU General Manager	R.O.C	Wen-Ming Chang	Male	03/01/2007	375,750	0.09	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• Director Representative, Inventec Energy Corporation	-	-	-
Sr. Vice President	R.O.C	Chang-Hwang Hua	Male	08/16/2004	12,232	0.003	16,680	0.004	0	0	• PhD in Material Science, Stanford University, USA • Engineering Director, Skyworks Solutions, Inc., USA • VP, Network Device, Inc., USA	-	-	-	-
Vice President	R.O.C	Joseph Liu	Male	05/02/2000	291,394	0.07	13,177	0.003	0	0	• PhD in Electrical Engineering, Pennsylvania State University, USA • Senior Principal Staff, Lockheed Martin Corp.	-	-	-	-
Vice President	R.O.C	Brian Lee	Male	04/01/2010	499,330	0.12	0	0	0	0	• Master's Degree , University of Southern California, USA • Sales Manager, UMC, Taiwan	-	-	-	-
Sr. Vice President	R.O.C	Shun-Ping Chen	Male	07/01/2010	1,897,993	0.47	0	0	0	0	• Master's Degree in Business Administration, Rutgers University, USA • Deputy Spokesman, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Director Representative, WIN Venture Capital Corp. • Director Representative, Phalanx Biotech Group, Inc. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	President	Chin-Tsai Chen	Father
Sr. Vice President	R.O.C	Kyle Chen	Male	07/01/2010	200,176	0.05	0	0	0	0	• EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan • Fab Director, MXIC	-	-	-	-
Vice President	Canada	Lap-Sum Yip	Male	05/01/2016	3,473	0.0009	56,043	0.01	0	0	• PhD in Electrical Engineering, McGill University, Canada	-	-	-	-
Special Assistant to CEO	R.O.C	S.Y. Wang	Male	09/01/2005	257,000	0.06	0	0	0	0	• Master's Degree in Industrial Engineering and Engineering Management, Tsing Hua University, Taiwan • Manager, MXIC	-	-	-	-
Associate Vice President	R.O.C	Annie Yu	Female	03/15/2005	23,202	0.01	0	0	0	0	• Master's Degree in Law, Cornell University, USA • Supervisor, Huga Optotech Inc.	-	-	-	-
Associate Vice President of Accounting Division	R.O.C	Linna Su	Female	11/01/2010	83,706	0.02	0	0	0	0	• Master's Degree in Accounting, Soochow University, Taiwan • Vice Manager of Accounting, Elitegroup Computer Systems Co., Ltd. • Audit Manager, Elitegroup Computer Systems Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate Vice President of Finance Division	R.O.C	Joe Tsen	Male	11/01/2010	406,834	0.10	0	0	0	0	• MBA in Finance, Baruch College, USA • Account Manager, CIBC, Canada	• CFO, WIN SEMI. USA, INC. • Supervisor Representative, WIN Venture Capital Corp. • Director, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Supervisor, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. • Supervisor, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. • Director Representative, WinMEMS Technologies Co., Ltd.	-	-	-

Note: Shareholdings as of April 18, 2017.

Remuneration of Directors, Supervisors, President and Vice President

A. Remuneration of Directors

Unit: NT$ thousand; Shares in thousands; %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 3)</th><th colspan="8">Relevant Remuneration Received by Directors Who Are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 3)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B) (Note 2)</th><th colspan="2">Bonus to Directors (C) (Note 1)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F) (Note 2)</th><th colspan="4">Profit Sharing-Employee Bonus (G) (Note 1)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th colspan="2">The Company</th><th colspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Chin-Tsai Chen</td><td>0</td><td>0</td><td>0</td><td>0</td><td>42,175</td><td>42,175</td><td>30</td><td>30</td><td>1.36</td><td>1.36</td><td rowspan="11">106,766</td><td rowspan="11">139,391</td><td rowspan="11">324</td><td rowspan="11">324</td><td rowspan="11">69,600</td><td rowspan="11">0</td><td rowspan="11">69,600</td><td rowspan="11">0</td><td rowspan="11">8.13</td><td rowspan="11">9.18</td><td rowspan="11">9</td></tr>
<tr><td rowspan="2">Director</td><td>International Fiber Technology Co., Ltd. (Note 5) -</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">0</td><td rowspan="10">34,125</td><td rowspan="10">34,125</td><td rowspan="10">185</td><td rowspan="10">185</td><td rowspan="10">1.10</td><td rowspan="10">1.10</td></tr>
<tr><td>Representative: Shih-Chuan Hsieh</td></tr>
<tr><td>Director</td><td>Cheng-Huei Wang (Note 6)</td></tr>
<tr><td>Director</td><td>Li-Cheng Yeh</td></tr>
<tr><td>Director</td><td>Yu-Chi Wang</td></tr>
<tr><td>Director</td><td>Wen-Ming Chang</td></tr>
<tr><td>Director</td><td>Shun-Ping Chen</td></tr>
<tr><td>Independent Director</td><td>Chao-Shun Chang (Note 7)</td></tr>
<tr><td>Independent Director</td><td>Shen-Yi Li (Note 8)</td></tr>
<tr><td>Independent Director</td><td>Wei-Lin Wang</td></tr>
</table>

Note 1: The employees' compensation and Directors' compensation for year 2016 were NT$263,000 thousand and NT$76,300 thousand, respectively, which were passed by the Board of Directors' meeting on March 23, 2017.

Note 2: Pensions funded according to applicable law, there was no pensions paid during the most recent year.
Note 3: The net income for fiscal year 2016 was NT$3,112,774 thousand.
Note 4: The Company that has had an average ratio of share pledging by directors in excess of 50 percent in any 3 months during the most recent fiscal year: None.
Note 5: Newly-elected as Director on June 24, 2016.
Note 6: Tenure expired on June 24, 2016.
Note 7: Resigned on September 2, 2016.
Note 8: Newly-elected as Independent Director on June 24, 2016 and first elected as Director on June 24, 2010.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Financial Reports	The Company	All Reinvested Business
Under NT$ 2,000,000	Cheng-Huei Wang (Note 1)	Cheng-Huei Wang (Note 1)	Cheng-Huei Wang (Note 1)	Cheng-Huei Wang (Note 1)
NT$ 2,000,000 ~ NT$ 5,000,000	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Chao-Shun Chang (Note 2)	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Chao-Shun Chang (Note 2)	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Chao-Shun Chang (Note 2)	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Chao-Shun Chang (Note 2)
NT$ 5,000,000 ~ NT$ 10,000,000	Shen-Yi Li, Wei-Lin Wang	Shen-Yi Li, Wei-Lin Wang	Shen-Yi Li, Wei-Lin Wang	Shen-Yi Li, Wei-Lin Wang
NT$10,000,000 ~ NT$ 15,000,000				
NT$15,000,000 ~ NT$ 30,000,000			Wen-Ming Chang Shun-Ping Chen	Wen-Ming Chang Shun-Ping Chen
NT$30,000,000 ~ NT$ 50,000,000	Chin-Tsai Chen	Chin-Tsai Chen		
NT$50,000,000 ~ NT$100,000,000			Yu-Chi Wang	Yu-Chi Wang
Over NT$100,000,000			Chin-Tsai Chen	Chin-Tsai Chen
Total	10	10	10	10

Note 1: Tenure expired on June 24, 2016.
Note 2: Resigned on September 2, 2016.

B. Remuneration of Supervisors

Unit: NT$ thousand; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%) (Note 2)		Compensation Paid to Supervisors from an Invested Company other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B)		Allowances (C)				
		The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	
Supervisor (Note 1)	International Fiber Technology Co., Ltd.- Representative: Shih-Chuan Hsieh	0	0	0	0	30	30	0.001	0.001	0
	Mei-Lan Wang									
	Cheng-Li Huang									

Note 1: After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors.
Note 2: The net income for fiscal year 2016 was NT$3,112,774 thousand.
Note 3: The Company that has had an average ratio of share pledging by supervisors in excess of 50 percent in any 3 months during the most recent fiscal year: None.

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the Financial Reports (D)
Under NT$ 2,000,000	International Fiber Technology Co., Ltd., Mei-Lan Wang, Cheng-Li Huang	International Fiber Technology Co., Ltd., Mei-Lan Wang, Cheng-Li Huang
NT$ 2,000,000 ~ NT$ 5,000,000		
NT$ 5,000,000 ~ NT$ 10,000,000		
NT$10,000,000 ~ NT$ 15,000,000		
NT$15,000,000 ~ NT$ 30,000,000		
NT$30,000,000 ~ NT$ 50,000,000		
NT$50,000,000 ~ NT$100,000,000		
Over NT$100,000,000		
Total	3	3

C. Compensation of President and Vice President

Unit: NT$ thousand; Shares in thousand; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B) (Note 1)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Profit Sharing-Employee Bonus (D) (Note 2)</th><th colspan="2">Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 3)</th><th rowspan="3">Compensation paid to the President and Vice President from an Invested Company other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th colspan="2">The Company</th><th colspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Chin-Tsai Chen</td><td rowspan="9">33,504</td><td rowspan="9">47,547</td><td rowspan="9">744</td><td rowspan="9">744</td><td rowspan="9">111,676</td><td rowspan="9">130,257</td><td rowspan="9">84,750</td><td rowspan="9">0</td><td rowspan="9">84,750</td><td rowspan="9">0</td><td rowspan="9">7.41</td><td rowspan="9">8.46</td><td rowspan="9">9</td></tr>
<tr><td>CEO</td><td>Yu-Chi Wang</td></tr>
<tr><td>BU General Manager</td><td>Wen-Ming Chang</td></tr>
<tr><td>Sr. Vice President</td><td>Chang-Hwang Hua</td></tr>
<tr><td>Vice President</td><td>Joseph Liu</td></tr>
<tr><td>Vice President</td><td>Brian Lee</td></tr>
<tr><td>Sr. Vice President</td><td>Shun-Ping Chen</td></tr>
<tr><td>Sr. Vice President</td><td>Kyle Chen</td></tr>
<tr><td>Vice President</td><td>Lap-Sum Yip (Note 4)</td></tr>
</table>

Note 1: Pensions funded according to applicable law, there was no pensions paid during the most recent year.
Note 2: The employees' compensation for year 2016 was NT$263,600 thousand which was passed by the Board of Directors' meeting on March 23, 2017.
Note 3: The net income for fiscal year 2016 was NT$3,112,774 thousand.
Note 4: Mr. Lap-Sum Yip was promoted to Vice President effective as of, and his compensation was computed beginning May 1, 2016.

Range of Remuneration	Name of Presidents and Vice Presidents	
	The Company	Companies in the Financial Reports
Under NT$ 2,000,000		
NT$ 2,000,000 ~ NT$ 5,000,000	Joseph Liu	Joseph Liu
NT$ 5,000,000 ~ NT$ 10,000,000	Chang-Hwang Hua, Lap-Sum Yip	Chang-Hwang Hua, Lap-Sum Yip
NT$10,000,000 ~ NT$ 15,000,000	Brian Lee	Brian Lee
NT$15,000,000 ~ NT$ 30,000,000	Wen-Ming Chang, Kyle Chen, Shun-Ping Chen	Wen-Ming Chang, Kyle Chen, Shun-Ping Chen
NT$30,000,000 ~ NT$ 50,000,000	Yu-Chi Wang	Yu-Chi Wang
NT$50,000,000 ~ NT$100,000,000	Chin-Tsai Chen	
Over NT$100,000,000		Chin-Tsai Chen
Total	9	9

D. Employee Bonus Granted to Management Team

Year 2016; Unit: NT$ thousand; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chin-Tsai Chen	0	92,050	92,050	2.96
	CEO	Yu-Chi Wang				
	BU General Manager	Wen-Ming Chang				
	Sr. Vice President	Chang-Hwang Hua				
	Vice President	Joseph Liu				
	Vice President	Brian Lee				
	Sr. Vice President	Shun-Ping Chen				
	Sr. Vice President	Kyle Chen				
	Vice President	Lap-Sum Yip (Note 2)				
	Special Assistant to CEO	S.Y. Wang				
	Associate Vice President	Annie Yu				
	Associate Vice President of Accounting Division	Linna Su				
	Associate Vice President of Finance Division	Joe Tsen				

Note1: The employees' compensation for year 2016 was NT$263,000 thousand which was passed by the Board of Directors' meeting on March 23, 2017.

Note2: Mr. Lap-Sum Yip was promoted to Vice President effective as of, and his compensation was computed beginning May 1, 2016.

Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The Ratio of Total Remuneration Paid by the Company and by All Companies Included in the Consolidated Financial Statements for the Most Recent Two Fiscal Years to Directors, Supervisors, Presidents and Vice Presidents of the Company, to the Net Income

Unit: NT$ thousand; %

Items / Year	Ratio of Total Remuneration to Net Income (Note 1)			
	2015		2016 (Note 1)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Paid to Directors	2.11%	2.11%	2.46%	2.46%
Paid to Supervisors	0.41%	0.41%	0.001%	0.001%
Paid to Presidents and Vice Presidents	7.31%	8.28%	7.41%	8.46%

Note 1: The net income for 2015 and 2016 were NT$ 2,671,627 thousand and 3,112,774 thousand respectively.

Note 2: The employees' compensation and Directors' compensation for year 2016 were NT$263,000 thousand and NT$76,300 thousand, respectively, which were passed by the Board of Directors' meeting on March 23, 2017.

B. The Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance

(1) The Company has established a Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of directors and managers, as well as rewards and incentive programs of managers.

(2) Remuneration for directors is made according to ratios set forth in the Company's Articles of Incorporation.

(3) The appointment, dismissal and compensation for presidents and vice presidents shall be approval by the Board of Directors meeting according to the Company's regulations. According to the Company's employer performance assessment rules, the compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market benchmarking, which is prepared by the Human Resource Division. The compensation for presidents and vice presidents shall be approved by the Compensation Committee and the Board of Directors meeting.

(4) The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The compensation package mainly includes salaries, incentive and bonus, and welfares. The payment standards of compensation are: the payment of salaries is according to the market averages of that position; the payment of incentive and bonus is related to achievement of goals of employee and his/her organization or the Company's operation performance; and the welfare system is planned by need of employees based on applicable regulations and rules.

(5) Correlation with future risks: The payment of remuneration will be subjected to future changes in environment and business performance, if directors or employees are involved in anything illegal and cause any loss of the Company, proper actions will be taken according to relevant laws and regulations.

3.3. Implementation of Corporate Governance

Board of Directors Meeting Status

A total of 7(A) meetings of Board of Directors were held in 2016. 2 meetings of the 6^{th} session Board of Directors and 5 meetings of the 7^{th} session Board of Directors were held in 2016. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Chin-Tsai Chen	7	0	100%	Re-elected on June 24, 2016
Director	International Fiber Technology Co., Ltd.-Representative: Shih-Chuan Hsieh	4	0	80%	Newly elected on June 24, 2016; 5 meetings should be attended in 2016
Director	Cheng-Huei Wang	2	0	100%	Former Director; Tenure expired on June 24, 2016; 2 meetings should be attended in 2016
Director	Li-Cheng Yeh	4	1	80%	Newly elected on June 24, 2016; 5 meetings should be attended in 2016
Director	Yu-Chi Wang	7	0	100%	Re-elected on June 24, 2016
Director	Wen-Ming Chang	7	0	100%	
Director	Shun-Ping Chen	7	0	100%	
Independent Director	Chao-Shun Chang	4	0	100%	Re-elected on June 24, 2016 and resigned on Sep. 2, 2016; 4 meetings should be attended in 2016
Independent Director	Shen-Yi Li	5	0	100%	Newly elected on June 24, 2016; 5 meetings should be attended in 2016
Independent Director	Wei-Lin Wang	5	1	71.43%	Re-elected on June 24, 2016

Annotations:

1. If there are any circumstances listed below during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions of the directors' meetings, all Independent Directors' opinion and the Company's response to independent directors' opinion should be specified:
   Please refer to page 25 "Independent Directors' Opinions or Resolutions to Material Matters".
2. If there is any Director(s) excused from motions due to conflict of interest, such Directors' names, contents of motions, causes for avoidance and voting should be specified:
   On March 17, 2016, directors and managers recused themselves from the discussion and voting of their compensation resolution in the Board meeting.
3. Measures taken to strengthen the function of the Board:
   (1) The Board of Directors continue to enhance corporate governance and corporate social responsibility, and

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
the company was garnered the top 5% listed companies in Corporate Governance Assessment on listed companies. (2) The Board of Directors sets up an Audit Committee and a Compensation Committee assisting the Board to fulfill its supervising functions. (3) The Company has established its Procedures Governing the Board Performance Evaluation to set forth performance objectives to improve the operation efficiency of the Board of Directors and each of functional committees. (4) After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee to supervise the following matters: (a) fair presentation of the financial reports of the Company, (b) the hiring (and dismissal), independence, and performance of certificated public accountants of the Company, (c) the effective implementation of the internal control system of the Company, (d) compliance with relevant laws and regulations by the Company, and (e) Control of the existing or potential risks of the Company. (5) Since 2011, the Company has established the Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of directors and managers, as well as rewards and incentive programs of managers of the Company.					

Audit Committee Meeting Status

After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors. A total of 3 meetings of the Audit Committee were held in 2016. Independent director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Independent Director	Wei-Lin Wang	3	0	100%	The convener and was re-elected on June 24, 2016
Independent Director	Shen-Yi Li	3	0	100%	Newly elected on June 24, 2016.
Independent Director	Chao-Shun Chang	2	0	100%	Re-elected on June 24, 2016 and resigned on Sep. 2, 2016; 2 meetings should be attended in 2016.
Annotations: 1. If there are any circumstances listed below during a meeting of the Audit Committee, the dates of meetings, sessions, contents of motions of the Committee' meetings, all committee members' opinion and the Company's response to committee members' opinion should be specified: Please refer to page 25 "Independent Directors' Opinions or Resolutions to Material Matters". 2. If there is any Independent Director(s) avoiding of motions due to conflict of interest, such Independent Directors' names, contents of motions, causes for avoidance and voting should be specified: None.					

3. Communications between the Independent Directors, the Internal Auditors and the Independent Auditors (e.g. the items, methods and results of the audits of corporate finance or operations, etc.):

(1) Communications between Audit Committee and the Internal Auditors:

Date	Communications between the Independent Directors and the Internal Auditors
08/11/2016	Reviewing the internal audit's report for the second quarter of 2016.
11/10/2016	Reviewing the internal audit's report for the third quarter of 2016.
03/23/2017	Reviewing the internal audit's report for the fourth quarter of 2016 and the overall efficacy of all internal control systems.

(2) Communications between Audit Committee and the Independent Auditors:

Date	Communications between the Independent Directors and the Independent Auditors
08/11/2016	1. Reviewing auditing scope, the CPAs responsibility and independence, major accounting estimates and auditing opinion for the second quarter of 2016. 2. Reviewing regulatory developments.
11/10/2016	1. Reviewing auditing scope, the CPAs responsibility and independence, major accounting estimates and auditing opinion for the third quarter of 2016. 2. Reviewing the key audit matters for the year 2016. 3. Reviewing the auditing plan for the year 2017. 4. Reviewing regulatory developments.
03/23/2017	1. Reviewing auditing scope, the CPAs responsibility and independence, major accounting estimates and auditing opinion for the year 2016. 2. Reviewing regulatory developments.

Independent Directors' Opinions or Resolutions to Material Matters:

Board of Directors Meeting	Content of Motions and Resolutions	Securities and Exchange Act §14-3 resolution	Securities and Exchange Act §14-5 resolution
03/17/2016 The 22rd Meeting of the 6th Session	• Change of the CPA of the Company beginning the first quarter of 2016.	v	Not applicable
	• Approval of the professional service fee of the CPA for the year of 2016.	v	
	• Approval of the company's "Audit Committee Charter".	v	
	Independent directors' opinions: None. Company's response to independent directors' opinion: None. Directors' resolutions: All attending directors unanimously agree to pass the proposal.		
08/11/2016 The 2nd Meeting of the 7th Session	• Report of the consolidated financial statement for the second quarter of 2016.		v
	Audit Committee meeting resolutions (8/11/2016): All attending members agreed to pass the proposal. Audit Committee members' opinion and Company's response to independent directors: None. Any independent director had a dissenting opinion or qualified opinion and Company's response to independent directors: None. Directors' resolutions: All attending directors unanimously agree to pass the proposal.		
03/23/2017 The 6th Meeting of the 7th Session	• Approval of the financial statements and consolidated financial statements for the year of 2016.		v
	• Approval of the business report for the year of 2016.		v
	• Recommendation of the distribution of earnings for the year of 2016.		v
	• Evaluation of independence and qualification of the CPA to be engaged by the Company.		v
	• Approval of the professional service fee of the CPA for the year of 2017.	v	v
	• Issuance of Internal Control Statement of the Company for the year of 2016.		v
	• Amendment to the Company's "Procedures for Acquisition or Disposal of Assets."	v	v
	• Investment in wholly-owned subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	v	v
	Audit Committee meeting resolutions (3/23/2017): Excepting Mr. Shen-Yi Li's opinion on 2016 business report, but all attending members agreed to pass the proposal. Any independent director had a dissenting opinion or qualified opinion and Company's response to independent directors: The Company has revised its 2016 business report based on Mr. Shen-Yi Li's opinion. Any independent director had a dissenting opinion or qualified opinion and Company's response to independent directors: None. Directors' resolutions: All attending directors unanimously agreed to pass the proposal.		

Attendance of Supervisors at Board Meetings

A total of 7 meetings of Board of Directors were held in 2016. 2 meetings of the 6th session Board of Directors and 5 meetings of the 7th session Board of Directors were held in 2016. After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors. Supervisors' tenure expired on June 24, and a total of 2 meetings should attend in 2016. Supervisor attendance was as follows:

<table>
<tr><th>Title</th><th>Name</th><th>Attendance in Person</th><th>Attendance Rate (%)</th><th>Remarks</th></tr>
<tr><td>Supervisor</td><td>International Fiber Technology Co., Ltd.-Representative: Shih-Chuan Hsieh</td><td>2</td><td>100%</td><td rowspan="3">Tenure expired on June 24, 2016</td></tr>
<tr><td>Supervisor</td><td>Mei-Lan Wang</td><td>2</td><td>100%</td></tr>
<tr><td>Supervisor</td><td>Cheng-Li Huang</td><td>2</td><td>100%</td></tr>
</table>

Annotations:

A. Composition and responsibilities of supervisors:

1. Communications between supervisors and the Company's employees and shareholders (e.g. the communication channels and methods, etc.):
   (1) Supervisors can attend Board of Directors meetings to understand the operation status of the Company and communicate with attending employee directors and employee who participates in the Board of Directors meetings to provide suggestions and supervision.
   (2) When necessary, supervisors can communicate or discuss with employees directly at any time.
   (3) The Company has set up the supervisors email and the supervisors attend the shareholders' meeting to communicate with shareholders and employees of the Company.
2. Communications between supervisors and the Company's Chief Internal Auditor and CPA (e.g. the items, methods and results of the audits of corporate finance or operations, etc.):
   (1) Chief Internal Auditor will provide audit reports regularly to supervisors for auditing purpose and attend the Board of Directors to report the auditing status.
   (2) The CPA will provide CPA's auditing reports to supervisors for auditing and approval.
   (3) There are direct commutation channels between supervisors, Chief Internal Auditor and the CPA.

B. If a supervisor expresses an opinion during a meeting of the board of directors, the dates of meetings, sessions, contents of motions, resolutions of the directors' meetings and the Company's response to supervisor's opinion should be specified:

The attending supervisors have not expressed dissenting opinions during the meetings of the Board of Directors in 2016. The Company has accepted and highly paid attention to the opinions expressed by the attending supervisors.

Corporate Governance Implementation Status

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company follow "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its Corporate Governance Best-Practice Principles?	V		The Company has established its "Corporate Governance Best Practice Principles" and disclose on its website and the Market Observation Post System (MOPS).	None
2. Shareholding Structure & Shareholders' Rights (1) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) The Company has internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters: it has designated the spokesperson /deputy spokesperson and to handle shareholders' recommendations or issues. There has been no dispute or law suits incurred between shareholders and the Company.	Same as explanation
(2) Does the Company possess a list of its major shareholders and beneficial owners of these major shareholders?	V		(2) The Company has assigned employee to be responsible for stock affairs. The stock transfer agent - Registrar Transfer Department, Grand Fortune Securities Corporation assists the Company to collect and disclose the updated information about its shareholders holding more than 10 percent of the outstanding shares, directors and supervisors relating to the pledge, increase or decrease of share ownership, and other matters that may possibly trigger a change in the ownership of their shares. The Company ensures duly updating of information regarding of major shareholders and the ultimate control persons who have an actual control over the Company.	None
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) The Company has promulgated rules related to internal control such as "Operating Procedures for Transactions between Affiliated Enterprises, Related Parties and Group Enterprises" and "Operating Procedures for Supervision of Subsidiaries". The rules are made to strictly regulate transactions between the Company and its affiliates to set up the "firewall" and manage risk.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) To prevent the insider trading, the Company has established the "Rule of Management of the Prevention of Insider Trading" and advised all insiders to comply with the rules.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Composition and Responsibilities of the Board of Directors				
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) In accordance to Article 2-1 of the Rules for Election of Directors, the Company's diversification policy for the composition of its Board of Directors is described as following: The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: A. Basic requirements and values: Gender, age, nationality, and culture. B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership. 8. Ability to make policy decisions.	None
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		(2) The Company has set up Compensation Committee since 2011 and proactively established the Audit Committee to replace the supervisors since 2016. Other function committees will be set up upon as required by law or operation needs.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		(3) The Company has established the "Regulations Governing the Board Performance Evaluation" and set forth performance objectives. The Board as a whole, board committees and individual directors shall conduct self-evaluation by individual board members, peer evaluation or evaluation by other appropriate methods in order to improve the operation efficiency of the Board of Directors. The Company shall conduct a board performance evaluation at the end of each year. The evaluation scope shall cover the Board of Directors, Compensation Committee and Audit Committee, the secretariat of each functional committee is the unit to conduct the evaluation. The secretariat of the Board shall collect and record the evaluation results in a report to all Directors. The criteria for evaluating the performance should cover the following five aspects: 1. Participation in the operation of the Company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the Directors; and 5. Internal control. After evaluating by the secretariat, the result is rating as excellent, good and fair. The performance evaluation results of the Board of Directors and the functional committees are excellent in 2016.	None
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The CPAs excuse himself/herself when he/she handling the matters is related to the conflict-interested. The Board of Directors evaluates the independence of CPAs regularly according to Article 47 of Certified Public Accountant Act and Bulletin No.10 of The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and evaluates the qualification according to Statements of Auditing Standards No.46.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Has the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc.)?	V		The Company has established a corporate governance unit, the Senior Vice President of Administration & Execution Service Unit is the convener, and a member from each of the legal affairs office, finance division, accounting division and human resource division are responsible for the following affairs: 1. Be the secretary of the Board of Directors, Audit Committee and Compensation Committee. 2. Establishing the event calendar of the year, including querying the meeting dates, drafting the meeting agenda, sending the meeting notices and minutes, etc.; reviewing and amending the current operating rules and regulations compliances. 3. Reminding members when the matter has conflict of interests with himself/herself. Conducting internal evaluations of the Board of Directors and functional committees at the end of each year.	None
5. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' question on corporate responsibilities?	V		The Company has set up the Stakeholders Engagement Section on its website, and has sound communication channel with shareholders, employees, clients, banks, suppliers and other stakeholders. The Company shall provide sufficient business information in good faith to protect the interest of the shareholders.	None
6 Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed the professional registrar "Registrar Transfer Department, Grand Fortune Securities Corporation" to facilitate shareholders' meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company's financials, business and corporate governance information have been disclosed in the Investor Relations Section on its website and the Company has designated appropriate personnel to handle information collection, disclosure and update.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</td><td>V</td><td></td><td>(2) The Company has set up its website both in Chinese and English, and has designated the spokesperson and deputy spokesperson in charge of making external statements. The Company has also designated appropriate departments to handle the information collection, disclosure and update about its shareholders, regulations/laws changes, investment and market status. The Company has recorded and disclosed investor conference webcasts on its website.</td><td>None</td></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</td><td>V</td><td></td><td>See explanations below:</td><td>None</td></tr>
<tr><td colspan="5">(1) Employee rights:
The Company pays attention to employee rights and benefits and set up employee welfare committee to handle the activities about employee welfare, the committee also set up several clubs such as badminton club, yoga club, X-club, body combat club, bowling club, hot MV club, biking club and running club.
(2) Employee wellness:
The Company respects human rights of all employees, and all employees and job applicants have equal opportunity. The Company does not discriminate employees based on ethnicity, faith, religion, partisan, gender, marital status, disability or people who are indigent to receive proper legal protections. The principals are applicable to recruitment, appointment, training, promotion, salary and benefits.
(3) Investors:
Investors can easily understand the Company's operation status from the spokesman, the MOPS and the Company's website.
(4) Suppliers:
The Company maintains close partnership with suppliers and deal with supplies based on the principal of good faith.
(5) Rights with stakeholders:
The Company upholds the spirits of corporate governance to have good communications and keep good relationships with shareholders, employees, customers, banks, suppliers and stakeholders.</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(6) Directors' and supervisors' training records: The directors and supervisors of the Company have professional background and work in related fields. The Company encourages directors and supervisor to attend related training courses and get certifications. (7) Status of risk management policies and risk evaluation: The Company's policy of risk management is to establish the management mechanism of risk identification, measurement, supervision and control, and to set up overall risk management systems to achieve the operational targets and enhance the value of stockholders. The Company has secured commercial fire insurance, erection all risks insurance (EAR), marine cargo insurance, public liability insurance (PL), products liability insurance (PD), and employers' liability insurance to avoid risks. (8) Implementation of customer policy: The Company has designated appropriate departments to handle and implement customer policy, respond inquires raised by customers regarding products and service and ensure sound communication with customer. (9) Directors' and officers' insurance for company directors and supervisors: The Company has purchased directors' and officers' liability and company indemnification insurance for all directors and supervisors.				
9. The improvement status for the result of Corporate Governance Assessment announced by Taiwan Stock Exchange: For Action Items under 2015 Corporate Governance Assessment Closed: The Company has established Audit Committee and CSR Committee, and more than half of the Compensation Committee members were independent directors. Under Improvement: The Company is going to prepare its CSR report to strengthen its corporate governance system.				

Composition, Responsibilities and Operations of the Compensation Committee

A. Professional Qualifications and Independence Analysis of the Compensation Committee Members

Position	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Member of the Compensation Committee	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Chao-Shun Chang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Resigned on Sep. 2, 2016
Independent Director	Shen-Yi Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Wei-Kang Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note: Please tick the corresponding boxes if members have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Duties of the Compensation Committee

The Compensation Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors, including:

1. to review the performance appraisal and Compensation Committee Charter periodically and proposed amendments.
2. to prescribe and review periodically the performance appraisal and remuneration policy, systems, standards and structure for directors, supervisors and managerial officers.
3. to evaluate status of performance appraisal periodically and prescribe the remuneration of individual director, supervisor, and managerial officer.

C. Compensation Committee Meeting Status

1. The Compensation Committee has three members.
2. The tenure of the 3rd session is from June 24, 2016 to June 23, 2019. A total of 3 meetings of the compensation committee were held in 2016. Member attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Wei-Lin Wang	3	0	100%	Re-appointed on June 24, 2016
Member	Chao-Shun Chang	1	0	100%	Re-appointed on June 24, 2016 and resigned on Sep. 2, 2016; 1 meeting should be attended in 2016
Member	Shen-Yi Li	2	0	100%	Newly appointed on June 24, 2016; 2 meetings should be attended in 2016
Member	Hai-Ming Chen	3	0	100%	Re-appointed on June 10, 2013
Member	Wei-Kang Pan	2	0	100%	Newly appointed on June 24, 2016; 2 meetings should be attended in 2016
Member	Ching-Hwei Chang	1	0	100%	Tenure expired on June 24, 2016; 1 meeting should be attended in 2016
Annotations: 1. If the Board of Directors declines to adopt, or modifies a recommendation of the Compensation Committee: None. 2. The Compensation member has an objection or qualified opinion together with a record or written statement regarding a Compensation Committee resolution: None.					

Corporate Social Responsibility

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Implementation of Corporate Governance				
(1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		(1) The Company has established its "Corporate Social Responsibility Announcement" in 2009, which committing to uphold the employees' health and safety in working space. Also, in order to practice corporate social responsibility the Company has established its "Corporate Social Responsibility Best Practice Principles" which was approved by the Board of Directors in 2011. Mission: A Global Wireless Leader You Can Trust. Our Vision: We Excel, We Care. Our Values: Accountability, Innovation, Customers Satisfaction, Quality Foremost. The Company has taken corporate social responsibility into account when designing of the Company's policies and systems, and fulfill environmental protection, human rights protection and safety and health responsibilities as a part of its corporate cultures. In addition, in March 2016, the company established the CSR Committee in order to promote, implement, and review the corporate social responsibility. Thus the company's operation on CSR is in line with the "Corporate Social Responsibility Best Practice Principles". The CSR Committee of the Company was incorporated in March 2016 to promote, review and enhance operation of corporate social responsibility. The company, therefore, is in compliance with the Corporate Social Responsibility Practice Principles.	None
(2) Does the Company hold regular CSR training?	V		(2) The Company holds courses of corporation governance and insider regulations for its directors and supervisors on a periodic basis, and employee trainings regarding the Company's policies and systems to embody corporation governance in the course of business operations.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		(3) Chaired by the senior vice president and consisted of managers, the CSR Committee of the Company was incorporated in March 2016. The committee, equipped with a secretarial unit, is delegated with five major functions. Operation of the CSR Committee will be reviewed annually and a written report will be compiled and reported to the Board.	None
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?	V		(4) The Company has established the "Work Rules", "Employment Performance Assessment Rules", "Employee Reward and Discipline Rules" and "Employee Code of Ethics" according to relevant laws and regulations and establishes and reviews a reasonable compensation policy by participating reliable compensation survey annually. The Company has established its employment performance assessment rules and implements each year, employees shall set up his/her performance goals and training plans to enhance his/her capability, knowledge and skills regarding the Company's business.	None
2. Environmentally Sustainable Development				
(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(1) The Company continues to utilize all resources more efficiently and uses recyclable materials.	None
(2) Has the Company set an Environmental management system designed to industry characteristics?	V		(2) All manufacturing facilities of the Company received ISO14001 and OHSAS18001 certifications for occupational safety and health management systems. The Company conducts regular review of environmental impact on, and risks to facility safety to upgrade its EHS management system.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	V		(3) Since 2014, the Company conducts its consumption of Greenhouse gas inventory audit internally, completes external verify and files reports annually. Climate change caused increase of extreme temperature and level. The company taken the following policies to manage the climate change or Greenhouse gas: a. To devote to save water and energy and control pollution companywide and set reduction goals. b. To take corresponding improvement action plans to the goals of water saving, energy saving and pollution control. c. Review execution status and efficacy of all action plans quarterly. And an annual review of action plans is conducted and goals of the subsequent year is set end of the year. d. For 2016, the major goals of EHS are: (a) to enhance energy utilization rate (Kw/wafer) through process and engineering improvement, and (b) decrease of pollutants emission. In 2016, electricity utilization was 352.86 Kw/wafer (the goal was 368.56 Kw/wafer) and PFCs output was 0.169 CO2e/pcs (the goal was 0.193 CO2e/pcs). e. For 2017, the estimate reduction rate for electricity is set for 0.1% (Kw/wafer) and PFCs output for 0.5%.	None
3. Promotion of Social Welfare (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles? (2) Has the Company established appropriately managed employee appeal procedures? (3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V V V		(1) The Company complies with relevant labor laws and regulations, and respect internationally recognized principles of the labor force's human rights to establish related system and process, in order to protect the legal rights and interests of employees and to make sure recruiting policy do not discriminate job applications. (2) The Company encourages its employees to report to company's supervisors, managerial officers, chief internal auditor, or other appropriate individuals upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethics. The Company also sets forth communication channel and appeal system in its work rules. (3) Over the years the Company has been conducted the environmental impact and safety risk assessment, and comply with requirements of relevant laws and regulations to establish a workplace friendly and healthy to employees, which were certified by OHSAS18001.	None None None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	V		(4) Reflecting related regulatory changes and the Company's relating procedure amendments, the Company holds workshops, eg. issues regarding Personal Information Protection Act and Second-generation National Health Insurance, etc.	None
(5) Has the Company established effective career development training plans?	V		(5) The Company has Training & Development Section under Human Resources Division in charges of the planning, executing training and development projects. In addition, the "Human Resource Development Board" consisting of experienced senior managers assigned by CEO is responsible for evaluation and executing major human resource development projects.	None
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	V		(6) Customers of the Company are not end users, and there are clear and effective channels between the Company and customers to deal the customer complaints. The Company has secured products liability insurance for all products to ensure consumers rights.	None
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	V		(7) The Company's commitment: Dedication to development and innovation of manufacturing technology to provide manufacturing service of superior compound semiconductor devices and integrated circuits. Continuous pursuit of excellence demonstrated by providing high-quality products characterized by the employment of "Plan-Do-Check-Act" cycles for continuous improvement. To assure sustainable operation and to fulfill responsibility of a good corporate citizen, the Company passed the following certifications after audits of third parties: (1) ISO9001 (2) ISO/TS 16949 (3) ISO14001 (4) OHSAS18001 (5) SA8000	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	V		(8) Before being qualified as a vendor of the Company, depending on the nature of material, a chemical operation review will be undertaken in accordance with the Company's New Material and Supplier Verification Procedures to determine if the material supplier complies with EU directives of RoHS/REACH and the material to be offered is conflict. In addition, to enhance the Corporate Social Responsibility the company has established "Suppliers' Code of Conduct" and disclosed the information includes labor, health and safety, environment, ethic and integrity on our website.	None
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	V		(9) A performance assessment is conducted annually to the Company's major suppliers on their systems and implementation related to environmental protection, safety and hygiene. By supply chain management, the Company influenced its vendors to upgrade environmental protection and safety. When and if any significant environmental pollution or violation of labor human right of a vendor is reported, the Company would request the vendor to explain and, if necessary, initiates investigation, and evaluates termination or cancellation of the supply contract with such vendor.	None
4. Enhancing Information Disclosure (1) Does the Company disclose relevant and reliable CSR information on its website and the MOPS?	V		(1) The Company discloses the implement of social responsibility in the annual report and on the Company's website.	None
5. If the Company has established corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company well recognize a corporation is one of the community citizens and should fulfill corporate social responsibility. The Company has taken into consideration CSR related issues in designing of company systems and operating strategies, such as corporate governance, sustainability environment, social benefits, and corporate social responsibility. Operation of the Company is fully in compliance with the corporate governance guidelines set forth in the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies".				

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (1) Since its establishment, WIN got from the environmental protection agency and maintains the permit for wastewater effluent. Effluents out of WIN facilities undergo pre-treatment in house and treatment by Wastewater Treatment Plant of Hwaya Technology Park (the "Park") before discharging into surface water body. Hwaya Technology Park Administration (the "Park Administration") operating wastewater treatment for the Company checks effluents on a weekly basis and during Year 2015, WIN's effluents strictly met water quality standards required by the Park Administration (2) The Park Administration analyzes samples of air, water and underground water within and outside the Park quarterly to monitor quality of the same. The Environment Quality Supervision Committee of the Park, consisted of representatives of the firms in the Park, experts and academia, invites leaders of neighboring villiages to communicate and discussion agenda related to interaction between the Park and its community, including environmental protection issues such as air and river water quality, transportation. The Company keeps involved in the committee to enhance environment quality of neighboring community. (3) Since European Union's announcement of Restriction of Hazardous Substances (RoHS) directive, customers required the Company's products be hazardous substance free (HSF). The Company then investigated material components and established hazardous substance management system. Right after EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directive was issued at the end of 2010, the Company furnished testing items and reports according to SVHC List under REACH. The Company procures materials from socially responsible sources. A "HSF" webpage was set up on the Company's website to post information about hazardous substance free and conflict minerals: ✓ Certification for no use of hazardous substances ✓ EICC-GesI Conflict Minerals Reporting template ✓ Testing report made by a fair laboratory of a third party. ✓ Safety Data Sheet ✓ Introduction of the Company's Hazardous Substance Free Management Procedure (4) Launch "Employer Friendly Enterprise" Campaign 1. The Company is committed to creating job opportunities; local employees come first. 2. The Company allocates sufficient reserve or pay pension fund for employees according to Labor Standard Law and Employee Pension Fund Statute. 3. The Company fosters well-balanced life of employees, such as implementation of a fair employee leave program, elastic work hours, employee caring, employee assistance program, hobby clubs through Employee Welfare Commission and employee tours.				

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">(5) Human Rights
1. The Company conducts face-to-face employer and employee communication meeting regularly in compliance with labor regulations.
2. The Company enacted sexual harassment prevention and disciplinary procedures to protect employers’ right and privacy.
3. The Company sets up an employee opinion box and discussion platform; in-charge organizations will handle and respond to opinions raised by employees.</td></tr>
<tr><td colspan="5">7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below: None.</td></tr>
</table>

Ethical Corporate Management

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the Company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) The Company has established its “Ethical Corporate Management Best Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct” and “Guidelines for the Code of Ethical Conduct” to achieve the ethical corporate management.	None
(2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	V		(2) The Company has established its “Procedures for Ethical Management and Guidelines for Conduct” and has good implementation status.	None
(3) Does the Company establish appropriate compliance measures for the business activities prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(3) The Company reviews the risk of unethical conduct from time to time and promulgates “Procedures for Ethical Management and Guidelines for Conduct” to enhance the effectiveness of the Company's ethical corporate management.	None
2. Ethic Management Practice				
(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The company upholds the principle of fair treatment to customers and suppliers. Before entering into contracts with the company, all suppliers have to comply with the Suppliers’ Code of Ethics which covers labor, health, safety, environmental protection, ethics and integrity.	None
(2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company’s ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		(2) The Company upholds the principles of ethical corporate management and delegated Human Resources Division as responsible unit. The internal audit reports the implementation status to Board on a regular base.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The Company has established its "Ethical Corporate Management Best Practice Guidelines", "Procedures for Ethical Management and Guidelines for Conduct" and "Guidelines for the Code of Ethical Conduct" to require the Company personnel not offer, commitment, requirements or accepting any improper profit gains directly or indirectly when engaging in business operation, nor have any unethical or illegal conduct or breach the fiduciary obligations.	None
(4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) The Company has established internal control systems, accounting policy and related management regulations to practice ethical corporate management and the internal auditor audit the related matters and had not investigated unusual events.	None
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) Core values (including integrity) and acts in line with ethical standards are part of the awareness program for employees of the Company. The Company alerts employees the importance of ethical behaviors during his/her work and determination and policy of ethical corporate management. These guidelines are aligned with performance assessment system so that in-time rewards and disciplinary actions could be taken. The Company has enacted Guidelines for the Code of Ethical Conduct to encouraging directors, supervisors and employees to act in compliance with ethical standards	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Implementation of Complaint Procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) The Company has set up Reward and Discipline Commission to evaluate employee ethical and unethical conducts. The Company encourages employees to report any illegal or unethical conducts and has complaint system for two-way communications. The Company has not any matters about discipline of unethical conduct up to date.	None
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(2) The Company encourages its employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon discovery of any activity in violation of a law or regulation and also undertakes information confidential and whistleblowers protection based on its "Ethical Corporate Management Best Practice Guidelines" and "Procedures for Ethical Management and Guidelines for Conduct".	None
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The Company keeps the whistleblowers' identity and contents of information confidential and assures the whistleblowers' rights and interests based on its "Procedures for Ethical Management and Guidelines for Conduct".	None
4. Information Disclosure (1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the MOPS?	V		(1) The Company has established its "Ethical Corporate Management Best Practice Guidelines" and disclosed on the Company's website and the MOPS, and assigned a dedicated unit to responsible for establishing and supervising the implementation of the ethical corporate management policies.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">5. If the Company has established its own ethical corporate governance in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, describe the operation status and difference with the best practice principles:
The Company has implemented its ethical corporate management policies based on its “Ethical Corporate Management Best Practice Principles”.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s ethical corporate management operations (e.g. discussion of revisions to ethical corporate management rules set down by the Company):
None.</td></tr>
</table>

Corporate Governance Guidelines and Regulations

The Company has disclosed its “Corporate Governance Best Practice Principles” and related regulations on its website (www.winfoundry.com) and the MOPS (mops.twse.com.tw).

Internal Control Systems

A. Statement of Internal Control

WIN Semiconductors Corp.

Statement of Internal Control

March 23, 2017

The internal control self-assessment of WIN Semiconductors Corp. was conducted for the year ended December 31, 2016 based on the Company's internal control system. The results are described as following:

1. WIN Semiconductors Corp. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. WIN Semiconductors Corp. has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. WIN Semiconductors Corp. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. WIN Semiconductors Corp. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. WIN Semiconductors Corp. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of WIN Semiconductors Corp. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on March 23, 2017, with none of the eight attending directors expressing dissenting opinions on the content of the Statement.

WIN Semiconductors Corp.

Chairman: Chin-Tsai Chen *CEO: Yu-Chi Wang*

B. A CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, Furnish the CPA Audit Report

None

For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements

In 2016, the Company was penalized for failure to comply with the employee salary labor insurance bracket rules. The causes were primarily due to the new interpretation rules from the contact person of Bureau of Labor Insurance and inconsistent calculation bracket rules compared to those provided by the Labor Insurance Act but were never clarified. Numerous communications with the competent authorities were made, but they failed to yield any clarification, and the Company still received a fine, only that the amount was not significant. The Company has eventually clarified the related laws and regulations and has made the adjustments accordingly.

Major Resolutions of Shareholders' Meeting and Board Meetings

A. Action Arising of 2016 Annual General Shareholders' Meeting:

Major Resolutions	Action Arising
Approved the amendment to the Company's "Articles of Incorporation".	The amendment of "Articles of Incorporation" was filed with MOEA, R.O.C. on July 11, 2016 and disclosed on the Company's website.
Approved the adoption of the 2015 business report and financial statements.	The relevant documents were filed with authority and disclosed on the MOPS.
Approved the adoption of the proposal for distribution of 2015 profits.	The Chairman of the Boards decided to set up the ex-dividend date of cash dividend for July 17, 2016 and paid on July 29, 2016.
Approved the amendment to the Company's "Rules and Procedures of Shareholders' Meeting."	The amendment of was passed by the AGM and disclosed on the Company's website. The Company has executed the rules accordingly.
Approved the amendment to the Company's "Rules for Election of Directors and Supervisors".	The amendment of was passed by the AGM and disclosed on the Company's website. The Company has executed the rules accordingly.
Approved the proposal for capital reduction by distributing cash to shareholders.	1. The Chairman of the Boards decided the record date for Aug. 2, 2016 2. The registration was completed by MOEA, R.O.C. on Aug. 12, 2016. 3. The cash was paid to shareholders on Sep. 23, 2016.
Election of nine Directors of the Board (including three Independent Directors).	Elected Directors list: Chin-Tsai Chen, International Fiber Technology Co., Ltd.-Representative: Shih-Chuan Hsieh, Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang and Shun-Ping Chen. Elected Independent Directors list: Chao-Shun Chang, Shen-Yi Li and Wei-Lin Wang. The tenure of newly elected directors shall commence on June 24, 2016 and expire on June 23, 2019. The registration was completed by MOEA, R.O.C. on July 11, 2016 and disclosed on t he Company's website.
Approved the proposal for release of Directors from non-competition restrictions.	The proposal become effective after approval by the AGM and was disclosed on the MOPS.

B. Major Resolutions of Board Meetings

Date	Major Resolutions
03/17/2016	1. Approval of the financial statements and consolidated financial statements for the year of 2015. 2. Approval of the business report for the year of 2015. 3. Recommendation of the distribution of earnings for the year of 2015. 4. The distribution of employees' profit sharing bonus and Directors' and Supervisors' compensations for the year of 2015. 5. Approval of capital reduction by distributing cash to shareholders 6. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2016. 7. Change of the CPA of the Company beginning the first quarter of 2016. 8. Evaluation of independence and qualification of the CPA to be engaged by the Company. 9. Approval of the professional service fee of the CPA for the year of 2016. 10. Issuance of Internal Control Statement of the Company for the year of 2015. 11. Approval of the company's "Audit Committee Charter". 12. Amendment to the Company's "Rules and Procedures of Shareholders' Meeting". 13. Amendment to the Company's "Rules for Election of Directors and Supervisors". 14. Revision to the auditing plan of the company for the year of 2016. 15. Approval of re-electing Directors (including Independent Directors) of the Board in the annual shareholders meeting. 16. Discussion of the candidate list for the Directors and Independent Directors of the 7th tenure of Board of Directors. 17. Setting up timeframe for submitting proposals by shareholders of the Company for the annual shareholders meeting of 2014 and making resolutions of shareholders via on-line voting. 18. Application for short-term and mid-term facilities with financial institutions. 19. Budget of managers' compensation for the year of 2015 and 2016.
05/12/2016	1. Report of the consolidated financial statement for the first quarter of 2016. 2. Review the qualifications to directors and independent directors candidates. 3. Release of Directors from non-competition restrictions. 4. Redemption of the Company's common stocks and cancellation of the redeemed shares. 5. Application for short-term and mid-term facilities with financial institutions. 6. Appointment of Vice President.
06/24/2016	1. Election of the Chairman of the Board of Directors. 2. Appointment the Compensation Committee members. 3. To form the Audit Committee and appointment its members.
08/11/2016	1. Report of the consolidated financial statement for the second quarter of 2016. 2. Approval on the action plan of the replacement of share certificates for the capital reduction. 3. Application for short-term and mid-term facilities with financial institutions.
11/10/2016	1. Report of the consolidated financial statement for the third quarter of 2016. 2. Approval of the auditing plan of the Company for the year of 2017.
11/15/2016	1. Redemption of the Company's common stocks and cancellation of the redeemed shares.
12/29/2016	1. Approval of the budget plan of the Company for the year of 2017. 2. Amendment to the Company's "Procedures for Applications for Halt and Resumption of Trading". 3. Application for short-term and mid-term facilities with financial institutions.

Date	Major Resolutions
03/23/2017	1. The distribution of employees' profit sharing bonus and directors' compensations for the year of 2016. 2. Approval of the financial statements and consolidated financial statements for the year of 2016. 3. Approval of the business report for the year of 2016. 4. Recommendation of the distribution of earnings for the year of 2016. 5. Evaluation of independence and qualification of the CPA to be engaged by the Company. 6. Approval of the professional service fee of the CPA for the year of 2017. 7. Issuance of Internal Control Statement of the Company for the year of 2016. 8. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets." 9. Investment in wholly-owned subsidiary, Win Semiconductors Cayman Islands Co., Ltd. 10. Application for short-term and mid-term facilities with financial institutions. 11. By-election of one independent director. 12. Setting up timeframe for nomination of independent director candidate by shareholders of the Company. 13. Discussion of the candidate list for the independent director. 14. Convening of the 2017 regular shareholders' meeting. 15. Promotion of Associate Vice Presidents. 16. Budget of managers' compensation for the year of 2016 and 2017.

Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.4. Information Regarding the Company's Audit Fee and Independence

Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Yai-Ling Chen and Mei-Yen Chen	2016.01.01~2016.12.31	—

Unit: NT$ thousand

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000		546	546
2	NT$2,000 ~ NT$4,000			
3	NT$4,000 ~ NT$6,000	4,210		4,210
4	NT$6,000 ~ NT$8,000			
5	NT$8,000 ~ NT$10,000			
6	Over NT$100,000			

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Yai-Ling Chen Mei-Yen Chen	4,210	-	77	-	469	546	2016.01.01 ~ 2016.12.31	—

Replacement of CPA

A. Regarding the Former CPA

Replacement Date	March 17, 2016		
Replacement reasons and explanations	Due to internal restructuring at KPMG firm, the CPAs of the Company were changed starting January 1, 2016.		
Describe whether the Company terminated or the CPA did not accept the appointment	Status / Parties	CPA	The Company
	Termination of appointment	Not applicable	Not applicable
	No longer accepted (continued) appointment	Not applicable	Not applicable
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable		
Differences with the company	None	Accounting principles or practices	
	None	Disclosure of Financial Statements	
	None	Audit scope or steps	
	None	Others	
Other Revealed Matters	None		

B. Regarding the Successor CPA

Name of accounting firm	KPMG
Name of CPA	Yai-Ling Chen and Mei-Yen Chen
Date of appointment	March 17, 2016
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2016.

3.5. Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Supervisors, Managers or Major Shareholders with a Stake of More than 10 Percent

Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2016		As of Apr. 30, 2017	
		Shares Additions (Deductions) in Shareholding (Note 1)	Shares Additions (Deductions) in Pledge (Note 1)	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Chairman	Chin-Tsai Chen	(5,445,942)	(2,653,574)	0	0
Director	International Fiber Technology Co., Ltd.	(1,538,156)	0	0	0
	Representative: Shih-Chuan Hsieh	0	0	0	0
Director	Li-Cheng Yeh	(3,375,472)	0	00	0
Director	Yu-Chi Wang	(523,840)	0	(44,000)	0
Director	Wen-Ming Chang	(172,987)	0	0	0
Director	Shun-Ping Chen	(833,380)	0	0	0
Director	Cheng-Huei Wang (Note 3)	0	0	0	0
Independent Director	Chao-Shun Chang (Note 4)	0	0	0	0
Independent Director	Shen-Yi Li	(18,321)	0	(3,724)	0
Independent Director	Wei-Lin Wang	0	0	0	0
Supervisor (Note 2)	International Fiber Technology Co., Ltd.	(1,538,156)	0	0	0
	Representative: Shih-Chuan Hsieh	0	0	0	0
Supervisor (Note 2)	Mei-Lan Wang (Note 3)	0	0	0	0
Supervisor (Note 2)	Cheng-Li Huang (Note 3)	0	0	0	0
Sr. Vice President	Chang-Hwang Hua	(5,372)	0	0	0
Vice President	Joseph Liu	(141,120)	0	(30,000)	0
Vice President	Brian Lee	(219,248)	0	0	0
Sr. Vice President	Kyle Chen	(87,895)	0	0	0
Vice President	Lap-Sum Yip (Note 5)	(1,526)	0	0	0

Title	Name	2016		As of Apr. 30, 2017	
		Shares Additions (Deductions) in Shareholding (Note 1)	Shares Additions (Deductions) in Pledge (Note 1)	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Special Assistant to CEO	S.Y. Wang	(143,000)	0	0	0
Associate Vice President	Annie Yu	(246,188)	0	0	0
Associate Vice President of Accounting	Linna Su	(80,754)	0	0	0
Associate Vice President of Finance	Joe Tsen	(203,930)	0	(28,000)	0

Note 1: Shares deductions in shareholding include the number of shares exchanged due to the 30% capital reductions in 2016.

Note 2: After the election held on June 24, 2016, three Independent Directors has organized the Audit Committee in place of functions of Supervisors.

Note 3: Tenure expired on June 24, 2016. Only information during the incumbency of him was disclosed.

Note 4: Resigned on September 2, 2016. Only information during the incumbency of him was disclosed.

Note 5: Mr. Lap-Sum Yip was promoted to Vice President, effective May 1, 2016. Only information during the incumbency of him was disclosed.

Shares Trading with Related Parties

None

Shares Pledge with Related Parties

None

3.6. Relationship among the Top Ten Shareholders

Apr. 18, 2017; Unit: Shares; %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tien Ho Industrial Co., Ltd.	21,652,329	5.38	N/A	N/A	N/A	N/A	None	None	None
Representative: Yu-Wen Chen	0	0	-	-	-	-	-	-	None
Kou-I Yeh	16,705,214	4.15	445,064	0.11	0	0	Inventec Corporation	Director of Inventec Corporation	None
Labor Pension Fund (New Scheme)	14,692,923	3.65	N/A	N/A	N/A	N/A	None	None	None
Deutsche Bank in Custody for Small Cap World Fund Inc.	14,322,000	3.56	N/A	N/A	N/A	N/A	None	None	None
Chin-Tsai Chen	12,402,953	3.08	1,045,368	0.26	0	0	None	None	None
Deutsche Bank in Custody for the New Economy Fund	10,164,000	2.52	N/A	N/A	N/A	N/A	None	None	None

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
HSBC Bank in Custody for Value Partners High-Dividend Stocks Fund	9,251,997	2.30	N/A	N/A	N/A	N/A	None	None	None
Bank of Taiwan in Custody for PFS Somerset Emerging Markets Dividend Growth Fund	8,357,034	2.08	N/A	N/A	N/A	N/A	None	None	None
Labor Pension Fund	8,195,365	2.04	N/A	N/A	N/A	N/A	None	None	None
Inventec Corporation	8,062,686	2.00	N/A	N/A	N/A	N/A	Kou-I Yeh	Director of Inventec Corporation	None
Representative: Tsu-Chin Lee	0	0	-	-	-	-	-	-	None

3.7. Ownership of Shares in Affiliated Enterprises

Mar. 31, 2017; Unit: Shares in thousands; %

Affiliated Enterprises (Note)	Ownership by the Company		Directly or Indirectly by Directors and Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Win Semiconductors Cayman Islands Co., Ltd.	22,000	100.00	0	0	22,000	100.00
WIN SEMI. USA, INC.	1,000	100.00	0	0	1,000	100.00
Inventec Energy Corporation	32,828	34.52	14	0.015	32,842	34.54
WIN Venture Capital Corp.	25,000	100.00	0	0	25,000	100.00
Phalanx Biotech Group, Inc.	16,400	31.06	3,600	6.82	20,000	37.88
CSDC Private Limited	0.25	25.00	0	0	0.25	25.00

Note: Investments accounted for using equity method.

IV. CAPITAL OVERVIEW

4.1. Capital and Shares

Source of Capital

A. Issued Shares

Apr. 30, 2017; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	402,666,384	597,333,616	1,000,000,000	Listed on Taipei Exchange, and the par value for each share is NT$10.

B. Type of Stock

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash
Oct. 1999	10	132,000	1,320,000	38,760	387,600	Set up by cash	None
Apr. 2000	10	132,000	1,320,000	104,652	1,046,520	Share capital increase by cash	None
Jul. 2000	10	132,000	1,320,000	125,400	1,254,000		None
Aug. 2000	20	264,000	2,640,000	165,000	1,650,000		None
Nov. 2000	11	264,000	2,640,000	180,000	1,800,000		None
Dec. 2000	28	264,000	2,640,000	215,000	2,150,000		None
Mar. 2002	20	264,000	2,640,000	235,000	2,350,000		None
Aug. 2002	25.5	248,000	2,480,000	248,000	2,480,000		None
May 2004	-	248,000	2,480,000	195,197	1,951,968	Share cancelled by capital reduction	None
Oct. 2004	10	330,000	3,300,000	265,197	2,651,968	Share capital increase by cash	None
Apr. 2005	10	360,000	3,600,000	325,997	3,259,968	New share issuance for merger and acquisition	None
Oct. 2006	10	500,000	5,000,000	465,997	4,659,968	Share capital increase by cash	None
Oct. 2007	10	500,000	5,000,000	466,864	4,668,638	Conversion of shares by employee stock options	None
Feb. 2008	10	500,000	5,000,000	467,226	4,672,255		None
May 2008	10	500,000	5,000,000	468,616	4,686,155		None
Sep. 2008	20	1,000,000	10,000,000	593,616	5,936,155	Share capital increase by cash	None
Jan. 2010	10	1,000,000	10,000,000	597,970	5,979,695	Conversion of shares by employee stock options	None
Apr. 2010	10	1,000,000	10,000,000	598,294	5,982,935		None
Jul. 2010	10	1,000,000	10,000,000	600,109	6,001,085		None
Oct. 2010	10	1,000,000	10,000,000	605,019	6,050,185		None
Feb. 2011	10	1,000,000	10,000,000	617,568	6,175,675		None
May 2011	10	1,000,000	10,000,000	620,990	6,209,895		None
Jul. 2011	10	1,000,000	10,000,000	622,572	6,225,720		None
Oct. 2011	10	1,000,000	10,000,000	623,587	6,235,865		None
Dec. 2011	10	1,000,000	10,000,000	648,593	6,485,930	Share capital increase by cash and conversion of shares by employee stock options	None
Apr. 2012	10	1,000,000	10,000,000	648,677	6,486,767	Conversion of shares by employee stock options	None
Jul. 2012	10	1,000,000	10,000,000	648,699	6,486,989		None
Oct. 2012	10	1,000,000	10,000,000	748,704	7,487,039	Share capital increase by cash and conversion of shares by employee stock options	None
Jan. 2013	10	1,000,000	10,000,000	754,188	7,541,877	Conversion of shares by employee stock options	None
Apr. 2013	10	1,000,000	10,000,000	757,457	7,574,570		None
Jul. 2013	10	1,000,000	10,000,000	757,855	7,578,548		None

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash
Oct. 2013	10	1,000,000	10,000,000	758,626	7,586,262		None
Jan. 2014	10	1,000,000	10,000,000	739,275	7,392,754	Capital reduction due to cancellation of treasury shares and conversion of shares by employee stock options	None
Apr. 2014	10	1,000,000	10,000,000	740,196	7,401,960	Conversion of shares by employee stock options	None
Jul. 2014	10	1,000,000	10,000,000	740,638	7,406,379		None
Oct. 2014	10	1,000,000	10,000,000	742,069	7,420,685		None
Feb. 2015	10	1,000,000	10,000,000	742,238	7,422,377		None
Apr. 2015	10	1,000,000	10,000,000	743,395	7,433,953		None
Jul. 2015	10	1,000,000	10,000,000	595,457	5,954,567	Conversion of shares by employee stock options and capital reduction by distribution cash to shareholders	None
Nov. 2015	10	1,000,000	10,000,000	595,508	5,955,077	Conversion of shares by employee stock options	None
Jan. 2016	10	1,000,000	10,000,000	596,564	5,965,641		None
Apr. 2016	10	1,000,000	10,000,000	596,666	5,966,663		None
Jul. 2016	10	1,000,000	10,000,000	586,666	5,866,663	Capital reduction due to cancellation of treasury shares	None
Aug. 2016	10	1,000,000	10,000,000	407,666	4,076,664	Capital reduction by distribution cash to shareholders	None
Jan. 2017	10	1,000,000	10,000,000	402,666	4,026,664	Capital reduction due to cancellation of treasury shares	None

Status of Shareholders

Apr. 18, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	96	88	11,253	315	11,757
Shareholding (Shares)	28,073,061	32,553,910	44,420,336	116,845,834	180,773,243	402,666,384
Percentage	6.97%	8.09%	11.03%	29.02%	44.89%	100.00%

Shareholding Distribution Status

Apr. 18, 2017

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	4,554	1,638,967	0.41%
1,000 ~ 5,000	5,442	10,192,737	2.53%
5,001 ~ 10,000	673	4,944,681	1.23%
10,001 ~ 15,000	212	2,596,649	0.65%
15,001 ~ 20,000	114	2,021,246	0.50%
20,001 ~ 30,000	124	3,117,337	0.77%
30,001 ~ 40,000	84	2,948,226	0.73%
40,001 ~ 50,000	56	2,528,246	0.63%
50,001 ~ 100,000	162	11,674,902	2.90%
100,001 ~ 200,000	108	15,290,092	3.80%
200,001 ~ 400,000	81	22,846,088	5.67%

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
400,001 ~ 600,000	35	17,279,867	4.29%
600,001 ~ 800,000	19	13,145,096	3.27%
800,001 ~ 1,000,000	27	24,216,844	6.01%
1,000,001 or over	66	268,225,406	66.61%
Total	11,757	402,666,384	100.00%

List of Major Shareholders

Apr. 18, 2017

Shareholder's Name	Shareholding	
	Shares	Percentage
Tien Ho Industrial Co., Ltd.	21,652,329	5.38%
Kou-I Yeh	16,705,214	4.15%
Labor Pension Fund (New Scheme)	14,692,923	3.65%
Deutsche Bank in custody for Small Cap World Fund Inc.	14,322,000	3.56%
Chin-Tsai Chen	12,402,953	3.08%
Deutsche Bank in custody for the New Economy Fund	10,164,000	2.52%
HSBC Bank in custody for Value Partners High-Dividend Stocks Fund	9,251,997	2.30%
Bank of Taiwan in custody for PFS Somerset Emerging Markets Dividend Growth Fund	8,357,034	2.08%
Labor Pension Fund	8,195,365	2.04%
Inventec Corporation	8,062,686	2.00%

Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$; Shares in thousands

Item			2015	2016	2017/1/1~ 2017/4/30
Market Price Per Share	Highest Market Price		54.50	97.10	145.50
	Lowest Market Price		24.70	44.50	84.80
	Average Market Price		39.65	63.54	120.10
Net Worth Per Share	Before Distribution		28.85	43.66	(Note 5)
	After Distribution		28.35	(Note 1)	
Earnings Per Share	Weighted Average Shares (thousand shares)		672,148	515,536	
	Earnings Per Share		3.97	6.04	
Dividends Per Share	Cash Dividends		0.51	(Note 1)	
	Stock Dividends	Dividends from Retained Earnings	0	0	
		Dividends from Capital Surplus	0	0	
	Accumulated Undistributed Dividends		0	0	
Return on Investment	Price / Earnings Ratio (Note 2)		10.21	11.34	
	Price / Dividend Ratio (Note 3)		79.45	(Note 1)	
	Cash Dividend Yield Rate (Note 4)		1.26%	(Note 1)	

Note 1: The appropriation of earnings for 2016 shall be determined by the 2017 Annual General Shareholders' Meeting.

Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 5: As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2017.

Dividend Policy and Implementation Status

A. Dividend Policy

In accordance with Article 22-1 of the Article of Incorporation, if there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Company; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Board of Directors should draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend, in which cash dividend shall not be lower than 10% of entire dividend.

As the Company is a high-tech firm with intensive capital expenditure, conditions, timing, amount and kinds of the above-stated dividend policy may be adjusted, taking into account economic cycles, industry change and the Company's growth and cash demand.

The company shall not pay any dividends or bonus when there are no profits or retained earnings of a fiscal year. The company has distributed cash dividends every year to its shareholders since 2010, and the payout ratio (including cash returned as a result of capital reduction) distributed to its shareholders is not lower than 60% of its net profit of that year. For more details about the dividends history, please refer to the Shareholders' Service Section on our website.

B. Proposed Distribution of Dividend

The proposal for distribution of 2016 profits was passed at the Board of Directors meeting on March 23, 2017. The proposed dividend to shareholders is a cash dividend of NT$4.5 per common share, totaling NT$1,811,998,728. This proposal will be discussed at the annual shareholders' meeting on June 16, 2017. Upon the approval of the AGM, it is proposed that the Chairman of the Board be authorized to resolve the ex-dividend date and payment date.

C. Material Change in Dividend Policy Is Expected

None

Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting

There was no stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

Compensation of Employees, Directors, and Supervisors

A. Information Relating to Employee, Director, and Supervisor Compensation in the Articles of Incorporation

If there is any net profit after closing of a fiscal year, the Company shall be allocated according to the following principles:

1. Employee's profit sharing bonus: not less than 5% but no more than 10% and shall be determined and pursuant to Employee Bonus Procedure of the Corporation. In addition, employee's profit sharing bonus shall be distributed in the form of shares or cash. Stock-type employee's profit sharing bonus may be distributed to qualified employees of affiliates of the Corporation.
2. Compensation of Directors and Supervisors: no more than 3%.

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

B. The Estimated Basis for Calculating the Employee, Director, and Supervisor Compensation

1. The estimate foundation: The Corporation shall set aside a legal capital reserve at 10% of the net profits and special reserve according to the rule set out by the government authority in charge times the ratios described in the Article of Incorporation to estimate the employee bonus and directors' and supervisors' remuneration.
2. The Company has not distributed employee bonus and directors' and supervisors' remuneration in stock in year 2015.
3. Accounting policy for difference between the amounts paid and those recognized in the financial statements: Employee bonuses and directors' and supervisors' remuneration are accounted for by Interpretation (96) 052 issued by the ARDF. According to this Interpretation, employee bonuses and directors' and supervisors' remuneration are estimated and accrued as expenses as services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

C. Distribution for Employee, Director, and Supervisor Compensation for 2016 Approved in Board of Directors Meeting

1. Distribution for Employee, Director, and Supervisor Compensation for 2016 was passed by the Board of Directors' meeting on March 23, 2017 as below:
   (1) Employee compensation distributed in cash is NT$ 263,000 thousand.
   (2) Directors' and supervisors' compensation is NT$ 76,300 thousand.
   (3) There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, for the years ended December 31, 2016.
2. Ratio of employee compensation distributed in stocks to capitalization of earnings: Not applicable.

D. Information of 2015 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration

1. Distribution of Employee Bonus and Directors' and Supervisors' Remuneration

The 2015 earnings appropriation plan was passed by the Board of Directors' meeting on March 17, 2016 as below:

(1) Employee cash bonus is NT$231,300 thousand.
(2) Directors' and supervisors' remuneration is NT$ 67,100 thousand.

2. Ratio of employee stock bonus to capitalization of earnings: 0%.
3. Recounted EPS after recommended distribution of employee bonus and directors' and supervisors' remuneration: NT$3.97.
4. The actual distribution of employee bonus and directors' and supervisors' remuneration above-mentioned was consistent with the resolutions of the Board of Directors' meeting.

Buyback of Treasury Stock

Number of Batches	2nd Batch	3rd Batch
Purpose of redemption	Preserving company good will and shareholders' equity	Preserving company good will and shareholders' equity
Timeframe of redemption	2016/05/13~2016/07/12	2016/11/16~2017/01/15
Price range	NT$55 to NT$85 per share	NT$78.8 to NT$120 per share
Type and number of shares redeemed	Common stock 10,000,000 shares	Common stock 5,000,000 shares
Total monetary amount of redeemed shares	NT$ 635,830,780	NT$ 443,977,225

Number of Batches	2nd Batch	3rd Batch
Shares cancelled	Common stock 10,000,000 shares	Common stock 5,000,000 shares
Accumulated number of shares held by the Company	0	0
Percentage of total shares held by the Company (%)	0%	0%

4.2. Corporate Bonds

None

4.3. Preferred Stock

None

4.4. Global Depositary Receipts

<table>
<tr><td colspan="3">Item \ Issued Date</td><td colspan="2">10/09/2012 & 11/07/2012</td></tr>
<tr><td colspan="3">Issued Date</td><td colspan="2">10/09/2012 & 11/07/2012</td></tr>
<tr><td colspan="3">Listing Exchange</td><td colspan="2">Luxembourg Stock Exchange</td></tr>
<tr><td colspan="3">Issued Amount</td><td colspan="2">US$168,128,000</td></tr>
<tr><td colspan="3">Listing Price</td><td colspan="2">US$5.254</td></tr>
<tr><td colspan="3" rowspan="5">Issued Size</td><td>10/09/2012</td><td>30,000,000 units</td></tr>
<tr><td>11/07/2012</td><td>2,000,000 units</td></tr>
<tr><td>08/24/2015</td><td>(6,393,632) units</td></tr>
<tr><td>09/17/2016</td><td>(7,812,852) units</td></tr>
<tr><td>Total</td><td>17,793,516 units</td></tr>
<tr><td colspan="3">Source of Underlying Representing Share</td><td colspan="2">Issue comprised of common shares from capital increase by cash & existing shares held by shareholders</td></tr>
<tr><td colspan="3">Amount of Underlying Representing Share</td><td colspan="2">88,967,579 shares</td></tr>
<tr><td colspan="3">Rights and Obligations of Depositor Receipt Holder</td><td colspan="2">The rights and obligations are the same as common stock holders’</td></tr>
<tr><td colspan="3">Trustee Bank</td><td colspan="2">None</td></tr>
<tr><td colspan="3">Depositary Bank</td><td colspan="2">The Bank of New York Mellon</td></tr>
<tr><td colspan="3">Custodian Bank</td><td colspan="2">Trust Department, Mega International Commercial Bank</td></tr>
<tr><td colspan="3">Outstanding Balance (Apr. 30, 2017)</td><td colspan="2">0 units</td></tr>
<tr><td colspan="3">Issuing Expenses and Maintenance Fees</td><td colspan="2">Issuing Expenses: Jointly be borne by the Company and Selling Shareholders on a pro-rata basis
Maintenance Fees: Be borne by the Company</td></tr>
<tr><td colspan="3">Important Terms and Conditions of Depositary and Custodian Agreements</td><td colspan="2">Please refer to Depositary Agreement and Custodian Agreement</td></tr>
<tr><td rowspan="6">Price per Unit</td><td rowspan="3">Year 2016</td><td>High</td><td colspan="2">US$ 15.32</td></tr>
<tr><td>Low</td><td colspan="2">US$ 6.88</td></tr>
<tr><td>Average</td><td colspan="2">US$ 10.56</td></tr>
<tr><td rowspan="3">Jan. 01, 2017~
Apr. 30, 2017</td><td>High</td><td colspan="2">US$ 22.79</td></tr>
<tr><td>Low</td><td colspan="2">US$ 13.77</td></tr>
<tr><td>Average</td><td colspan="2">US$ 18.83</td></tr>
</table>

4.5. Employee Stock Options

Issuance of Unexpired Employee Stock Options in Existence as of the Date of Printing the Annual Report

None

List of Executives Receiving Employee Stock Options and the Top 10 Employees as of the Date of Printing the Annual Report

Apr. 30, 2017; Unit: Shares in thousand; NT$ thousand

Type	Title	Name (Note 1)	No. of Option Shares	Option Shares as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$ dollar)	Amount	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price	Amount	Converted Shares as a Percentage of Shares Issued
Executive Officers	Vice President	C.C. Chang (Note 2)	12,869,000 (Note 5)	3.20%	80 1,408 800 6,200 2,981 360 540	9.00 9.50 9.90 10.00 10.10 22.70 25.00	720 13,372 7,920 62,000 30,112 8,172 13,500	3.07%	—	—	—	0.00%
	BU General Manager	Wen-Ming Chang										
	President	Chin-Tsai Chen										
	Sr. Vice President	Kyle Chen										
	Sr. Vice President	Shun-Ping Chen										
	Sr. Vice President	Chang-Hwang Hua										
	Vice President	Brian Lee										
	Vice President	Joseph Liu										
	Associate Vice President of Accounting	Linna Su										
	Associate Vice President of Finance	Joe Tsen										
	Associate Vice President	Annie Yu										
	Special Assistant to CEO	S.Y. Wang										
	CEO	Yu-Chi Wang										
Employee	Chief Engineer	Walter Anthony	5,912,000 (Note 6)	1.47%	949 1,320 1,423 685 235 71 919	9.90 10.00 10.10 22.70 23.90 25.00 28.40	9,393 13,200 14,374 15,550 5,617 1,775 26,099	1.39%	—	—	—	0.00%
	Sr. Vice President	David Danzilio (Note 4)										
	Executive Assistant	Linda Huang (Note 2)										
	Director of Dept.	Tim Hsiao (Note 2)										
	Director of Dept.	Galen Hsieh										
	Sr. Director of Dept.	Wen-Jing Hsu (Note 2)										
	Executive Assistant	RH Liao										
	Auditing Manager	Heidi Lin (Note 3)										
	Chief Engineer	Shinichiro Takatani										
	Vice President	Dennis Williams (Note 4)										

Note 1: Alphabetically by executive officers' and employees' surnames.
Note 2: Resigned.
Note 3: Deceased.
Note 4: Employee of the subsidiary.
Note 5: 500,000 shares cannot be exercised because the employee was resigned.
Note 6: 310,000 shares cannot be exercised because the employee was resigned.

4.6. New Restricted Employee Stocks

None

4.7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8. Financing Plans and Implementation

None

V. OPERATIONAL HIGHLIGHTS

5.1. Business Overview

Business Scope

A. Major Business Operated by the Company

WIN is a GaAs pure play foundry that provides the best quality III-V semiconductors foundry service to its customers. In addition to advanced semiconductor fabrication technology, WIN also provides layout support and automated DC/RF on-wafer testing to its customers.

B. Net Revenue by Products

Unit: NT$ thousand

Products	2016Y	Percentage
GaAs Wafer	13,417,822	98.49%
Others	205,254	1.51%
Total	13,623,076	100.00%

C. The Company's Current Product (Service)

In the microwave high-tech field of wireless broadband communications, WIN primarily provides two major GaAs transistor manufacturing process technologies: Heterojunction Bipolar Transistor (HBT) and pseudomorphic High Electron Mobility Transistor (pHEMT), both of which are the state-of-the-art wireless broadband communications microwave process technologies. Our product lines can satisfy a multitude of frequency band wireless communication application systems ranging from 100MHz to 100GHz.

WIN provides fast and low cost foundry services in broad range of applications. The technologies including 1μm HBT, 2μm HBT, 0.5μm pHEMT Switch, 0.5μm power pHEMT, 0.25μm power pHEMT, 0.25μm E/D pHEMT, 0.15μm LNA pHEMT, 0.15μm power pHEMT, 0.1μm power pHEMT and BiFET pHEMT are in mass-production now.

1μm HBT is ideal for fiber communication systems. 2μm HBT and 0.5μm pHEMT Switch are ideal for handsets and WLAN applications. 0.1μm, 0.15μm, and 0.25μm pHEMT technologies are ideals for applications from discrete low noise/power FETs, SATOM, VSAT, base station, automotive radar, and 40Gb/s fiber optic MMICs. 0.5μm pHEMT is ideal for SATOM, GPS, Cable TV tuner, Electronic toll collection and WLAN.

To satisfy the high power and high efficiency base station application needs of the 4G and 5G era, WIN has completed the R&D for the gallium nitride (GaN) process technology in 2013, which started to have small revenue contribution in 2016 by providing more foundry service choices to our customers.

Industry Overview

A. Current Status and Development of the Industry

Semiconductor materials can be categorized into single-element semiconductor and compound semiconductor. The former are semiconductors made using element like silicon (Si) and germanium (Ge). The latter are III-V compound semiconductors such as Gallium Arsenide (GaAs), Indium Phosphide (InP), or Gallium Nitride (GaN) made using group-III element such as Gallium (Ga), Indium (In), or Aluminum (Al) as well as group-V element such as Arsenic (As), phosphorus (P), or nitrogen (N). Compared to the silicon semiconductors, GaAs semiconductors have characteristics in high frequency, anti-radiation, and high breakdown voltage, and are widely adopted for mainstream commercial optical communications, wireless communications, and advanced defense, aviation, and satellite applications. The popularity of wireless communication is critical to the success of GaAs foundry business model. For example, the key components of radio frequency front-end modules in both cellular phones and wireless networks (Wi-Fi) are the Power Amplifier (PA), RF Switch, and Low Noise Amplifier (LNA). At present, most of the RF power amplifiers are made from the material of GaAs. The characteristics of GaAs made it an indispensable component for wireless communications, optical communications, and advanced national defense, aviation, and satellite industries. GaAs semiconductor has its own foundry technologies, design flow and verification model different from silicon semiconductor in order to satisfy the rapid development of the wireless communication systems, thus allowing GaAs to maintain exclusivity and uniqueness in the field.

Due to the continuous progress of the silicon semiconductor process in recent years, the operating frequency and performance of RF CMOS have continued to improve. Most of the cellular phone and Wi-Fi RF transceivers are made using RF CMOS now. This is the inevitable result of the highly integrated single chip SoC technology development in the commercial RF IC industry. Although today's RF CMOS can work in high operating frequencies and can be highly integrated, its inherent physical characteristics, such as low breakdown voltage, high power consumption, poor signal isolation, and low output power density, make it difficult to compete with GaAs in terms of PA applications. Therefore, when the telecom standard evolved into 4G LTE applications, GaAs PA had the irreplaceable physical advantage, specifically high power transmission. Therefore, GaAs compound semiconductor components will continue to be an important component of the communications market.

As we look forward to the next generation of 5G technologies where the data transmission rate are expected to be 100 times faster than 4G LTE, only the GaAs PA can handle such rapid data transmissions. The cost-to-performance gap between GaAs and silicon in power amplifier applications continues to widen, not narrow.

In addition, similar to the business model of the silicon wafer foundries, GaAs foundries must undergo a certain amount of investment and long-term process technology development. Many GaAs IDMs that possess in-house manufacturing capacity face the risks of periodic overcapacity and undercapacity due to the cyclical nature of the semiconductor industry. By outsourcing a portion of their manufacturing to foundries, they can alleviate such risks and save cost. We believe that the continued trend of going fabless and fablite for worldwide communication and wireless IDMs and our established leading position in the GaAs foundry business position us for further market share gains in the future.

B. The Interconnectivity of Upstream, Midstream, and Downstream Entities in the Industry

The upstream material for the GaAs industry is GaAs substrates, followed by Epitaxy (Epi) wafers made by MOCVD or MBE technologies. The midstream focuses on wafer manufacturing, packaging, and testing. Except wafer manufacturing, module design and advanced technologies are still mostly dominated by the global IDM companies for the entire industry. The downstream comprise the cellular phone, wireless LAN devices manufacturers and telecom systems makers. The GaAs industry related supply chains are shown in the Table below:

<table>
<tr><th>SUPPLY CHAIN</th><th colspan="3">COMPANY</th></tr>
<tr><td>Substrate</td><td colspan="3">Freiberger, AXTI, Sumitomo</td></tr>
<tr><td>EPI</td><td colspan="3">IQE, VPEC, Hitachi Cable, Sumika, IntelliEPI</td></tr>
<tr><td>IC Design</td><td>Microsemi, Airoha, RDA, Richwave</td><td rowspan="4">IDM</td><td rowspan="4">Skyworks
Qorvo
Broadcom</td></tr>
<tr><td>Foundry</td><td>WIN, AWSC, GCS, Wavetek</td></tr>
<tr><td>IC Packaging</td><td>Tong Shing, Lingsen Precision</td></tr>
<tr><td>IC Testing</td><td>Giga Solution, ASE, Sigurd, King Yuan</td></tr>
</table>

SUPPLY CHAIN		COMPANY
Applications	Smartphones	Apple, Samsung, LG, Huawei, Oppo, Vivo, HTC
	Base Station	Huawei, Ericsson, Nokia Siemens, Cisco

C. Various Product Development Trends

Light, short, thin, small, cheap, and good quality are the unchangeable demands for consumer electronics products and the main direction of RF module designs. Traditionally, the different IC in RF modules are using different technologies to make; e.g., PA's are designed using HBT process, and RF switches and low noise amplifiers use the pHEMT process. Due to the low integration between different GaAs processes, it was difficult to reduce the size of RF modules. WIN’s leading BiHEMT technology can integrate two or more high-performance components by single chip solution on a 6-inch wafer to reduce module circuit areas and costs, and further strengthen our customer product design competitiveness.

On the other hand, high frequency and high power application market is also growing by the rise demands on 4/5G base stations, fiber-optic networks, and satellite networks. It needs very unique, consistent and high-performance transistors and passive components made by advance technologies process and facilities. WIN is one of few foundry companies who are able to provide such process services in the market.

D. Competition Status

1. Business Development Direction

In the semiconductor industry, the IDM and foundry companies have different capacity investment strategies and core competencies in response to their respective market environments. With foundry market share expanding, IDM’s capacity investment became more conservative than before because they must ensure full utilization of their own capacities in order not to stay idle. Foundry companies can maintain a certain level of capacity utilization by managing the orders from both IDM and design house customers to optimize the business. In addition, some of IDMs who also provide foundry services in the past has eventually quit the foundry business because they do not want to provide the latest R&D results and share the resources with their customers who also competitors. Consequently, they have gradually lost their customers. However, for a pure play foundry like WIN, we rely on providing the advanced technology to attract more customers with us.

The core competencies of IDM companies are their product design capabilities. Due to continued growth and evolution of hand-held devices, they must continue to develop the newest generation of products to create opportunities for future development. At the same time, foundries must rely on diversification and advanced technology as well as more efficient mass production methods to achieve operating efficiency.

2. Production Technology

WIN uses diversified and advanced technologies to provide the foundry services to customers and has continued to increase production flexibility, reduce unit costs, and shorten the production delivery time to provide foundry services with more competitiveness.

In terms of advanced technologies, the leading advantages of domination for independent R&D capability by IDM companies have gradually changed. After many years of attempts and challenges, the Company has insisted on developing advanced technologies to establish long-term competitiveness. After a decade of hardships, the Company's advanced technology is on par with IDM companies, and we have successfully transcended the law of having to porting technology from IDM companies. The Company has already collaborated with IDM companies on R&D for new technologies. As a result, the Company became one of the leading companies possess the newest generation of technologies in the industry.

In terms of GaAs wafer size, the output ratio of 6-inch wafers already went from over 50% in 2008 to becoming the main production size. In comparison, the Company established the world's first 6-inch GaAs wafer foundry service in 1999, when it was just established. With over a decade of 6-inch wafer manufacturing experience, we are more capable of ensuring product reliability, quality, and stability.

3. Production Scale and Capacity Planning

In the current GaAs industry, IDM companies still holds over 50% of the market share. In recent years, IDMs have increased the willingness to partnership with foundries for more outsourcing opportunities due to the cost efficiency and conservative of capacity expansion investments made by IDMs. The sustained growth of overall market demand seemed to provide the best business expansion opportunities for foundry companies. As of the end of 2016, Fabs A, B, and C of the Company have total capacity of 29,000 wafers per month. As such, we currently have the world's largest GaAs capacity. In response to the needs of the wireless communications market, we have purchased and constructed Fab C in Guishan District, Taoyuan City. The original building renovation and the 4th to 7th floor construction were completed in 2015, and some of the clean room space and machine installations are being implemented. Mass production has started in 2016, and other plant spaces will successively be turned into production lines according to the market demands of the future.

Technology and R&D Status

A. R&D Expenses

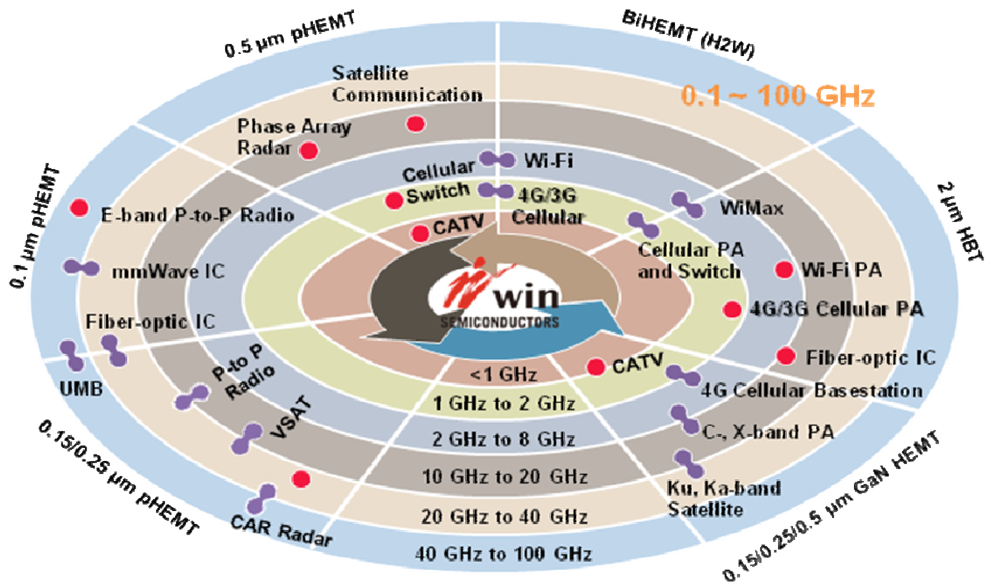
In 2016, the Company invested NT$606,344 thousand in R&D, which accounted for 4.45% of the operating income. As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2017.

B. Successful R&D and Technologies Development

In terms of technology development, the Company continues to leveraging its advance technologies to diversify product mix and customer base and provide the most comprehensive services to its customers. WIN can develop and provide microwave device technologies that cover the frequency spectrum from DC to 100 GHz.

For example, L-band HBT technology is used in high-end PCS and cellular phones, low frequency wireless products and WLAN (Wireless Local Area Network) products. Ka-band pHEMT is suitable for the LMDS (Local Multi-Point Distribution Service) market; pHEMT switch is suitable for handset and WLAN switch markets. Furthermore, both HBT and HEMT technologies are widely used in the fiber optic application. In addition to in-house technology development, WIN will also form strategic alliances with other companies to obtain the latest and most advanced technologies to further benefit our customers.

In addition, in terms of the breadth of the technology, the primary compound semiconductor materials have expanded from GaAs to GaN in order to satisfy the diverse wireless communication needs. In terms of market application, we have actively focused on the R&D for 5G infrastructure and optical communications technologies under the Internet of Things (IoT) trend in order to capture future market opportunities.



After WIN secured the core key technologies with proprietary development capabilities and talent, we have conducted the relevant technological cultivations and diversified developments continuously enhance competitiveness in the industry.

5.2. Marketing and Sales Overviews

Market Analysis

A. Sales and Service of WIN and Its Subsidiaries by Geographical Area in 2015 and 2016

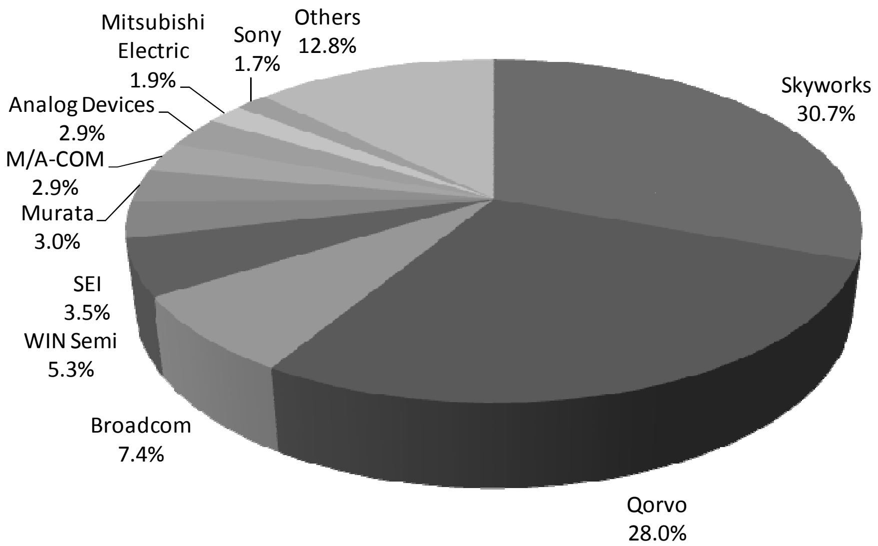
Unit: NT$ thousand

Area \ Year		2015		2016	
		Value	%	Value	%
Domestic		980,434	8.16%	2,018,653	14.82%
Oversea	Asia	7,691,152	64.01%	10,352,382	75.99%
	America	595,420	4.95%	850,744	6.24%
	Europe	439,499	3.66%	401,297	2.95%
	Africa	2,309,242	19.22%	0	0%
Total		12,015,747	100.00%	13,623,076	100.00%

B. Market Share

According to Strategy Analytics, the total GaAs device and pure play foundry market grew by 0.8% to reach nearly US$8.2bn of revenue in 2016. In 2016, the top 3 GaAs device manufacturers took up 66.1% of the total market share, led by Skyworks at 30.7%.

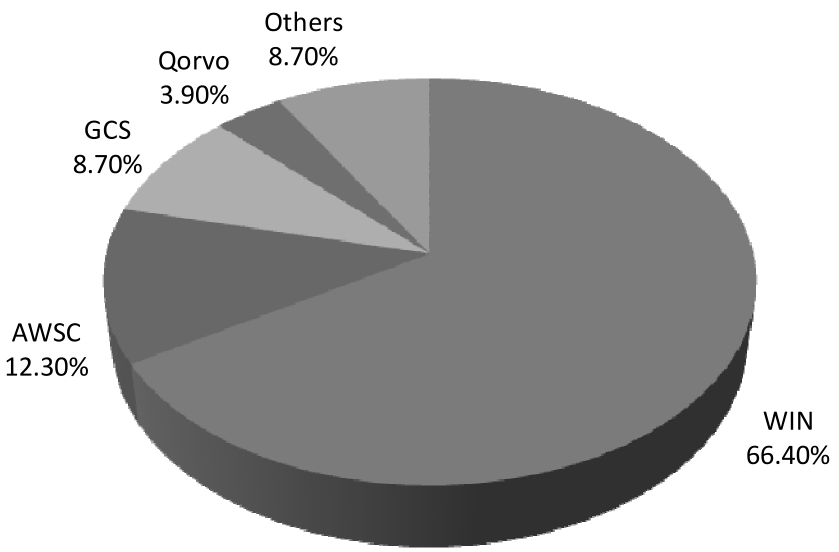
2016 World GaAs Device Vendor Market Share



Source: Strategic Analytics

In addition, the GaAs OEM/ODM foundry players include WIN Semi, Advanced Wireless Semiconductor Co (AWSC) GCS and Qorvo, jointly accounted 91.3% of the total market share in 2016 according to Strategy Analytics. Among the four players, WIN Semi, AWSC and GCS are pure play foundries, which do not produce their own designs, while Qorvo is also an IDM. Many customers prefer outsourcing to pure play foundries to prevent their product information from being disclosed to competitors and potential conflicts of interest. Thus, pure play foundries have been steadily gaining market share. According to Strategy Analytics, in 2016 WIN Semi held 66.4% of GaAs foundry market share.

2016 World GaAs foundry Vendor Market Share



Source: Strategy Analytics

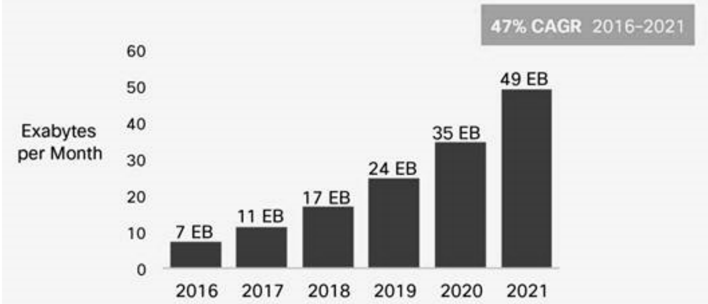
C. Future Market Supply, Demand, and Growth Status

Wireless communication products are the main driver for the GaAs industry, and cellular applications are still the largest market for GaAs followed by Wi-Fi and infrastructure demands. In terms of the cellular market, the PA demand has begun to increase as the maturity of the GaAs technology reduces the manufacturing costs, and the smartphone requirements for greater functionality. In general, a 2G cellular phone requires 1 to 2 PAs, a 3G cellular phone needs 3 to 4 PAs, and a 4G LTE cellular phone needs to be equipped with even more PAs. In recent years, although the global smartphone growth momentum has waned and the compound annual growth rate (CAGR) for the global smartphone shipment volume is anticipated to drop to 4% between 2016 and 2020, the cellular PA still has 10% growth room and the Wi-Fi PA can grow up to 18% according to statistics by Mizuho. Mizuho also states that if add on the infrastructure demands from high-frequency base station and satellite transmission, the CAGR in the overall wireless RF PA market still can reach up to 8%. In addition, as 4G LTE gradually matures, carrier aggregation (CA) or LTE-Advance is regarded as the solution for the demand for faster transmission speed and bandwidth requirement before the advent of 5G, which has become another growth driver of the GaAs industry. According to JP Morgan estimates, the penetration of PA that adopts CA technology has grown from 17% in 2014 to 42% in 2015, and is anticipated to reach the 66% level by 2019 with CAGR of up to 30%.

In addition to the highly penetration of the existing markets, the explosion of mobile network traffic that has boosted 4G LTE, and the needs for fiber network deployment; the popularity of IoT in the future will drive the GaAs application to increase and expand the scale of the GaAs market rapidly. According to the forecasted from Gartner Inc., the global IoT connected devices will increase 3 times form 6.4 billion in 2016 to 20.4 billion in 2020. Also, the shipment for wearable devices and smart home devices will be more than the shipment for smartphones at the end of 2017. Moreover, according to the latest “Ericsson Mobility Report” published at the end of 2016, in the future 5 years, although 4G LTE will still be the mainstream, 5G will grow rapidly and there will be 550 million 5G subscriptions in 2022. Ericsson states that “Almost 90 percent of smartphone subscriptions are on 3G and 4G networks today and standardized 5G networks are expected to be available in 2020. We are already seeing a great interest among operators in launching pre-standard 5G networks. 5G will accelerate the digital transformation in many industries, enabling new use cases in areas such as IoT, automation, transport and big data.” Also, Ericsson forecasted that there will be around 29 billion connected devices in 2022 of which 18 billion will be related to IoT.

In addition, according to Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, global mobile data traffic will increase sevenfold between 2016-2021 which means a CAGR of 47 percent from 2016 to 2021. Global mobile data traffic grew 63 percent in 2016 and is expected to grow 56 percent in 2017. With the popularity of IoT, mobile videoing, AR, and VR, and providing a more innovative experience for consumers and business users, 5G technology will play an important role, not only in terms of mobility, but also in the entire network connection. Thus, the national telecommunication providers have its necessity to actively expanding 4G/5G and fiber optic networks.

Forecasts of Mobile Data Traffic per month from 2016 to 2021 by Cisco



Source: Cisco VNI Mobile, 2017

D. Competitive Advantage

1. Professional Management Team

We have a strong and stable management team. Our chairman of the board, Mr Chin-Tsai Chen, has been chairman of our Company since 2003 and has led us to achieve consistent market share gains and significant profits. Our senior management team consists of professional executives with extensive industry experience in various aspects of our operations. A majority of the members of our technology management team have overseas educational backgrounds and work experience, and many worked in leading technology companies such as Bell Labs, United Microelectronics Corporation (“UMC”), Macronix International Co., Ltd., M/A-COM, Skyworks, Anadigics and Raytheon Company. We believe that our outstanding management team will continue to drive our success in the future.

2. Diversification in Technology and Strong R&D Capability

The strengths of our Company's technical teams include high-level proprietary technologies; the ability to provide key technology manufacture services; and mastery of the HBT, pHEMT, BiHEMT, and GaN optical communications technologies. We can satisfy these application demands simultaneously, assist customers to rapidly develop new products, and provide one-stop shopping and total solution services to our customers.

3. Close Relationships with Industry Supply Chain

As GaAs comprised the key components for the communications industry; yield rate, quality stability, and rapid delivery have become standard requirements from the IC design houses and IDM companies. Due to the long period of time needed by customers to qualify a supplier and the risks of trade secret leakage, the costs to qualify a potential foundry is extremely high. Once the qualification has passed and the quality, delivery time, and manufacture capacity have all meet the requirements, the probability for the customer to switch to another foundry is very low. Therefore, once an IDM company has selected a foundry, it is not easy to make replacements. The quality of the Company's products has been affirmed by its downstream customers and has successively been certified by global IDMs, and we have built close relationships with industry leaders.

4. Capacity Scale

The Company has continued to invest in high-performance automation equipment. As of the end of 2016, the Company's Hwaya Fab A & B and the new Guishan Fab C have total capacity of 29,000 wafers per month. With solid management system and R&D investments, we can optimize the yield rate and produce high quality products in the shortest time possible, and reduce production costs to satisfy customer demands. Because we can provide adequate capacity, we can reduce the risk for customers to invest in capacity themselves.

5. High Product Quality and Market Awareness

The Company offers competitive prices, faster delivery, stable yield rate, and better foundry service quality to attract customers and strengthen the relationship with the customers through strategic alliances. The customer base of the Company includes IC design houses and IDMs, and we have successively passed the qualifications from numerous global companies. We are highly acclaimed for our quality, yield rate, prompt delivery, and cost advantages; and we have become the world's largest GaAs foundry service company since 2010.

6. **Pure play Foundry Service Business Model**

   In addition to solidifying its smartphone market, the Company has continued to develop more cost-effective and higher value-added high frequency technologies to maintain its mid- and long-term competitive advantages. Since the Company is a pure-play foundry, the Company manufactures GaAs chips based on proprietary circuitry designs provided by customers. The company does not design its own GaAs chips and thus do not compete with its customers. Also, the foundry business model involves customers passing their proprietary design information to the Company for manufacturing, the Company's fabless and IDM customers do not perceive a conflict of interest in working with the Company and are more willing to share manufacturing know-how with the Company. The Company's pure-play model contributes to a higher degree of trust among customers and further strengthens the relationship with them.

7. **Provide Customers with Value-added Services**

   The Company has established good partnership with its customers to provide efficient services and advanced technology, assist customers to resolve process technology related issues or quickly launch new products, and thereby seize market opportunities.

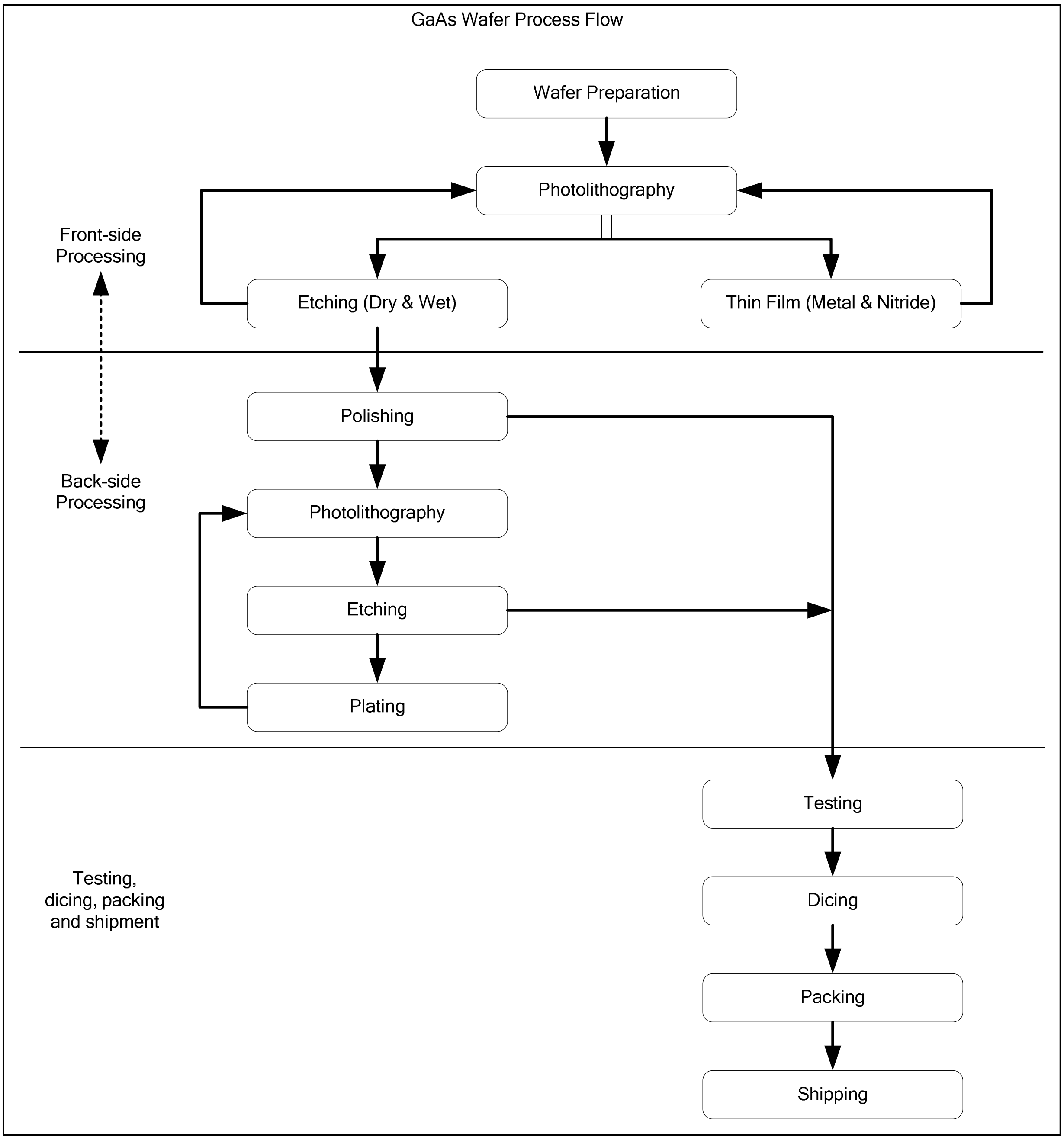
Important Purpose and Production Process of the Main Products

A. Important Purpose of the Main Products

Market Applications	**Device Technology**
Cable TV tuner	BiHEMT，pHEMT
Fiber-Optic Nodes	pHEMT，HBT，BiHEMT
Cellular/ PCS/ Wireless Local Loop (WLL)	HBT，pHEMT，BiHEMT
Wireless LAN (WLAN)	HBT，pHEMT，BiHEMT
Global Positioning (GPS)	pHEMT，BiHEMT
Satellite Cellular	pHEMT，BiHEMT
Electronic Toll Collection System (ETC)	pHEMT，BiHEMT
Point-to-Point Radio	pHEMT，BiHEMT
Very Small Aperture Terminal (VSAT)	pHEMT，BiHEMT
Satellite TV	pHEMT，BiHEMT
Broadband Satellite Services	pHEMT
Local Multipoint Distribution (LMDS) Multipoint Video Distribution Service (MVDS)	pHEMT
Automotive Radar - Smart Cruise Control	pHEMT，HBT

B. Manufacturing Process

GaAs wafer processing consists of two main steps: front-side processing and back-side processing. The front-side processing is a sequence of processing steps that forms the functional transistors and other devices on the wafer surface as well as metal layers that interconnect these individual functional devices, according to the proprietary circuitry design provided by our customers. The back-side processing is a sequence of processing steps that creates vias through the wafer and connects the front side of the wafer to the back side of the wafer where certain contact pads for the chip are also defined. The diagram below illustrates our manufacturing process:



Raw Materials and Suppliers

Major types of raw materials used in our manufacturing process include GaAs epi wafers, precious metals such as gold and copper, various chemicals and photolithography masks. We seek to establish long-term relationships with stable and reliable suppliers to ensure uninterrupted supply of these raw materials on mutually satisfactory price, quality and delivery terms.

Most of our raw materials are available from several sources, both within Taiwan and abroad. We select only those suppliers that have demonstrated superior quality control and reliability regarding delivery time. We maintain several sources for each raw material so that a quality or delivery problem with any one supplier will not adversely affect our operations. The lead time required by our suppliers is generally less than one month from the date the purchase order is received. We evaluate the quality and delivery performance of each supplier on a monthly or quarterly basis, and quantity allocations are adjusted for subsequent periods based upon these evaluations.

A List of Any Customers and Suppliers Accounting For 10 Percent or More of the Annual Net Revenue in Either of the 2 Most Recent Fiscal Years

A. Customers that Accounted for at Least 10% of Annual Net Revenue

Unit: NT$ thousand; %

2015				2016			
Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN	Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN
Company A	4,434,213	36.90	None	Company A	3,821,509	28.05	None
Company B	2,309,242	19.22	None	Company C	2,035,699	14.94	None
Company C	212,071	1.77	None	Company B	0	0.00	None
Others	5,060,221	42.11	—	Others	7,765,868	57.01	—
Total Net Revenue	12,015,747	100.00	—	Total Net Revenue	13,623,076	100.00	—

B. Suppliers Accounted for at Least 10% of Annual Net Procurement

Unit: NT$ thousand; %

2015				2016			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN
Company D	1,848,585	31.28	None	Company F	683,461	11.74	None
Company E	694,909	11.76	None	Company E	580,163	9.97	None
Company F	0	0.00	None	Company D	484,208	8.32	None
Others	3,365,626	56.96	—	Others	4,071,663	69.97	—
Total Net Procurement	5,909,120	100.00	—	Total Net Procurement	5,819,495	100.00	—

Production in the Last Two Years

Unit: Pieces; NT$ thousand

Year	2015			2016		
Item / Products	Capacity	Output	Amount	Capacity	Output	Amount
Wafers	251,850	204,937	$7,107,026	254,890	217,404	$8,504,268
Total	251,850	204,937	$7,107,026	254,890	217,404	$8,504,268

Shipments and Net Revenue in the Last Two Years

Unit: Pieces; NT$ thousand

Item / Product	2015				2016			
	Export		Domestic		Export		Export	
	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue
Wafers	187,071	$ 11,035,313	15,313	$ 979,404	179,201	$ 11,416,836	31,796	$ 2,000,987
Others	0	$ 0	0	$ 1,030	0	$ 187,587	0	$ 17,666
Total	187,071	$ 11,035,313	15,313	$ 980,434	179,201	$ 11,604,423	31,796	$ 2,018,653

5.3. The Number of Employees Employed, Average Years of Service of Employees Employed, Average Age of Employees Employed, and Education Levels of Employees Employed for the 2 Most Recent Fiscal Years, and Up to the Date of the Annual Report

Year		December 31, 2015	December 31, 2016	April 30, 2017
Number of Employees	Executive Officer	219	245	242
	Staff	773	864	907
	Direct Employees	809	938	1,018
	Total	1,801	2,047	2,167
Average Age		33.88	34.05	32.99
Average Years of Service (Years)		4.48	4.64	4.58
Education Ratio (%)	Ph.D.	2.01%	1.81%	1.62%
	Masters	22.15%	21.93%	21.18%
	Bachelor's Degree	59.85%	60.48%	61.19%
	Senior High School	15.99%	15.78%	16.01%
	Total	100%	100%	100%

5.4. Environmental Protection Expenditure Information

The total amount of losses (including compensation) and fines due to environmental pollution in the last year and as of the publication date of this annual report, future countermeasures (including improvement measures), and possible expenditures (including the anticipated loss, disposition, and compensation amounts incurred for not adopting the response measures; for amounts that cannot be reasonably estimated, please explain why):

The Company is committed to investing in environmental protection and the facilities that can improve pollution prevention and control. In addition to implementing routine maintenance and management for our existing equipment, we will continue to expand the procurement of the relevant wastewater, waste gas, and special chemical substance control devices as well as continue with local exhaust treatment projects.

5.5. Employment Benefits

We maintain an employee noncontributory defined benefit pension plan for our employees in accordance with the ROC Labor Standards Law. To meet our obligations under the ROC Labor Standards Law, we have set up a pension fund and contribute 2% of the total salary and wages paid per month to the fund, for which the Bank of Taiwan acts as trustee. Any insufficiency is also required to be funded by us.

Under the ROC Labor Pension Act, each of our employees who is a resident of the ROC has an individual pension account with the Labor Insurance Bureau. With this individual account, even if his/her employment with us is terminated, he/she may continue to build up his or her retirement savings with a new employer. All employers under the Labor Pension Act are required to deposit a minimum of 6% of an employee's monthly salary into his or her pension account. However, the new pension plan will be applied only at the election of an employee. If the employee does not elect to apply the new pension plan by July 1, 2010, such option will expire and the old pension plan will continue to apply to that employee.

Our employees also participate in our profits in multiple ways. Employees may receive incentives in cash bonuses. The aggregate amount of these bonuses is determined based on our performance and is divided among the employees of each department based upon their individual performance. We also are required under ROC law to establish an employee welfare fund, into which we deposit, on a monthly basis, 0.05% of our net revenue. Under ROC law, our employees also could subscribe to our company's shares when we conduct a share offering to the public. In addition, we may, subject to shareholders' approval, distribute any remaining accumulated retained earnings as employee bonuses. Pursuant to our amended Articles of Incorporation as of June 5, 2012, 10% of the balance of annual income or earnings after deducting accumulated deficit, is first set aside as a legal reserve.

However, this appropriation for legal reserve is discontinued when the balance of legal reserve equals the authorized capital. Of the remaining balance of the earnings, our Board of Directors will decide, subject to shareholders' approval, the total stockholders' dividends. The total stockholders' dividends will be further appropriated as follows: (A) 5% to 10% as employees bonuses, (B) 1% to 3% as directors' and supervisors' remuneration and (C) the remaining balance, excluding (A) and (B), will be distributed to stockholders as dividends of which cash dividends should not be lower than 10% of the total stockholders' dividends. We have recently adopted a share option scheme for our employees.

5.6. Important Contracts

Type	Contractual Parties	Commencement Date and Expiration Date	Subject
Technology Cooperation Agreement	Industrial Technology Research Institute	2008/12/1~2018/11/30	1. Licensing of antenna switch MMIC design 2. Joint development of integrated RF module
Construction Agreement	Terms and conditions cannot be disclosed according to the confidentialility obligation under the agreement	2013/08/26 ~ expiration date of warranty period	Reconstruction of Fab C
Technology Licensing Agreement	Terms and conditions cannot be disclosed according to the confidentialility obligation under the agreement	2010/11/11 ~ each expiration date of patents and know-how under the agreement	Licensing of packaging technology
Syndicated Loan Agreement	Mega International Commercial Bank and other sixteen banks	2011/02/18~2018/02/18	Syndicated loan: NT$4,800 million

VI. FINANCIAL STATUS

6.1. Five-Year Financial Summary

A. Condensed Balance Sheets - IFRSs

Unit: NT$ thousand

Item \ Year		Consolidated Financial Statements					Parent-company-only Financial Statements				
		Five-Year Financial Summary (Note 1)					Five-Year Financial Summary (Note 1)				
		2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Current Assets		8,566,330	5,688,964	7,124,744	6,984,103	7,819,409	8,317,081	5,377,369	6,587,454	6,762,413	6,546,222
Property, plant and equipment		11,617,771	12,636,304	11,652,510	11,623,190	13,348,978	11,617,640	12,636,187	11,652,290	11,622,870	13,181,802
Intangible Assets		82,708	64,248	54,422	62,370	229,539	82,708	64,248	54,422	62,370	73,352
Other Assets		3,322,654	2,721,988	2,984,232	5,441,810	5,012,713	3,566,243	3,021,839	3,497,146	5,629,110	5,790,520
Total Assets		23,589,463	21,111,504	21,815,908	24,111,473	26,410,639	23,583,672	21,099,643	21,791,312	24,076,763	25,591,896
Current Liabilities	Before Distribution	3,614,184	2,327,448	2,748,606	4,605,604	4,194,420	3,608,393	2,315,587	2,724,010	4,570,894	4,067,122
	After Distribution	4,750,429	3,437,245	2,897,285	4,903,937	(Note 2)	4,744,638	3,425,385	2,872,689	4,869,227	(Note 2)
Non-current Liabilities		5,621,731	3,892,479	3,127,652	2,296,769	3,898,335	5,621,731	3,892,479	3,127,652	2,296,769	3,898,335
Total Liabilities	Before Distribution	9,235,915	6,219,927	5,876,258	6,902,373	8,092,755	9,230,124	6,208,066	5,851,662	6,867,663	7,965,457
	After Distribution	10,372,160	7,329,724	6,024,937	7,200,706	(Note 2)	10,366,369	7,317,864	6,000,341	7,165,996	(Note 2)
Total Equity Attributable to Owners of Parent		14,353,548	14,891,577	15,939,650	17,209,100	17,626,439	14,353,548	14,891,577	15,939,650	17,209,100	17,626,439
Share Capital		7,541,877	7,392,754	7,422,377	5,965,641	4,076,664	7,541,877	7,392,754	7,422,377	5,965,641	4,076,664
Capital Surplus		3,763,045	3,728,358	3,768,620	3,815,017	3,758,737	3,763,045	3,728,358	3,768,620	3,815,017	3,758,737
Retained Earnings	Before Distribution	3,202,764	3,671,483	4,527,782	7,015,498	9,376,801	3,202,764	3,671,483	4,527,782	7,045,498	9,376,801
	After Distribution	2,066,519	2,561,686	4,379,103	6,747,165	(Note 2)	2,066,519	2,561,685	4,379,103	6,747,165	(Note 2)
Other Equity		(154,138)	98,982	220,871	382,944	761,897	(154,138)	98,982	220,871	382,944	761,897
Treasury Shares		0	0	0	0	(347,660)	0	0	0	0	(347,660)
Non-controlling Interests		0	0	0	0	691,445	0	0	0	0	0
Total Equity	Before Distribution	14,353,548	14,891,577	15,939,650	17,209,100	18,317,884	14,353,548	14,891,577	15,939,650	17,209,100	17,626,439
	After Distribution	13,217,303	13,781,780	15,790,971	16,910,767	(Note 2)	13,217,303	13,781,779	15,790,971	16,910,767	(Note 2)

Note 1: The financial information has been audited by independent auditors.

Note 2: The appropriation of earnings for 2016 shall be determined by the 2017 annual regular shareholders' meeting.

B. Condensed Statements of Comprehensive Income - IFRSs

Unit: NT$ thousand, except for earnings per share

Item \ Year	Consolidated Financial Statement					Parent-company-only Financial Statement				
	Five-Year Financial Summary (Note)					Five-Year Financial Summary (Note)				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Operating Revenue	11,237,964	10,481,303	9,910,010	12,015,747	13,626,076	11,066,244	10,340,949	9,776,226	11,904,017	13,299,527
Gross Profit	3,635,946	3,232,185	3,509,596	4,761,031	4,989,252	3,464,226	3,091,831	3,384,889	4,712,349	4,885,266
Net Operating Income	2,448,136	2,109,615	2,314,692	3,510,364	3,494,602	2,394,326	2,046,556	2,277,533	3,556,040	3,526,852
Non-operating Income and Expenses	(611,120)	102,780	114,262	(76,726)	392,942	(557,334)	165,815	151,361	(122,657)	376,732
Profit before Tax	1,837,016	2,212,395	2,428,954	3,433,638	3,887,544	1,836,992	2,212,371	2,428,894	3,433,383	3,903,584
Profit from Continuing Operations	1,554,253	1,811,510	1,963,469	2,671,627	3,096,305	1,554,253	1,811,510	1,963,469	2,671,627	3,112,774
Profit from Discontinued Operations	0	0	0	0	0,	0	0	0	0	0
Profit	1,554,253	1,811,510	1,963,469	2,671,627	3,096,305	1,554,253	1,811,510	1,963,469	2,671,627	3,112,774
Other Comprehensive Income, after Tax	75,302	262,888	124,517	156,841	340,654	75,302	262,888	124,517	156,841	367,600
Comprehensive Income	1,629,555	2,074,398	2,087,986	2,828,468	3,436,959	1,629,555	2,074,398	2,087,986	2,828,468	3,480,374
Profit, Attributable to Owners of Parent	1,554,253	1,811,510	1,963,469	2,671,627	3,112,774	1,554,253	1,811,510	1,963,469	2,671,627	3,112,774
Profit, Attributable to Non-controlling Interests	0	0	0	0	(16,469)	0	0	0	0	0
Comprehensive Income, Attributable to Owners of Parent	1,629,555	2,074,398	2,087,986	2,828,468	3,480,374	1,629,555	2,074,398	2,087,986	2,828,468	3,480,374
Comprehensive Income, Attributable to Non-controlling Interests	0	0	0	0	(43,415)	0	0	0	0	0
Earnings Per Share (expressed in dollars)	2.31	2.40	2.65	3.97	6.04	2.31	2.40	2.65	3.97	6.04

Note: The financial information has been audited by independent auditors.

C. Auditors' Opinions in the Past Five Years

Year	CPA Firm	CPA's Name	Auditing Opinion
2012	KPMG	Yai-Ling Chen and Agnes Yang	Unqualified opinion
2013	KPMG	Yai-Ling Chen and Mei-Yen Chen	Unqualified opinion
2014	KPMG	Mei-Yen Chen and Pei-Chi Chen	Unqualified opinion
2015	KPMG	Mei-Yen Chen and Pei-Chi Chen	Unqualified opinion
2016	KPMG	Yai-Ling Chen and Mei-Yen Chen	Unqualified opinion

6.2. Five-Year Financial Analysis

A. Financial Analysis of Financial Statements - IFRSs

Item (Note 2) / Year		Consolidated Financial Statements					Parent-company-only Financial Statements				
		Financial Analysis in the Past Five Years (Note 1)					Financial Analysis in the Past Five Years (Note 1)				
		2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
Financial Structure (%)	Debt Ratio	39.15	29.46	26.94	28.63	30.64	39.14	29.42	26.85	28.52	31.12
	Long-term Funds to Property, Plant and Equipment	171.94	148.65	163.63	167.82	166.43	171.94	148.65	163.64	167.82	163.29
Solvency (%)	Current Ratio	237.02	244.43	259.21	151.64	186.42	230.49	232.22	241.83	147.95	160.95
	Quick Ratio	174.85	189.95	202.49	94.60	115.00	168.26	177.49	184.60	90.48	91.12
	Times Interest Earned Ratio	15.77	22.38	34.34	63.29	76.33	15.77	22.38	34.34	63.28	76.65
Operating Ability	Accounts Receivable Turnover (turns)	13.20	12.33	14.79	17.29	15.40	14.55	14.51	23.29	21.78	15.37
	Days to Collect Accounts Receivable (day)	28	30	25	21	24	25	25	16	17	24
	Average Inventory Turnover (turns)	3.81	4.49	4.87	3.65	3.32	3.81	4.49	4.87	3.62	3.24
	Accounts Payable Turnover (turns)	6.87	8.25	8.18	6.48	7.56	6.87	8.25	8.17	6.42	7.47
	Average Days to Sell Inventory	96	81	75	100	110	96	81	75	101	113
	Property, Plant and Equipment Turnover (turns)	1.06	0.86	0.82	1.03	1.09	1.04	0.85	0.81	1.02	1.07
	Total Assets Turnover (turns)	0.53	0.47	0.46	0.52	0.54	0.52	0.46	0.46	0.52	0.54
Profitability	Return on Total Assets (%)	7.74	8.40	9.33	11.68	12.32	7.74	8.41	9.34	11.70	12.60
	Return on Equity (%)	12.67	12.39	12.74	16.12	17.87	12.67	12.39	12.74	16.12	17.87
	Profit before Tax to Issued Capital (%)	24.36	29.93	32.72	57.56	95.36	24.36	29.93	32.72	57.55	95.75
	Profit to Sales (%)	13.83	17.28	19.81	22.23	22.73	14.04	17.52	20.08	22.44	23.41
	Earnings Per Share ($)	2.31	2.40	2.65	3.97	6.04	2.31	2.40	2.65	3.97	6.04
Cash Flow	Cash Flow Ratio (%)	82.07	214.76	139.34	106.23	90.27	78.07	221.34	145.47	101.11	93.91
	Cash Flow Adequacy Ratio (%)	59.84	87.11	102.97	117.83	147.08	59.12	83.62	103.65	117.07	142.20
	Cash Flow Reinvestment Ratio (%)	10.00	15.42	10.07	16.19	10.43	9.40	15.92	10.56	15.27	10.75
Leverage	Operating Leverage	2.27	2.77	2.56	2.15	2.42	2.27	2.80	2.56	2.11	2.36
	Financial Leverage	1.04	1.04	1.02	1.00	1.01	1.04	1.04	1.02	1.00	1.01

Analysis of financial ratio change in the last two fiscal years: (If the difference does not exceed 20%, the analysis is not required)

1. Financial Structure: N/A.
2. Solvency:
(1) The higher 2016 current ratio and quick ratio were mainly due to the increase in current assets, such as accounts receivable and inventories from growth in revenues.
(2) The higher 2016 times interest earned ratio was mainly due to an increase in profit before tax.
3. Operating Ability: N/A.
4. Profitability: The higher profit before tax to issued capital ratio and EPS were mainly due to an increase in profit before tax from revenue growth and a decrease in paid-in from execution of capital reduction.
5. Cash Flow:
(1) The higher 2016 cash flow adequacy ratio was mainly due to the increasing operating cash inflow for the recent 5-years.
(2) The lower 2016 cash flow reinvestment ratio was mainly due to building construction and capacity expansion causing the increase in property, plant and equipment.
6. Leverage: N/A.

Note 1: The financial information has been reviewed or audited by independent auditors.

Note 2: The Formula of Financial Analysis:

1. Financial Structure Analysis (%)
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Property, Plant and Equipment, Net
2. Solvency (%)
   (1) Current Ratio = Current Assets / Current Liability
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liability
   (3) Times Interest Earned Ratio = Profit before Credit for Income Tax / Current Interest Expense
3. Operating Ability
   (1) Accounts Receivable Turnover = Sales / Average Accounts Receivable
   (2) Days to Collect Accounts Receivable = 365 / Accounts Receivable Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventories
   (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payable
   (5) Average Days to Sell Inventory = 365 / Average Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Sales / Average Property, Plant and Equipment, Net
   (7) Total Assets Turnover = Sales / Total Assets
4. Profitability
   (1) Return on Total Assets = [Profit + Interest Expense X (1 - Tax Rate)] / Average Assets
   (2) Return on Equity = Profit / Average Total Equity
   (3) Profit before Tax to Issued Capital = Profit before Tax / Issued Capital
   (4) Profit to Sales = Profit / Sales
   (5) Earnings Per Share = (Equity Attributable to Owners of Parent - Dividend-preferred stock) / Weighted Average Outstanding Shares
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liability
   (2) Cash Flow Adequacy Ratio = 5-year Net Cash Flows from Operating Activities / 5-year (Capital Expense + Increase in Inventories + Cash Dividend)
   (3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities - Cash Dividend) - (Property, Plant and Equipment, Net + Long-term Investments + Other Non-current Assets + Operating Capital)
6. Leverage
   (1) Operating Leverage = (Net Sales – Variable Operating Costs and Expenses) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

6.3. Audit Committee' Report for the Most Recent Year

2016 AUDIT COMMITTEE'S REVIEW REPORT

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements (parent-company-only & consolidated), and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit WIN's Financial Statements and has issued an audit report relating to the Financial Statements.

The Audit Committee is responsible for supervising the financial reporting process of the Company. The CPAs communicated the following matters to the Audit Committee when they audited and attested the Company's 2016 financial statements:

1. The scope and timing of the audit conducted by CPAs was communicated and that there were no significant audit findings during their audit.
2. The CPAs provided the Audit Committee with a statement stating that the Committee has complied with the relevant ethical requirements regarding independence, and that there were no other matters that may reasonably be thought to bear on their independence.
3. The CPAs communicated with the Audit Committee on key audit matters and determined that key audit matters should be communicated in the auditors' report.

The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of WIN Semiconductors Corp. According to relevant article 14-4 of the Securities and Exchange Act and article 219 of the Company Law, we hereby submit this report.

WIN Semiconductors Corp.
Chairman of the Audit Committee: Wei-Lin Wang

March 23, 2017

6.4. Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

Please refer to page 90-162 of this annual report.

6.5. Parent-company-only Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

Please refer to page 163-226 of this annual report.

6.6. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation

None

VII. REVIEW OF FINANCIAL CONDITIONS, OPERATING RESULTS, AND RISK MANAGEMENT

7.1. Financial Status

Analysis of Financial Status

Unit: NT$ thousand

Item \ Year	2015	2016	Difference	
			Amount	%
Current assets	6,984,103	7,819,409	835,306	+12%
Property, Plant and Equipment	11,623,190	13,348,978	1,725,788	+15%
Intangible assets	62,370	229,539	167,169	+268%
Other assets	5,441,810	5,012,713	(429,097)	-8%
Total assets	24,111,473	26,410,639	2,299,166	+10%
Current liabilities	4,605,604	4,194,420	(411,184)	-9%
Non-current liabilities	2,296,769	3,898,335	1,601,566	+70%
Total liabilities	6,902,373	8,092,755	1,190,382	+17%
Share capital	5,965,641	4,076,664	(1,888,977)	-32%
Capital surplus	3,815,017	3,758,737	(56,280)	-1%
Retained earnings	7,045,498	9,376,801	2,331,303	+33%
Other equity interest	382,944	761,897	378,953	+99%
Treasury shares	0	(347,660)	(347,660)	n.a.
Equity attributable to owners of parent	17,209,100	17,626,439	417,339	+2%
Total equity	17,209,100	18,317,884	1,108,784	+6%

Effect of Change on the Company’s Financial Condition

1. Intangible assets: The increase in intangible assets was mainly due to an increase in goodwill arising from the Company gaining control of its subsidiaries in the third quarter of 2016.
2. Non-current liabilities: The increase in non-current liabilities was mainly due to an increase in long-term debt arising from capacity expansion.
3. Share capital: The decrease in share capital was due to the 30% capital reduction by distributing cash to shareholders in 2016 in order to improve the capital structure.
4. Retained earnings: The increase in retained earnings mainly came from profit growth in 2016.
5. Other equity interest: The increase in other equity interest came from the increase in market price of fair value of available-for-sale financial assets in 2016.
6. Treasury shares: The increase in treasury shares was due to treasury stocks purchased by the Company for shares redemption plan in order to preserving company good will and shareholders' equity has not yet retired.

Future Response Actions

The above-mentioned changes on financial condition resulted from operating revenue and profit growth that was reasonable.

7.2. Finance Performance

Analysis of Finance Performance

Unit: NT$ thousand

Item \ Year	2015	2016	Difference	
			Amount	%
Operating revenue	12,015,747	13,623,076	1,607,329	+13%
Operating costs	7,254,716	8,633,824	1,379,108	+19%
Gross profit from operations	4,761,031	4,989,252	228,221	+5%
Operating expenses	1,250,667	1,494,650	243,983	+20%
Net operating income	3,510,364	3,494,602	(15,762)	-0.4%
Non-operating income and expenses	(76,726)	392,942	469,668	-612%
Profit before tax	3,433,638	3,887,544	453,906	+13%
Tax expense	762,011	791,239	29,228	+4%
Profit	2,671,627	3,096,305	424,678	+16%
Other comprehensive income, net	156,841	340,654	183,813	+117%
Comprehensive income	2,828,468	3,436,959	608,491	+22%
Total equity attributable to owners of parent	2,671,627	3,112,774	441,147	+17%
Comprehensive income attributable to owners of parent	2,828,468	3,480,374	651,906	+23%

Effect of Change on the Company's Financial Condition

1. Operating expenses: The increase in operating expenses was mainly due to the increase in business scale and the capacity expansion causing the personnel expenses to rise and the newly added consolidated entity in the third quarter of 2016.
2. Non-operating income and expenses: The increase in non-operating income and expenses came from the increase in market price of fair value of available-for-sale financial assets and the decrease in investment loss from share of loss of associates and joint ventures accounted for using equity method.
3. Other comprehensive income, net: The increase in other comprehensive income came from the increase in market price of fair value of available-for-sale financial assets in 2016.

Effect of Change on the Company's Future Business and Future Response Plans

The Company is not required to disclose its financial forecast but has set up its internal target based on industrial environment and market demand. The Company will also keep investing in new technologies, quality improvement and cost-down to achieve the target of profitability.

7.3. Cash Flow

Cash Flow Analysis for the Current Year

Item \ Year	2015	2016	Variance (%)
Cash Flow Ratio (%)	106.23%	90.27%	-15.02%
Cash Flow Adequacy Ratio (%)	117.83%	147.08%	+24.82%
Cash Flow Reinvestment Ratio (%)	16.19%	10.43%	-35.58%
Analysis of financial ratio change: 1. The higher 2016 cash flow adequacy ratio was mainly due to the increasing operating cash inflow for the recent 5-years. 2. The lower 2016 cash flow reinvestment ratio was mainly due to building construction and capacity expansion causing the increase in property, plant and equipment			

Remedy for Cash Deficit and Liquidity Analysis

None

Cash Flow Analysis for the Coming Year

Unit: NT$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Cash Balance	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
2,388,143	6,046,587	(6,514,730)	1,920,000	—	—

- Analysis of change in cash flow in the coming year:
  (1) Operating Activities: The cash inflow will be generating from operating profit.
  (2) Cash Outflow:
  Investment Activities: The cash outflow will be mainly due to the acquisition of fixed assets.
  Financing Activities: The cash outflow will be mainly due to repayments of loans from banks and cash dividends payment.
- Remedy for Cash Deficit and Liquidity Analysis: None

7.4. The Effect on Finance and Sales of Major Capital Expenditure for the Current Year

The 2016 capital expenditures was NT$3,225,878 thousand, which were primarily for building construction and expansion in facilities, machine and equipment. The source of funds came from working capital. The above-mentioned capital expenditures were to spend for future growth in operation, capacity and profitability by reducing unit cost from scale.

7.5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

Investment Policy

To secure our current market position and explore new competitive advantage to sustain the future growth momentum, the Company investment strategy is focusing on wireless communications, green energy, biotechnology and hog farming technology in addition to the existing field of compound semiconductors.

Main Causes for Profits or Losses and the Improvement Plans in Last Year

The Company's investment loss, totaling NT$49,835 thousand, mainly due to the weaker sales than expected in solar cell and microarray products.

The Investment Plans for the Coming Year

The Company will carefully evaluate investment plans as needed and implement them accordingly.

7.6. Risk Management

Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest Rate

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 (decreased) increased by $12,443 thousand and $12,226 thousand for the years ended December 31, 2016 and 2015, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

B. Foreign Exchange Rates

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, net, other receivables, current financial assets at fair value through profit or loss, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc for the years ended December 31, 2016 and 2015 would have increased (decreased) the net profit after tax by $90,436 and $64,919, respectively, and would have increased (decreased) other comprehensive income by $2,089 and $0, respectively. The analysis assumes that all other variables remain constant.

C. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee". Furthermore, derivative transactions follow the "Procedures for Acquisition or Disposal of Assets".

Future Research & Development Projects and Corresponding Budget

The GaAs industry is characterized by frequent and rapid changes in technology. We aggressively invest in technology research and development, based on our current achievements, we aim to provide our customers with more competitive processing technologies and to further strengthen our leading position in the GaAs foundry industry. The 2016 R&D expenses was NT$ 606,344 thousand and expect to increase to 677,433 thousand in 2016, which will be adjusted from time to time.

Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company always pays close attention to any changes in local and foreign policies and makes appropriate amendments to our systems when necessary. The changes in related laws had not had a significant impact on our operations.

Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

The Company is fully monitors market trends and assesses the impact they may have on the Company's operations.

The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized many public welfare activities.

Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities.

Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

Any expansion of the Company's facilities will be subject to careful evaluation by a special task force in accordance with the Company's internal control system.

Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

Effects of, Risks Relating to and Response to Changes in Control over the Company

The structure of our principal shareholders is solid, and we have a strong professional management team, so there is no risk that a change in control would cause damage to the Company.

Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings: None.

Other Major Risks

None

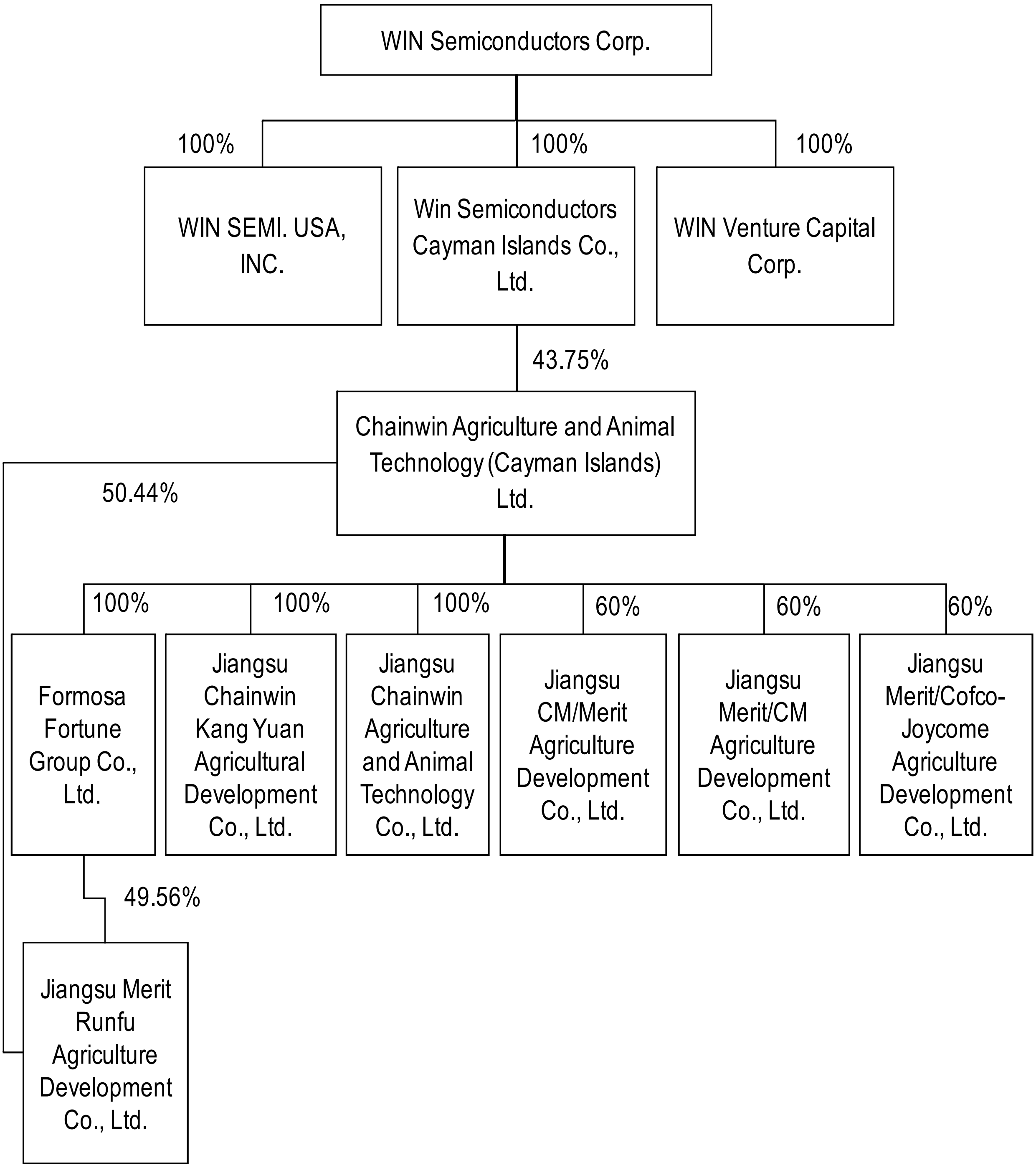
VIII. SPECIAL DISCLOSURE

8.1. Information Regarding Affiliates

Summary of Affiliates

A. Affiliates Overview

(1) Organization of Affiliates: Dec. 31, 2016



(2) Basic Information on Affiliates

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital	Main Business
WIN SEMI. USA, INC.	October 3, 2000	California, USA	USD 312 thousand	Market research
Win Semiconductors Cayman Islands Co., Ltd.	September 14, 2007	Cayman Islands	USD 22,000 thousand	Selling GaAs wafers
WIN Venture Capital Corp.	April 25, 2014	Taiwan, R.O.C.	NTD 250,000 thousand	Investment activities
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	January 7, 2010	Cayman Islands	USD 24,000 thousand	Investment activities
Formosa Fortune Group Co., Ltd.	May 6, 2012	British Virgin Islands	USD 1,283 thousand	Investment activities
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	March 22, 2012	Jiangsu, China	RMB 42,943 thousand	Developing hog farming technology and trading
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	November 2, 2016	Jiangsu, China	USD 1,500 thousand	Developing hog farming technology and trading
Jiangsu CM/Merit Agriculture Development Co., Ltd.	December 25, 2015	Jiangsu, China	USD 6,000 thousand	Developing hog farming technology and trading
Jiangsu Merit/CM Agriculture Development Co., Ltd.	January 14, 2016	Jiangsu, China	USD 3,000 thousand	Developing hog farming technology and trading
Jiangsu Merit/Cofco- Joycome Agriculture Development Co., Ltd.	June 17, 2016	Jiangsu, China	USD 4,800 thousand	Developing hog farming technology and trading
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	March 14, 2012	Jiangsu, China	RMB 16,177 thousand	Developing hog farming technology and trading

(3) Controlling and Subsidiary Shareholder Information: None

(4) The industries covered by the business operated by the affiliates overall: The main operation of the Company and its subsidiaries are (a) researching, developing, manufacturing, and selling of GaAs wafers, and (b) developing hog farming technology and trading.

(5) Directors, Supervisors, Presidents of Affiliates

Unit: Shares in thousands; %

Company	Title	Name or Representative	Shareholding	
			Shares	%
WIN SEMI. USA, INC.	Director	Chin-Tsai Chen, Yu-Chi Wang	0	0%
	CEO	Yu-Chi Wang		
Win Semiconductors Cayman Islands Co., Ltd.	Director	Chin-Tsai Chen	0	0%

Company	Title	Name or Representative	Shareholding	
			Shares	%
WIN Venture Capital Corp.	Director	Chin-Tsai Chen, Representative of WIN Semiconductors Corp. Shun-Ping Chen, Representative of WIN Semiconductors Corp. Mei-Jiuan Chen, Representative of WIN Semiconductors Corp.	25,000	100%
	Supervisor	Joe Tsen, Representative of WIN Semiconductors Corp.		
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Director	Chin-Tsai Chen, Chueh-Chien Chang, Chia-Hsin Huang, Kuei-Ching Wang, Hui-Jen Lo, Joe Tsen	0	0%
	Supervisor	Sen-Mao Lin		
Formosa Fortune Group Co., Ltd.	Director	Chueh-Chien Chang	0	0%
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Director	Yuan-Chun Li, I-Chen Sung, Chueh-Chien Chang	0	0%
	Supervisor	Joe Tsen	0	0%
	CEO	Kuo-Shun Hsiao	0	0%
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Director	Yuan-Chun Li, Chin-Tsai Chen, Chueh-Chien Chang	0	0%
	Supervisor	Joe Tsen		
	CEO	Yuan-Chun Li		
Jiangsu CM/Merit Agriculture Development Co., Ltd.	Director	Chueh-Chien Chang, Yuan-Chun Li, I-Chen Sung, Chia-Nung Hsu, Yun-Hsiang Shen	0	0%
	Supervisor	Yi-Shiung Chen, Lien-Sheng Tsung		
	CEO	Chueh-Chien Chang		
Jiangsu Merit/CM Agriculture Development Co., Ltd.	Director	Chueh-Chien Chang, Yuan-Chun Li, I-Chen Sung, Chia-Nung Hsu, Yun-Hsiang Shen	0	0%
	Supervisor	Yi-Shiung Chen, Lien-Sheng Tsung		
	CEO	Chueh-Chien Chang		
Jiangsu Merit/Cofco- Joycome Agriculture Development Co., Ltd.	Director	Chueh-Chien Chang, Yuan-Chun Li, I-Chen Sung, Chia-Nung Hsu, Yun-Hsiang Shen	0	0%
	Supervisor	Yi-Shiung Chen, Lien-Sheng Tsung		
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Director	Chueh-Chien Chang, Kuei-Ching Wang, Chin-Lu Li, Kun-Min Wu, Jian Yang, Cheng-Hung Yang	0	0%
	Supervisor	Yi-Shiung Chen, Jie Yang		
	CEO	Chueh-Chien Chang		

B. Operation Status of Affiliates

Fiscal Year 2016; Unit: NT$ thousand

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
WIN SEMI. USA, INC.	8,203	16,246	8,892	7,354	73,557	(3)	(102)	(0.10) (Note 1)
Win Semiconductors Cayman Islands Co., Ltd.	718,136	1,827,222	560,828	1,266,394	4,615,399	(4,379)	20,933	1.28 (Note 2)
WIN Venture Capital Corp.	250,000	161,083	620	160,463	17,666	6,547	6,144	0.25 (Note 3)
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd	774,000	1,059,100	6,690	1,052,410	0	(14,098)	106,308	5.83 (Note 4)
Formosa Fortune Group Co., Ltd.	41,393	36,800	0	36,800	0	(22)	(2,136)	Not applicable
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	198,397	347,072	62,976	284,096	382,787	109,189	132,846	Not applicable
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	48,375	48,041	0	48,041	0	(280)	77	Not applicable
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	74,738	62,620	2,597	60,023	0	(2,517)	(4,210)	Not applicable
Jiangsu CM/Merit Agriculture Development Co., Ltd.	193,500	185,671	9,208	176,463	0	(11,238)	(5,047)	Not applicable

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
Jiangsu Merit/CM Agriculture Development Co., Ltd.	96,750	92,791	3,420	89,371	0	(4,470)	(1,333)	Not applicable
Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd.	154,800	151,009	198	150,811	0	(725)	3,616	Not applicable

Note1: Imputed based on 1,000 thousand shares of WIN SEMI. USA, INC.
Note2: Imputed based on 22,000 thousand shares of Win Semiconductors Cayman Islands Co., Ltd.
Note3: Imputed based on 25,000 thousand shares of WIN Venture Capital Corp.
Note4: Imputed based on 24,000 thousand shares of Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.

Report on Affiliations
Not applicable

Transaction in Endorsement, Capital Loans and Derivatives of Affiliates
None

8.2. Private Placement Securities in the Most Recent Years
None

8.3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years
None

IX. If Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report

None.

Representation Letter

The entities that are required to be included in the combined financial statements of WIN Semiconductors Corp. as of and for the year ended December 31, 2016, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WIN Semiconductors Corp. and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: WIN Semiconductors Corp.
Chairman: CHEN, CHIN TSAI
Date: March 23, 2017

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

We have audited the consolidated financial statements of WIN Semiconductors Corp. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of WIN Semiconductors Corp. and its subsidiaries as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of WIN Semiconductors Corp. and its subsidiaries in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Revenue recognition

   For accounting policies of revenue recognition, please refer to Note 4 (q) "Revenue" of the consolidated financial statements.

   WIN Semiconductors Corp. and its subsidiaries engage in selling of GaAs wafers. Currently, the GaAs semiconductor industry is becoming more competitive. Also, WIN Semiconductors Corp. is a listed company involving in public interest. Therefore, its revenue recognition has been identified as a key audit matter while conducting our audit on the financial statements of WIN Semiconductors Corp. and its subsidiaries.

   <u>How the matter was addressed in our audit:</u>

   Our principal audit procedures included: Testing the design and effectiveness of the Group's internal control on revenue and order to cash transaction cycle. Inspecting the contracts signed with major customers to assess the reasonableness of the timing to recognize revenue. Performing the trend analysis of revenue, and collaborating it's movement and expectation to verify whether or not any unusual matter has incurred.

2. Evaluation of inventory

   Please refer to Note 4(h) "Inventory" for accounting policies, Note 5(a) for accounting assumptions, judgments and estimation uncertainty of inventory, and Note 6(d) for the illustration of inventory of the consolidated financial statements.

Due to the industry demand, WIN Semiconductors Corp. and its subsidiaries store a high ratio of precious metals which result in a lower inventory turnover. Therefore, the Group cannot require sufficient information on inventories that were sold or used on the reporting date. Since the technology changes rapidly, the inventory may be out of date or may not conform to market demand, resulting in a risk wherein the carrying amount of inventories may exceed its net realisable value.

How the matter was addressed in our audit:

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

3. Business combination

Please refer to Note 4(u) “Business combination” for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of business combination, and Note 6(g) for the illustration of business combination of the consolidated financial statements.

The Group has controlled over Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. and its subsidiaries for the year ended December 31, 2016. For the requirement of the accounting policies regarding business combination, the management of WIN Semiconductors Corp. and its subsidiaries made judgments in determining the fair value of the consideration transferred, assets acquired and non controlling interest. There is a significant judgment involved in determining the fair value of pre existing interest of the acquiree, assets acquired and liabilities assumed given the specialised nature of the acquired businesses and their related technologies. Thus, the business combination has been identified as a key audit matter.

How the matter was addressed in our audit:

Our principal audit procedures included: Using our own valuation specialists to assist us in challenging the valuation assumptions and methodologies, which included the understanding of the asset valuation models used and their key inputs. Enquiring from the management its performance of operation to verify whether or not it is consistent with the input assumptions on external market information in order to identify the reasonableness of assumptions underlying the identification of the fair value of the separate identifiable assets acquired and liabilities assumed in the independent external valuation report.

Other Matter

WIN Semiconductors Corp. has prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unmodified opinion.

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

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 with the IFRSs, IASs, IFRIC as well as SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya Ling Chen and Mei Yen Chen.

KPMG

Taipei, Taiwan (The Republic of China)

March 23, 2017

Notes to Readers

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

The auditors' 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 auditors' report and consolidated financial statements, the Chinese version shall prevail.

WIN Semiconductors Corp. and Its Subsidiaries
Consolidated Balance Sheets
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 2,388,143	9	1,869,657	8
1110	Current financial assets at fair value through profit or loss (note 6(b))	218,250	1	1,014,688	4
1125	Current available-for-sale financial assets (note 6(b))	974,767	4	629,823	3
1170	Notes and accounts receivable, net (note 6(c))	1,068,714	4	700,028	3
1310	Inventories (note 6(d))	2,727,432	10	2,471,370	10
1400	Current biological assets (note 6(e))	133,029	1	-	-
1470	Other current assets (note 6(l))	309,074	1	298,537	1
	Total current assets	7,819,409	30	6,984,103	29
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	1,625,267	6	1,268,721	5
1543	Non-current financial assets at cost (note 6(b))	24,832	-	-	-
1546	Non-current investments in debt instrument without active market (note 6(b))	92,600	-	159,600	1
1550	Investments accounted for using equity method (note 6(f))	291,036	1	657,960	3
1600	Property, plant and equipment (notes 6(i), 7 and 8)	13,348,978	51	11,623,190	48
1760	Investment property (notes 6(j) and 8)	1,468,113	6	1,085,846	5
1780	Intangible assets (notes 6(g) and 6(k))	229,539	1	62,370	-
1830	Non-current biological assets (note 6(e))	48,290	-	-	-
1840	Deferred tax assets (note 6(q))	75,354	-	85,104	-
1915	Prepayments for business facilities	1,263,897	5	2,135,838	9
1990	Other non-current assets (notes 6(l) and 8)	123,324	-	48,741	-
	Total non-current assets	18,591,230	70	17,127,370	71
	Total assets	$ 26,410,639	100	24,111,473	100

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note 6 (m))	$ -	-	23,656	-
2170	Accounts payable	975,478	4	1,309,867	5
2200	Other payables	2,056,522	7	1,810,125	8
2320	Long-term liabilities, current portion (notes 6(n) and 8)	940,194	4	841,507	3
2399	Other current liabilities	222,226	1	620,449	3
	Total current liabilities	4,194,420	16	4,605,604	19
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(n) and 8)	3,673,749	14	2,098,796	9
2570	Deferred tax liabilities (note 6(q))	33,728	-	28,159	-
2600	Other non-current liabilities (note 6(p))	190,858	1	169,814	1
	Total non-current liabilities	3,898,335	15	2,296,769	10
	Total liabilities	8,092,755	31	6,902,373	29
	Equity (notes 6(q), 6(r) and 6(s)) :				
3110	Ordinary share	4,076,664	15	5,965,641	25
3200	Capital surplus	3,758,737	14	3,815,017	16
3300	Retained earnings	9,376,801	36	7,045,498	29
3400	Other equity interest	761,897	2	382,944	1
3500	Treasury shares	(347,660)	(1)	-	-
	Total equity attributable to owners of parent	17,626,439	66	17,209,100	71
36XX	Non-controlling interests (note 6(h))	691,445	3	-	-
	Total equity	18,317,884	69	17,209,100	71
	Total liabilities and equity	$ 26,410,639	100	24,111,473	100

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue**	$ 13,623,076	100	12,015,747	100
5000	**Operating costs (notes 6(d),6(e),6(f),6(k),6(o),6(p),6(u),7 and 12)**	(8,633,824)	(63)	(7,254,716)	(60)
	Gross profit from operating	4,989,252	37	4,761,031	40
	Operating expenses (notes 6(c),6(k),6(o),6(p),6(u),7 and 12):				
6100	Selling expenses	(169,804)	(1)	(131,408)	(1)
6200	Administrative expenses	(735,461)	(5)	(546,774)	(5)
6300	Research and development expenses	(606,344)	(5)	(572,485)	(5)
	Total operating expenses	(1,511,609)	(11)	(1,250,667)	(11)
6500	**Net other income (expenses) (note 6(e))**	16,959	-	-	-
	Net operating income	3,494,602	26	3,510,364	29
	Non-operating income and expenses:				
7010	Other income (notes 6(o) and 6(v))	137,384	1	102,438	1
7020	Other gains and losses (notes 6(f),6(g) and 6(v))	318,332	2	(59,117)	-
7050	Finance costs (notes 6(v))	(20,220)	-	(13,852)	-
7770	Share of loss of associates and joint ventures accounted for using equity method (notes 6(f))	(42,554)	-	(106,195)	(1)
	Total non-operating income and expenses	392,942	3	(76,726)	-
7900	**Profit before tax**	3,887,544	29	3,433,638	29
7950	Total tax expense (note 6(q))	(791,239)	(6)	(762,011)	(7)
	Profit	3,096,305	23	2,671,627	22
	Other comprehensive income (loss):				
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans (note 6(p))	(13,272)	-	(6,304)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(q))	2,256	-	1,072	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	(11,016)	-	(5,232)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(45,648)	(1)	15,177	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	397,017	3	147,199	1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(f))	301	-	(303)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	351,670	2	162,073	1
	Other comprehensive income	340,654	2	156,841	1
8500	**Total comprehensive income**	**$ 3,436,959**	**25**	**2,828,468**	**23**
	Profit (loss), attributable to:				
8610	Profit attributable to owners of parent	$ 3,112,774	23	2,671,627	22
8620	Loss attributable to non-controlling interests	(16,469)	-	-	-
		$ 3,096,305	**23**	**2,671,627**	**22**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 3,480,374	26	2,828,468	23
8720	Comprehensive income (loss) , attributable to non-controlling interests	(43,415)	(1)	-	-
		$ 3,436,959	**25**	**2,828,468**	**23**
	Earnings per common share (expressed in dollars)(note 6(t))				
9750	Basic earnings per share	**$**	**6.04**		**3.97**
9850	Diluted earnings per share	**$**	**5.99**		**3.94**

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
			Retained earnings			Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2015	$ 7,422,377	3,768,620	604,607	3,923,175	4,527,782	4,909	215,962	220,871	-	15,939,650	-	15,939,650
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	196,347	(196,347)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(148,679)	(148,679)	-	-	-	-	(148,679)	-	(148,679)
	-	-	196,347	(345,026)	(148,679)	-	-	-	-	(148,679)	-	(148,679)
Profit for the year ended December 31, 2015	-	-	-	2,671,627	2,671,627	-	-	-	-	2,671,627	-	2,671,627
Other comprehensive income for the year ended December 31, 2015	-	-	-	(5,232)	(5,232)	14,874	147,199	162,073	-	156,841	-	156,841
Total comprehensive income for the year ended December 31, 2015	-	-	-	2,666,395	2,666,395	14,874	147,199	162,073	-	2,828,468	-	2,828,468
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	-	(1,486,790)	-	(1,486,790)
Changes in equity of associated and joint ventures accounted for using equity method	-	1,916	-	-	-	-	-	-	-	1,916	-	1,916
Exercise of employee stock options	30,054	44,481	-	-	-	-	-	-	-	74,535	-	74,535
Balance at December 31, 2015	5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100	-	17,209,100
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	267,163	(267,163)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
	-	-	267,163	(565,496)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
Profit for the year ended December 31, 2016	-	-	-	3,112,774	3,112,774	-	-	-	-	3,112,774	(16,469)	3,096,305
Other comprehensive income for the year ended December 31, 2016	-	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	-	367,600	(26,946)	340,654
Total comprehensive income for the year ended December 31, 2016	-	-	-	3,101,758	3,101,758	(18,401)	397,017	378,616	-	3,480,374	(43,415)	3,436,959
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	-	(1,789,999)	-	(1,789,999)
Changes in equity of associated and joint ventures accounted for using equity method	-	5,549	-	-	-	-	-	-	-	5,549	-	5,549
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	-	2,902	-	2,902
Purchase of treasury share	-	-	-	-	-	-	-	-	(347,660)	(347,660)	-	(347,660)
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	-	(635,831)	-	(635,831)
Disposal of investments accounted for using equity method	-	-	-	-	-	337	-	337	-	337	-	337
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	734,860	734,860
Balance at December 31, 2016	$ 4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	760,178	761,897	(347,660)	17,626,439	691,445	18,317,884

See accompanying notes to financial statements.

Decrease (increase) in current financial assets at fair value through profit or loss	
Increase in notes and accounts receivable, net	(
Increase in inventories	(
Decrease in biological assets	
Decrease (increase) in other current assets	
Total changes in operating assets	(
Changes in operating liabilities:	
Increase (decrease) in accounts payable	(
Increase in other payable	
Increase (decrease) in other current liabilities	(
Increase in other operating liabilities	
Total changes in operating liabilities	(
Total changes in operating assets and liabilities	(1,
Cash inflow generated from operations	4
Dividends received	
Income taxes paid	(
Net cash flows from operating activities	3
Cash flows from (used in) investing activities:	
Acquisition of current financial assets at fair value through profit or loss	(2,
Proceeds from disposal of current financial assets at fair value through profit or loss	3
Acquisition of current available-for-sale financial assets	
Acquisition of non-current available-for-sale financial assets	(
Proceeds from non-current available-for-sale financial assets	
Acquisition of investments accounted for using equity method	(
Proceeds from capital reduction of investments accounted for using equity method	
Proceeds from disposal of non-current investments in debt instrument without active market	
Acquisition of property, plant and equipment	(2,
Proceeds from disposal of property, plant and equipment	
Decrease in other receivables due from related parties	
Acquisition of intangible assets	
Net cash inflows from business combination	
Increase in other non-current assets	
Increase in prepayments for business facilities	(1,
Interest received	
Dividends received	
Net cash flows used in investing activities	(1,
Cash flows from (used in) financing activities:	
Increase (decrease) in short-term loans	
Proceeds from long-term debt	2
Repayments of long-term debt	(
Increase in other non-current liabilities	
Cash dividends paid	(
Capital reduction payments to shareholders	(1,
Exercise of employee share options	
Payments to acquire treasury shares	(
Interest paid	
Net cash flows used in financing activities	(1,
Effect of exchange rate changes on cash and cash equivalents	
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents at beginning of period	1
Cash and cash equivalents at end of period	$ 2

See accompanying notes to financial statements.

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

(1) Company history:

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

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

(a) Researching, developing, manufacturing, and selling of GaAs wafers.

(b) Developing hog farming technology and trading.

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

These consolidated financial statements was authorized for issued by the Board of Directors of March 23, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet adopted by the Group.

According to Ruling No. 20160026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016

(Continued)

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on the consolidated financial statements:

Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets:

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

(i) the level of the fair value hierarchy within which the fair value measurement is categorized; and

(ii) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Group expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IFRS 4 " Insurance Contracts"("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendment to IAS 40 Investment Property	January 1, 2018

(Continued)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: ・Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. ・Impairment: The expected credit loss model is used to evaluate impairment. ・Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
December 8, 2016	Amendment to IAS 40 Investment Property	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

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

(4) Summary of significant accounting policies:

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

The significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

The significant accounting policies presented in the consolidated financial statements are summarized as follows:

(a) Statement of compliance

These consolidated annual financial statements have prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” (hereinafter referred to as the Regulations) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC).

(Continued)

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets：

1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;

2) Available-for-sale financial assets are measured at fair value;

3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, and the effect of the plan assets ceiling disclosure in note 4(r) less plan assets.

(ii) Functional and presentation currency

The functional currency of each Group entities is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions, balances and any other unrealized profit and loss between the Company and other subsidiaries are all eliminated while preparing the consolidated financial reports. Comprehensive income (loss) of subsidiaries belongs to the owner of the Company and the non-controlling interest respectively. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Financial reports of subsidiaries had been adjusted properly and the accounting policies used in subsidiaries are same to the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Differences between the amount paid or received from fair value and the adjustment of the non-controlling interest are directly realized to the equity and belong to the owners of the Company.

(Continued)

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding December 31, 2016	December 31, 2015
The Company	WIN SEMI. USA, INC.	Marketing	100.00%	100.00%
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00%	100.00%
The Company	WIN Venture Capital Corp.	Investment activities	100.00%	100.00%
Win Cayman	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	Investment activities	43.75% (Note 1)	-
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note 2)	Developing hog farming technology and trading	100.00%	-
Chainwin Cayman	Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00%	-
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	100.00%	-
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Formosa BVI)	Investment activities	100.00%	-
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	50.44%	-
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	49.56%	-

Note 1: Win Cayman does not hold more than half of the equity shares of Chainwin Cayman, directly or indirectly. However, Win Cayman has acquired the right to manage the operating policies of Chainwin Cayman and has control over its Board of Directors since August 19, 2016. Therefore, Chainwin Cayman is deemed to be a subsidiary of Win Cayman. Please refer to 6(g) for further information.

Note 2: Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

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

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates of the end of each reporting period (“the reporting date”). Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income that arises from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

(Continued)

- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the consolidated financial statements at the exchange rates of the reporting date. The income and expenses of foreign operations are translated to the reporting currency of the consolidated financial statements at average rate. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) If the asset is cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

(Continued)

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(g) Financial instruments

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable using trade date accounting.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, (which takes into account any dividend and interest income), are recognised in profit or loss, and it is included in other gains and losses, and other income, respectively.

2) Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss, and it is included in other gains and losses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non-current debt instrument investment without active market. Such assets are recognised initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant

(Continued)

interest on short-term receivables. Interest income is recognised in profit or loss, and it is included in other income.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset stand that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognised in profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost before the impairment was recognised at the reversal date.

Impairment losses recognised on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

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Impairment losses and recoveries in respect of accounts receivable are recognized in operating expenses. Impairment losses and recoveries in respect of the financial assets other than accounts receivables are recognised in profit or loss, and it is included in other gains and losses.

5) Derecognition of financial assets

The Group derecognises financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognised in other comprehensive income and presented in other equity interest–unrealised gains (losses) on available-for-sale financial assets is recognised in profit or loss, and included in other gains and losses.

The Group allocates between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income shall be recognised in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts.

(ii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognised in profit or loss, and are included in other gains and losses, and finance costs, respectively.

2) Other financial liabilities

Financial liabilities comprise of short and long borrowings, and trade and other payables, are not classified as held-for-trading, or designated as at fair value through profit or loss shall be measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortised cost calculated using the effective interest method. Interest expense not capitalised as capital cost is recognised in profit or loss, and is included in finance costs.

3) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets

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transferred or liabilities assumed, is recognised in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

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

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

(i) Biological assets

Biological assets are measured at fair value less costs to sell on initial recognition, with any change therein recognized in profit or loss at the end of each reporting period. Costs to sell include all costs that would be necessary to sell the assets, excluding finance costs and tax expenses. Biological asset does not have a quoted market price in an active market and for which alternative fair value measurements are determined to be clearly unreliable. In such case, the asset is measured at cost less accumulated depreciation and impairment losses.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, or joint control over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

The Consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies

(Continued)

with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities

(k) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost both on initial recognition and at subsequent period. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost are eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognised as other gains and losses.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

(Continued)

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a systematic basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and structures： 3 to 25 years

2) Machinery and equipment： 2 to 10 years

3) Factory and equipment： 2 to 10 years

4) Other equipment： 1 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(m) Leases

(i) Lesser

Lease income from operating lease is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognised as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value with the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognised in the Group’s statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives

(Continued)

received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognised as expense in the periods in which they are incurred.

(n) Intangible assets

(i) Goodwill

1) Initial Recognition

Goodwill arising from the acquisition has been recognized as intangible assets. The initial measurement and recognition of Goodwill please refer to note 6(g)iii .

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Other intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses.

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

1) Technical know-how: 12 years

2) Computer software and information systems: 1 to 3 years

3) Others: 1.5 to 5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(o) Impairment of non financial assets

The carrying amounts of the Group's non financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and biological assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit.

The recoverable amount for the individual asset or the cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognised immediately in profit or loss.

The Group should assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognised in prior periods shall be reversed if there has been a change in the

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estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognised if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(p) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. Losses on cancellation of treasury shares should be offset against existing capital reserves.

(q) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognized.

(ii) Rent income

Lease income from investment property is recognized in income on a straight-line basis over the lease term. An incentive granted to the lessee is to be recognized as part of the lease income and

(Continued)

it is spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Income from sublease is recognized in profit or loss, and is included in other gains and losses.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability (asset)), and (3) any change in the effect of the asset ceiling (if any, excluding amounts included in the net interest on the defined benefit liability (asset)), are recognized in other comprehensive income. The Group reclassifies the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

(s) Share-based payment

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

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

(t) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be

(Continued)

available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(u) Business combinations

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets if the non-controlling interests are present ownership interests.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is re-measured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

(v) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee remuneration.

(w) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the IFRSs 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.

(Continued)

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

Information about critical judgments in applying accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

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

(b) Business combinations

The related accounting of the business combinations, including consideration transferred, recognized amounts of assets acquired and liabilities assumed at the acquisition date are measured on the basis of market unobservable data. It depends on the management's subjective judgment and causes higher uncertainty.

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

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

(c) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(d) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(e) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

(a) Note 6(j)-Investment property.

(b) Note 6(w)-Financial instruments.

(6) Explanation of significant accounts:

(Continued)

(a) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 227	200
Cash in bank	2,212,048	650,406
Time deposits	175,868	1,219,051
	$ 2,388,143	1,869,657

Refer to note 6(w) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Group.

(b) Financial instruments

(i) Current financial assets at fair value through profit or loss:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 153,794	125,783
Money market funds, equity funds and bond funds	64,456	888,905
	$ 218,250	1,014,688

Refer to note 6(v) for the gains or losses on disposals of investment and the amount of remeasurement at fair value though profit or loss.

(Continued)

(ii) Current available-for-sale financial assets:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 974,767	629,823

(iii) Non-current available-for-sale financial assets:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 13,628	20,560
Stocks listed on foreign markets	427,563	357,396
Non-public stocks	656,245	549,815
Private fund (Note)	527,831	340,950
	$ 1,625,267	1,268,721

Note: As of December 31, 2016, the private fund is during the lock-up period.

Refer to not 6(v) for the gain or losses on disposals of investments.

(iv) Non-current financial assets at cost:

	December 31, 2016
Foreign unlisted stocks	$ 24,832
Less: accumulated impairment	-
Total	$ 24,832

According to the Group's intention, its investment in foreign unlisted stocks should be classified as available-for-sale financial assets. However, as foreign unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to such foreign unlisted stocks' or its financial information cannot be obtained, the fair value of the investment in foreign unlisted stocks cannot be measured reliably. The Group classified those stocks as "Non-current financial assets at cost".

As of December 31, 2015, there was no such transactions.

(v) Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	December 31, 2016	December 31, 2015
Preferred stock B	2012.11.23~2019.11.22	- %	$ 92,600	159,600

(vi) Sensitivity analysis in the equity price risk:

For the years ended December 31, 2016 and 2015, the sensitivity analyses for the changes in the securities price at the reporting date as illustrated below:

2016	2015
After-tax other	After-tax other

(Continued)

Prices of securities at the reporting date	comprehensive income	After-tax profit (loss)	comprehensive income	After-tax profit (loss)
Increasing 3%	$ 78,001	6,548	56,956	30,441
Decreasing 3%	$ (78,001)	(6,548)	(56,956)	(30,441)

(vii) As of December 31, 2016 and 2015, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(w).

(c) Notes and accounts receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ -	100
Accounts receivable	1,071,937	705,601
Less：allowance for doubtful accounts	(3,223)	(5,673)
	$ 1,068,714	700,028

At the reporting date, the Group's aging analysis of notes and accounts receivable that were past due and not impaired, were as follows:

	December 31, 2016	December 31, 2015
Past due 1~60 days	$ 96,438	26,304
Past due 61~180 days	2,023	1,882
Past due more than 181 days	-	-
	$ 98,461	28,186

The movement of allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 5,673	-	5,673
Impairment loss recognised	1,553	-	1,553
Uncollected amounts written off	(3,962)	-	(3,962)
Effect of changes in foreign exchange rates	(41)	-	(41)
Balance at December 31, 2016	$ 3,223	-	3,223

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 5,590	-	5,590
Effect of changes in foreign exchange rates	83	-	83
Balance at December 31, 2015	$ 5,673	-	5,673

The Group's policy of allowance for receivables is as follows:

Assessment method:

(Continued)

(i) At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.

(ii) The Group may recognise 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

Impairment loss recognised for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Group also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

The Group establishes a policy of allowance for doubtful accounts based on historical trends of the probability of default and the timing of recoveries and the amount of loss incurred. The policy is mainly based on the characteristic of industry and the conservative of business cove.

The Group believed that no impairment allowance was necessary with respect to the past due receivables that were collectable.

As of December 31, 2016 and 2015, the notes and accounts receivable, net were not pledged.

(d) Inventories

		December 31, 2016	December 31, 2015
Raw materials, supplies and spare parts	$	1,868,533	1,505,390
Work in process		559,185	732,353
Finished goods		299,714	233,627
	$	**2,727,432**	**2,471,370**

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

		2016	2015
Loss on valuation of inventories and obsolescence	**$**	**39,661**	**27,454**
Revenue from sale of scraps	**$**	**(7,323)**	**(21,445)**

As of December 31, 2016 and 2015, the inventories were not pledged.

(e) Biological assets

(i) List of biological assets:

		December 31, 2016
Consumable biological assets	**$**	**133,029**
Bearer biological assets	**$**	**48,290**

(ii) Change in biological assets:

Acquisition through business combinations (note 6(g))	$	197,900

(Continued)

Increase due to purchases		28,525
Input costs		216,402
Depreciation expenses		(2,886)
Decrease due to sales		(267,254)
Changes in fair value less costs to sell due to price changes		16,959
Effect of changes in foreign exchange rates		(8,327)
Balance as of December 31, 2016	**$**	**181,319**
Current	$	133,029
Non-current		48,290
	$	**181,319**

The gain of $16,959 thousand was recognized as net other income (experse) of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the lower of its carrying amount or fair value less costs to sell.

(iii) For the year ended December 31, 2016, number of the biological assets as follows:

	December 31, 2016
Farrows, hogs and breeders	**34,100**

From acquisition date to the reporting date, the Group sold 19,389 hogs.

(iv) Fair value

The Group uses valuation method to measure its biological assets to determine the fair value of the hogs and the farrows (which are required to reach a certain weight), less, cost to sell at the end of the reporting period. If biological asset does not have a quoted market price in an active market, the asset is measured at cost less accumulated depreciation and impairment losses.

Costs of the biological assets include all of the costs within the growth cycle, such as the cost of new-born farrows, the feed and the raising farm. The cost of the productive biological assets shall be depreciated on a systematic basis over the producible term. The amortized term are within 24 to 36 months. In 2016, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were $2,886 thousand.

(v) The Group is exposed to the following risks relating to its hog farming.

1) Regulations and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at complying with the local environment and other laws. Management performs regular reviews to identify environmental risks and to ensure that systems in place are adequate to manage those risks.

2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of hogs. When possible, the Group manages this risk by aligning its farming volume with market supply and demand. Management performs regular industry trend analyses to ensure that

(Continued)

the Group's pricing structure is in line with the market and to ensure that projected farming volumes are consistent with the expected demand.

3) Climate and other risks

The Group's hog farming is exposed to the risk of damage from climate change, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular pig health inspections and industry pest and disease surveys.

(vi) The biological assets were not pledged.

(f) Investments accounted for using equity method

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

	December 31, 2016	December 31, 2015
Associates	$ 291,036	657,960

(i) Associates

On January 28, 2015, the Group acquired 42.74% of the shares of Phalanx Biotech Group, Inc. for $220,000 thousand in cash, and has significant influence on it. In April 2015, Phalanx Biotech Group, Inc. approved a cash subscription, the Group did not subscribe any new shares. Therefore, the percentage of the Group's ownership declined to 37.88%. The Group still has significant influence on Phalanx Biotech Group, Inc.

On December 14, 2015, the Group acquired 40% of the shares of Rainbow Star Group Limited for $32,590 thousand in cash, and has significant influence on it.

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.

	December 31, 2016	December 31, 2015
Total equity of the individually insignificant investments in associates	$ 291,036	657,960

	2016	2015
Attributable to the Group:		
Net loss	$ (49,835)	(109,979)
Other comprehensive income (loss)	301	(303)
Total comprehensive income (loss)	$ (49,534)	(110,282)

For the year ended December 31, 2015, the Group recognized impairment loss amounting to $65,050 thousand due to the impaired securities. The impairment loss was recorded under operating costs and other gains or losses. For the year ended December 31, 2016, there was no aforementioned issue.

(ii) As of December 31, 2016 and 2015, the investments accounted for using equity method were not pledged.

(Continued)

(g) Acquisition of subsidiary

On November 18, 2015, the Group acquired 28.63% shares of Merit Biotech (Cayman Islands) Co., Ltd. for $195,540 thousand in cash, and has a significant influence on it. For the six months ended June 30, 2016, the Group subscribed the new shares contributed by Merit Biotech (Cayman Islands) Co., Ltd. for $486,720 thousand.

On August 19, 2016, Merit Biotech (Cayman Islands) Co., Ltd. was renamed Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman). The principal activities of Chainwin Cayman and its subsidiaries are developing hog farming technology and trading.

The Group has controlled over Chainwin Cayman through its re-elected Board of Directors on August 19, 2016. The Group held 43.75% of equity shares.

From the acquisition date to December 31, 2016, Chainwin Cayman contributed revenue and net income of $187,588 thousand and $53,088 thousand, respectively. If the acquisition had occurred on January 1, 2016, the management estimates that consolidated revenue would have been $384,758 thousand and the consolidated net income would have been $2016,180 thousand. The abovementioned influences do not include adjustments on fair value.

The acquisition-date fair value of major class of consideration transferred were as follows:

(i) Consideration transferred

The Group has acquired the right to manage operating policies of Chainwin Cayman and has controlled over its board of directors. The Group expects Chainwin Cayman's future generated cash flow in accordance with the income approach that reflects the time value of investment and the risk of the discounted cash flow, and evaluates the implied consideration transferred of controlling over Chainwin Cayman.

The fair value measurement for the controlling interests has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. The key assumptions are as follows:

1) The discount rate is based on the weighted-average cost of capital that computed by Chainwin Cayman and its comparable capital structures and corresponded by the market value.

2) Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the long-term compound annual earnings before interest, taxes, depreciation and amortization (EBITDA) growth rate estimated by management. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past and the estimated sales volume and price growth for the next five years. It was assumed that sales price would grow at a constant margin above forecast inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

The shares of Chainwin Cayman held by the Group were measured and the fair value per share was USD$2.1 at the acquisition date.

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

(Continued)

Cash and cash equivalents	$	963,765
Accounts receivable		21,685
Inventories		13,073
Current biological assets (note 6(e))		172,664
Other current assets		43,549
Financial assets at cost		24,578
Non-current biological assets (note 6(e))		25,236
Property, plant and equipment (note 6(i))		100,278
Intangible assets (note 6(k))		21,964
Other non-current assets		29,797
Notes payable and accounts payable		(52,345)
Other current liabilities		(57,826)
Total identifiable net assets acquired	**$**	**1,306,418**

The gross contractual amounts of accounts receivable totaled $21,685 thousand. On the acquisition date, accounts receivable was expected to be collected.

(iii) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

Fair value of pre-existing interest in Chainwin Cayman	$	703,836
Non-controlling interest in the acquiree, if any (proportionate share of the fair value of the identifiable net assets)		734,860
Less: Fair value of identifiable net assets		(1,306,418)
Goodwill (note 6(k))	**$**	**132,278**

The Group re-measured the fair value of its existing equity interest in Chainwin Cayman before the business combination, and the resulting gain of $17,088 thousand is recognized as “gains arising from disposal of investment”.

Goodwill mainly attributed to the profitability of the hog farming and technical talent of Chainwin Cayman work force. Due to the fact that the enterprise regional income tax rate of the investee is 0%, the Group did not expect goodwill arisen from the consolidations to be deductible for tax purposes.

(Continued)

(h) Material non-controlling interests of subsidiaries

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

Subsidiaries	Main operation place	Percentage of non-controlling interests December 31, 2016
Chainwin Cayman	Cayman Islands	56.25%

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 these information are the fair value adjustment made during the acquisition and relevant difference in accounting principles between the Group as at the acquisition date. Intra-group transactions were not eliminated in this information.

	December 31, 2016
Current assets	$ 1,000,869
Non-current assets	334,984
Current liabilities	(85,042)
Non-current liabilities	-
Net assets	$ 1,250,811

	2016
Operating revenue	$ 384,758
Profit	$ 22,896
Other comprehensive income (loss)	(46,703)
Total comprehensive income (loss)	$ (23,807)
Net cash flows used in operating activities	$ (58,040)
Net cash flows used in investing activities	(63,022)
Net cash flows from financing activities	840,618
Effect of changes in foreign exchange rate	(29,232)
Increase on cash and cash equivalents	$ 690,324

From the acquisition date, the non-controlling interests are allocated during the reporting period as follows:

Non-controlling interests	$ 691,445
Loss, attributable to non-controlling interests	$ (16,469)
Comprehensive income (loss), attributable to non-controlling interests	$ (43,415)

(Continued)

(i) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2016 and 2015 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost：							
Balance as of January 1, 2016	$ 2,546,534	1,000,117	12,551,818	2,820,770	228,809	2,257,410	21,405,458
Acquisitions through business combinations	-	11,902	-	33,022	30,826	38,947	114,697
Additions	-	180,543	1,183,124	519,491	98,914	287,026	2,269,098
Reclassification (Note 1)	-	967,324	1,765,380	1,112,941	58,049	(2,221,867)	1,681,827
Disposals	-	(28,903)	(320,837)	(434,646)	(129,991)	-	(914,377)
Effect of changes in foreign exchange rates	-	(443)	-	(1,229)	(1,150)	(1,614)	(4,436)
Balance as of December 31, 2016	$ 2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Balance as of January 1, 2015	$ 2,546,534	998,111	11,724,452	2,773,866	193,297	1,345,584	19,581,844
Additions	-	2,006	690,919	43,657	72,876	915,073	1,724,531
Reclassification (Note 2)	-	-	145,879	3,247	-	(3,247)	145,879
Disposals	-	-	(9,432)	-	(37,364)	-	(46,796)
Balance as of December 31, 2015	$ 2,546,534	1,000,117	12,551,818	2,820,770	228,809	2,257,410	21,405,458
Accumulated depreciation：							
Balance as of January 1, 2016	$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
Acquisitions through business combinations	-	2,427	-	7,110	4,882	-	14,419
Depreciation	-	81,030	1,865,423	306,975	66,286	-	2,319,714
Disposals	-	(27,366)	(320,567)	(434,645)	(129,974)	-	(912,552)
Effect of changes in foreign exchange rates	-	(94)	-	(280)	(186)	-	(560)
Balance as of December 31, 2016	$ -	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Balance as of January 1, 2015	$ -	370,746	5,934,630	1,449,642	174,316	-	7,929,334
Depreciation	-	58,545	1,583,067	232,128	20,254	-	1,893,994
Disposals	-	-	(3,696)	-	(37,364)	-	(41,060)
Balance as of December 31, 2015	$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
Carrying value：							
Balance as of December 31, 2016	$ 2,546,534	1,645,252	6,120,628	2,489,419	187,243	359,902	13,348,978
Balance as of January 1, 2015	$ 2,546,534	627,365	5,789,822	1,324,224	18,981	1,345,584	11,652,510
Balance as of December 31, 2015	$ 2,546,534	570,826	5,037,817	1,139,000	71,603	2,257,410	11,623,190

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were classified as investment property.

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

(i) Pledge to secure:

As of December 31, 2016 and 2015, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(ii) Property, plant and equipment under construction

In 2012, the Group acquired land, buildings and structures for the construction a new factory. As of December 31, 2016, the completion of preceding construction of the factory had been reclassified to property, plant and equipment and investment property.

(iii) For the years ended December 31, 2016 and 2015, capitalized interest expenses amounted to \$30,975 thousand and \$40,623 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.37%~1.64% and 1.55%~1.79%, respectively.

(Continued)

(j) Investment property

		Land	Buildings and structures	Total
Cost：				
Balance as of January 1, 2016	$	963,127	138,225	1,101,352
Reclassification (Note)		-	397,783	397,783
Balance as of December 31, 2016	$	963,127	536,008	1,499,135
Balance as of January 1, 2015	$	963,127	138,225	1,101,352
Additions		-	-	-
Balance as of December 31, 2015	$	963,127	138,225	1,101,352
Accumulated depreciation：				
Balance as of January 1, 2016	$	-	15,506	15,506
Depreciation		-	15,516	15,516
Balance as of December 31, 2016	$	-	31,022	31,022
Balance as of January 1, 2015	$	-	10,190	10,190
Depreciation		-	5,316	5,316
Balance as of December 31, 2015	$	-	15,506	15,506
Carrying value：				
Balance as of December 31, 2016	$	963,127	504,986	1,468,113
Balance as of January 1, 2015	$	963,127	128,035	1,091,162
Balance as of December 31, 2015	$	963,127	122,719	1,085,846
Fair value：				
Balance as of December 31, 2016				$ 1,639,399
Balance as of December 31, 2015				$ 1,232,437

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

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.

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:

Location	For the years ended December 31, 2016
Hsinchu	0.21%
Taoyuan	2.12%

As of December 31, 2016 and 2015, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(k) Intangible assets

(i) The movement in intangible assets for the years ended December 31, 2016 and 2015 were as follows:

(Continued)

	Technical know-how	Computer software and information systems	Goodwill	Others	Total
Cost：					
Balance as of January 1, 2016	$ 46,005	57,702	-	1,843	2016,550
Acquisition through business combinations	48	-	132,278	21,929	154,255
Additions	-	40,537	-	4,774	45,311
Disposals	-	(13,503)	-	(1,005)	(14,508)
Effect of changes in foreign exchange rates	(2)	-	1,367	227	1,592
Balance as of December 31, 2016	$ 46,051	84,736	133,645	27,768	292,200
Balance as of January 1, 2015	$ 46,005	48,044	-	-	94,049
Additions	-	29,886	-	1,843	31,729
Disposals	-	(20,228)	-	-	(20,228)
Balance as of December 31, 2015	$ 46,005	57,702	-	1,843	2016,550
Amortisation：					
Balance as of January 1, 2016	$ 19,808	22,767	-	605	43,180
Acquisition through business combinations	13	-	-	-	13
Amortisation	3,836	25,666	-	4,441	33,943
Disposals	-	(13,503)	-	(1,005)	(14,508)
Effect of changes in foreign exchange rates	(1)	-	-	34	33
Balance as of December 31, 2016	$ 23,656	34,930	-	4,075	62,661
Balance as of January 1, 2015	$ 15,974	23,653	-	-	39,627
Amortisation	3,834	19,342	-	605	23,781
Disposals	-	(20,228)	-	-	(20,228)
Balance as of December 31, 2015	$ 19,808	22,767	-	605	43,180
Carrying value：					
Balance as of December 31, 2016	$ 22,395	49,806	133,645	23,693	229,539
Balance as of January 1, 2015	$ 30,031	24,391	-	-	54,422
Balance as of December 31, 2015	$ 26,197	34,935	-	1,238	62,370

(Continued)

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2016 and 2015, the amortization expenses of intangible assets were as follows:

		2016	2015
Operating costs	$	11,594	7,686
Operating expenses		22,349	16,095
	$	33,943	23,781

(iii) Impairment testing for goodwill

The total amount of goodwill has been allocated to the agriculture technology for the Group's impairment testing purpose. The cash generating units (the "CGU") are used as the minimum level for investment return of goodwill supervised by the management.

According to the results of impairment tests executed by Group's, the recoverable amount of the abovementioned CGU was determined to be higher than the carrying amount of the CGU. As a result, there were no impairment loss incurred as of December 31, 2016.

The key assumption used in the estimation of the value in use of the CGU were as follows:

1) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years, and the estimated sales volume and price growth for the next five years. The assumptions were in line with the information obtained from external local market who publish a statistical analysis on market trends.

2) The assumption on before-tax discount rate is based on the weighted average cost of capital. The applied before-tax discount rate of the recoverable amount of the units were as follow:

	December 31, 2016
Discount rate	16.50%

(iv) As of December 31, 2016 and 2015, the intangible assets were not pledged.

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

		December 31, 2016	December 31, 2015
Other receivable from metal recycling	$	156,090	123,648
Tax refund receivable		68,579	116,165
Long-term prepaid rent		62,822	-
Prepaid expenses		65,706	39,784
Restricted assets		25,571	25,481
Refundable deposits		34,930	23,260
Others		18,700	18,940
	$	432,398	347,278

(Continued)

Long-term prepaid rent

For the year ended December 31, 2016, for the hog farming purpose, the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease. The durations of the agreements are 5~30 years. Total agreement price amounted to RMB168,884 thousand.

(m) Short-term borrowings

	December 31, 2016	December 31, 2015
Unsecured short-term borrowings	$ -	23,656
Unused bank credit lines for short-term borrowings	$ 1,941,748	3,402,960
Unused bank credit lines for short-term and long-term borrowings	$ 1,352,188	1,694,367
Annual interest rate	0.63%~1.66%	0.79%

(n) Long-term borrowings

	December 31, 2016	December 31, 2015
Unsecured long-term borrowings (settled in NTD)	$ 2,514,000	-
Secured long-term borrowings (settled in NTD)	2,099,943	2,940,303
Less：long-term liabilities, current portion	(940,194)	(841,507)
Total	$ 3,673,749	2,098,796
Unused bank credit lines for long-term borrowings	$ 2,002,000	1,458,000
Annual interest rate	1.23%~1.64%	1.54%~1.64%
Expiry date	2018/2/18~2020/3/1	2018/2/18~2020/3/1

As of December 31, 2016, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2017~December 31, 2017	$ 940,194
January 1, 2018~December 31, 2018	867,472
January 1, 2019~December 31, 2019	2,708,750
January 1, 2020~December 31, 2020	97,527
	$ 4,613,943

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

(i) For the year ended December 31, 2016, the Group proceeded from long-term borrowings amounting to $2,514,000 thousand with an interest rate of 1.23%~1.36%. For the year ended December 31, 2015, the Group did not proceed any borrowings.

For the years ended December 31, 2016 and 2015, the repayment amounted to $841,506 thousand and $545,444 thousand, respectively.

(ii) The collateral for these long-term borrowings was disclosed in note 8.

(iii) In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega

(Continued)

International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 thousand and is due in February 2018.

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

At the ended of the annual reporting period, current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 120%, interest coverage ratio shall not be less than 300%, and net equity shall not be less than $6,000,000 thousand.

For the year ended December 31, 2016 and 2015, the Company was in compliance with the above financial covenants and restrictions.

(o) Operating lease

(i) Lease-lessor

The Group leased its investment property under operating lease, which was disclosed in note 6(j).

For the years ended December 31, 2016 and 2015, the rental income recognised in other income amounted to $68,793 thousand and $27,625 thousand, respectively.

(ii) Lease-lessee

The Group leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 5 years.

For the years ended December 31, 2016 and 2015, the rent expense amounted to $33,264 thousand and $25,975 thousand, respectively, which were recorded as operating costs and operating expenses.

(p) Employee benefits

(i) Defined benefit plans

The movement in the present value of the defined benefit obligations and fair value of plan assets were as follows:

		December 31, 2016	December 31, 2015
Total present value of obligations	$	100,272	84,407
Fair value of plan assets		(38,844)	(37,896)
Recognised liabilities for defined benefit obligations (Note)	$	61,428	46,511

(Note) Recognised liabilities for defined benefit obligations were recognised as other non-current liabilities.

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

1) Composition of plan assets

(Continued)

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

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to $38,844 thousand as of December 31, 2016. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Founds, Ministry of Labor.

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

For the years ended December 31, 2016 and 2015, movements in the present value of the defined benefit obligations for the Group were as follows:

		2016	2015
Defined benefit obligation as of January 1	$	84,407	75,211
Current service costs and interest		3,030	2,795
Net remeasurements of defined benefit liability (asset)			
—Actuarial (gains) losses-Actuarial assumption		6,348	1,436
-Experience gain and loss		6,487	5,2016
(Gains) losses from prior service costs and interest		-	(140)
Defined benefit obligation as of December 31	$	100,272	84,407

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

For the years ended December 31, 2016 and 2015, movement in the fair value of the plan assets were as follows:

		2016	2015
Fair value of plan assets as of January 1	$	37,896	36,252
Interest revenue		709	727
Net remeasurements of the defined benefit liability (asset)			
—Return on plan assets (excluding the interest expense)		(437)	237
Amounts contributed to plan		676	680
Fair value of plan assets as of December 31	$	38,844	37,896

(Continued)

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2016 and 2015, there were no changes in the effect of plan asset ceiling.

5) The expenses recognised in profit or losses

For the years ended December 31, 2016 and 2015, the expenses recognised in profit or losses for the Group were as follows:

		2016	2015
Current service cost	$	1,487	1,330
Net interest expense of defined benefit plan		834	738
Prior service cost and settlement of defined benefit plan		-	(140)
	$	2,321	1,928

		2016	2015
Administrative expenses	$	2,321	1,928

6) The remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income

For the years ended December 31, 2016 and 2015, the remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income were as follows:

		2016	2015
Balance as of January1	$	17,595	11,291
Recongised in the current period		13,272	6,304
Balance as of December 31	$	30,867	17,595

7) Actuarial assumptions

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

	December 31, 2016	December 31, 2015
Discount rate	1.375%	1.875%
Future salary rate increases	3.000%	3.000%

The Group expects to make contributions of $239 thousand to the defined benefit plans in the next year starting from December 31, 2016. The weighted average duration of the defined benefit obligation is 17.94 years.

8) Sensitivity analysis

As of December 31, 2016 and 2015, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

(Continued)

	Effects to the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
Balance as of December 31, 2016		
Discount rate	(3,247)	3,337
Future salary rate increases	3,272	(3,159)
Balance as of December 31, 2015		
Discount rate	(2,834)	2,960
Future salary rate increases	2,870	(2,778)

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

The method and assumptions used on sensitivity analysis in the year ended December 31, 2016 is the same as those of the year ended December 31, 2015.

(ii) Defined contribution plans

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

The Group set aside $61,235 thousand and $38,844 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2016 and 2015.

(iii) The Group's mainland 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. The term within the acquisition date to December 31, 2016, the Group recognized the pension costs in accordance with the pension regulations and amounted to $1,801 thousand.

(q) Income tax

(i) Income tax expense

The amount of income tax expenses for the years ended December 31, 2016 and 2015 were as follows:

(Continued)

		2016	2015
Current tax expense			
Current period	$	777,979	766,227
Adjustment for prior periods		(4,315)	15,884
		773,664	782,111
Deferred tax expense			
Origination and reversal of temporary differences		17,575	(20,100)
Income tax expense	$	791,239	762,011

The amount of income tax (expenses) benefit recognised in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

		2016	2015
Components of other comprehensive income that will not be classified to profit or loss:			
The remeasurements of defined benefit plans	$	2,256	1,072

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

		2016	2015
Profit before tax	$	3,887,544	3,433,638
Estimated income tax calculated using the Group's domestic tax rate	$	664,722	583,718
Tax-exempt income		(43,232)	(3,151)
10% surtax on unappropriated earnings		210,090	162,107
Others		(40,341)	19,337
	$	791,239	762,011

(Continued)

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 were as follows:

		Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:					
Balance as of January 1, 2016	$	30,379	12,841	41,884	85,104
Recognised in profit or loss		2,572	1,108	(15,686)	(12,006)
Recognised in other comprehensive income		-	-	2,256	2,256
Balance as of December 31, 2016	$	32,951	13,949	28,454	75,354
Balance as of January 1, 2015	$	28,016	10,681	27,438	66,135
Recognised in profit or loss		2,363	2,160	13,374	17,897
(Recognised in other comprehensive income		-	-	1,072	1,072
Balance as of December 31, 2015	$	30,379	12,841	41,884	85,104

		Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:					
Balance as of January 1, 2016	$	28,159	-	-	28,159
Recognised in profit or loss		3,559	2,010	-	5,569
Balance as of December 31, 2016	$	31,718	2,010	-	33,728
Balance as of January 1, 2015	$	25,993	4,369	-	30,362
Recognised in profit or loss		2,166	(4,369)	-	(2,203)
Balance as of December 31, 2015	$	28,159	-	-	28,159

(iii) Examination and approval

The Company's corporate income tax returns for the years through 2014 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance. However, there was controversy over the expiration of the loss carryfowards for the year 2012. The Group expected to apply for constitutional interpretation.

(iv) The Company's integrated income tax information at the reporting date were as follows：

		December 31, 2016	December 31, 2015
Unappropriated earnings after 1997	$	8,308,684	6,244,544
Balance of imputation credit account (ICA)	$	1,540,683	786,268

	2016(Estimated)	2015(Actual)
Creditable ratio for distributed to domestic shareholders of earnings	24.06%	24.04%

(Continued)

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit-seeking income tax which was actually paid under the provisions of Article 66-6, half of the amount of the surcharge on profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(r) Capital and other equity

(i) Ordinary share

As of December 31, 2016 and 2015, the Company's authorised share capital consisted of 1,000,000 thousand shares of ordinary share, with $10 dollars par value per share, of which 407,666 thousand shares, and 596,564 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 thousand for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2016 and 2015 :

	Ordinary share (in thousands)	
	2016	**2015**
Balance as of January 1	596,564	742,238
Exercise of employee stock options	102	3,005
Capital reduction	(179,000)	(148,679)
Retirement of treasury share	(10,000)	-
Balance as of December 31	**407,666**	**596,564**

For the years ended December 31, 2016 and 2015, the Company had issued 102 thousand shares and 3,005 thousand shares resulting from the exercise of employee stock options, respectively. The record dates were agreed on the end of each calendar quarter. All issued shares were paid up upon issuances. The aforementioned stock issuance, which was authorized by and registered with the government authorities, was included in ordinary share.

The Company resolved a capital reduction of $1,789,999 thousand and $1,486,790 thousand, representing 179,000 thousand shares and 148,679 thousand shares of outstanding shares as approved in the shareholders' meetings on June 24, 2016 and June 3, 2015, respectively. On August 1, 2016 and July 2, 2015, the authority had already approved the application and the Company's Board of Directors resolved the record date as August 2, 2016 and July 9, 2015. The related registration process had been completed.

As of December 31, 2016, the Company issued 11,121 thousand units of Global Depositary Receipts (GDRs), representing 55,605 thousand ordinary shares of stock of the Company.

(Continued)

(ii) Capital surplus

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

		December 31, 2016	December 31, 2015
Additional paid-in capital	$	3,736,867	3,797,820
Changes in equity of associates and joint ventures accounted for using equity method		21,163	15,614
Employee stock options		707	1,583
	$	**3,758,737**	**3,815,017**

In accordance with amended Company Act in 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

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

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

1) Legal reserve

According to the amended Company Act which was announced in January 2012, 10% of net income should be set aside as statutory earnings reserve, until it equals the share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

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

(Continued)

to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2015 and 2014 had been approved in a shareholders' meeting held on June 24, 2016 and June 3, 2015, respectively. The appropriations and dividends were as follows:

	2015	2014
Cash dividends	$ 298,333	148,679

The above-mentioned appropriations of earnings for 2015 and 2014 were consistent with the resolutions of the meeting of the Board of Directors.

In the shareholders' meeting held on June 3, 2015, it resolved the employee bonuses and directors' and supervisors' remuneration amounted $176,700 thousand and $53,000 thousand, respectively. The above-mentioned appropriations of earnings were consistent with those accrued and recognized for the year ended December 31, 2014.

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

(iv) Treasury shares

In 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 13,920 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2016, a total of 3,920 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of the number of common shares issued. Also, the total amount of the repurchased shares should not exceed the sum of retained earnings, paid-in capital in excess of par value and other realized capital surplus. The shares and dollar amount that may be repurchased do not exceed the upper limit, which were calculated based on the audited or reviewed financial reports by a certified accountant, for the latest accounting period prior to a resolution of a meeting of the board of directors.

In accordance with the requirements of Securities and Exchange Act, treasury held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

(v) Other equity interest, net of tax

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2016	$	19,783	363,161
Foreign currency differences (net of tax)：			
The Group		(18,365)	-
Associates		301	-
Changes in fair value of available-for-sale financial assets (net of tax)		-	588,260
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(191,243)
Balance as of December 31, 2016	$	1,719	760,178

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2015	$	4,909	215,962
Foreign currency differences (net of tax)：			
The Group		15,177	-
Associates		(303)	-
Changes in fair value of available-for-sale financial assets (net of tax)		-	138,341
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	8,858
Balance as of December 31, 2015	$	19,783	363,161

(s) Share-based payment

The details of share-based payment were as follows:

Item	Date of approval by Board of Directors	Date of approval by authority	Issue date	Duration	Estimated issued shares	Actual issue shares	Price of each share (expressed in dollars)
2010	2010.07.05	2010.09.28	2011.01.26	5 years	10,000,000	10,000,000	$ 28.4

The details of exercisable percentage of employee stock options were as follows:

	Issued in 2010
Over one year	-
Over two years	60%
Over three years	100%
Over four years	100%
Over five years	100%

(i) Fair value of those options at the measurement date and information on how that fair value was

(Continued)

measured.

Had the Group used the fair value based method to evaluate the options using the Black-Scholes model, the assumptions at the various grant dates would have been as follows:

		2010 employee stock options exercise in the 2nd year	2010 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	$	4.30	5.30
Share price at grant date (dollars)	$	27.02	27.02
Exercise price (dollars)	$	27.10	27.10
Expected volatility		31.25%	31.25%
Expected life		2 Years	3 Years
Risk-free interest rate		0.73%	0.86%

Expected volatility is based on the weighted-average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. The Group determined the risk-free rate during the life of the option. These rates are determined based on the government bonds, and they are in accordance with the regulations. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

(ii) For the years ended December 31, 2016 and 2015, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2016		2015	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	$ 28.40	142	22.70	3,147
Granted	-	-	-	-
Exercised	28.40	(102)	24.80	(3,005)
Expired	-	(40)	-	-
Outstanding at the end	-	-	28.40	142
Exercisable as of December 31		-		142

As of December 31, 2015, the Group's compensatory employee stock options outstanding were as follows:

	December 31, 2015				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2011.01.26	$ 28.4	142	0.07	142	$ 28.4

As of December 31, 2016, there was no compensatory employee stock options outstanding.

(iii) Compensation cost for employee stock options

(Continued)

For the years ended December 31, 2016 and 2015, the compensation cost for employee stock options both amounted to $0 thousand.

(t) Earnings per share ("EPS")

For the years ended December 31, 2016 and 2015, the Company's earnings per share were calculated as follows:

	2016		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS:			
Profit belonging to common shareholders	$ 3,112,774	515,536	$
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	-	3,695	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 3,112,774	519,231	$ 5.99

	2015		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS:			
Profit belonging to common shareholders	$ 2,671,627	672,148	$
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee remuneration	-	6,213	
Employee stock options	-	502	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 2,671,627	678,863	$ 3.94

(u) Employees', directors' and supervisors' 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) Employee remumeration: 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 bonuses may be distributed to qualified employees of affiliates of the Company.

(ii) Remuneration of Directors and Supervisors: 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 and Supervisors shall follow the special resolution by Board of Directors, and report it to the shareholders' meeting.

(Continued)

For the years ended December 31, 2016 and 2015 the Company accrued and recognised its employee remuneration amounting to $263,000 thousand and $231,300 thousand, and directors' and supervisors' remuneration amounting to $76,300 thousand and $67,100 thousand, respectively. The amount of employee bonuses, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the bonuses and remuneration, and multiplied by the rule of Company's Article of Incorporation. The above bonuses and remuneration were included in the operating costs and operating expenses of the years ended December 31, 2016 and 2015. There was no differences between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, for the years ended December 31, 2016 and 2015.

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

(v) Non-operating income and expenses

(i) Other income

		2016	2015
Interest income	$	11,104	20,280
Dividend income		52,747	36,871
Rent income		73,533	45,287
	$	**137,384**	**102,438**

(ii) Other gains and losses

		2016	2015
Foreign exchange gains (losses)	$	(15,952)	66,552
Impairment loss on financial assets		-	(53,341)
Gains (losses) on disposals of investments		227,075	(13,285)
Gains (losses) on financial assets or liabilities at fair value through profit or loss		13,993	(2,356)
Gains (losses) on disposal of property, plant and equipment		(2,786)	1,824
Other		96,002	(58,511)
	$	**318,332**	**(59,117)**

(Continued)

(iii) Finance costs

	2016	2015
Interest expense on bank borrowings	$ 50,770	53,445
Other interest expenses	425	1,030
Less: capitalized interest expense	(30,975)	(40,623)
	$ 20,220	13,852

(w) Financial instruments

(i) Credit risk

1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. Cash and cash equivalents is deposited in different financial institutions to control the credit risk exposed to single financial institution. The Group owns securities by purchasing traded stocks and money market fund issued by high-credit-quality financial institutions. The Group owns debt instrument investments issued by high-credit-quality company. However, the credit risk involving securities is not expected to be significant.

2) Disclosures about concentrations of risk

As of December 31, 2016 and 2015, the Group's notes and account receivables were both concentrated on 7 and 4 customers, respectively, whose accounts represented 69% and 59% of the total notes and account receivables, respectively. In order to reduce the credit risk on these account receivables, the Group continues to evaluate the financial status of these customers and request for collaterals when necessary. The Group evaluates the possible collectability of account receivables periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2016						
Non-derivative financial liabilities						
Secured bank loans	$ 2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans	2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable	975,478	975,478	975,478	-	-	-
Other payables	971,411	971,411	971,411	-	-	-
	$ 6,560,832	6,644,915	2,931,055	896,840	2,817,020	-
As of December 31, 2015						
Non-derivative financial liabilities						
Secured bank loans	$ 2,940,303	3,019,321	880,470	962,248	1,176,603	-
Unsecured bank loans	23,656	23,674	23,674	-	-	-
Accounts payable	1,309,867	1,309,867	1,309,867	-	-	-
Other payables	680,523	680,523	680,523	-	-	-
	$ 4,954,349	5,033,385	2,894,534	962,248	1,176,603	-

(Continued)

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets						
Monetary items						
USD	$ 83,868	32.25	2,704,780	71,622	32.83	2,351,365
EUR	28	33.90	935	1	35.88	19
JPY	67,409	0.2756	18,575	133,307	0.2727	36,352
GBP	12	39.61	463	33	48.67	1,600
HKD	63	4.16	261	63	4.24	268
RMB	-	-	-	9	5.00	47
			$ 2,725,014			2,389,651
Non-monetary items						
USD	40,623	32.25	$ 1,316,726	21,968	32.83	721,215
Financial liabilities						
Monetary items						
USD	13,904	32.25	448,395	19,668	32.83	645,693
EUR	476	33.90	16,123	112	35.88	4,022
JPY	292,688	0.2756	80,663	654,578	0.2727	178,503
GBP	-	-	-	8	48.67	383
			$ 545,181			828,601

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, net, other receivables, current financial assets at fair value through profit or loss, available-for-sale financial assets, loans and borrowings, notes and accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, and the JPY etc. for the years ended December 31, 2016 and 2015 would have increased (decreased) the net profit after tax by $90,436 thousand and $64,919 thousand, respectively, and other comprehensive income would have increased (decreased) by $2,089 thousand and $0 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Exchange gain or loss

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2016 and 2015, foreign exchange gain (loss) (including realized and unrealized portions) amounted to loss $15,952 thousand and gain $66,552 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.

(Continued)

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 (decreased) increased by $12,443 thousand and $12,226 thousand for the years ended December 31, 2016 and 2015, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 153,794	153,794	-	-	153,794
Funds and investment	64,456	64,456	-	-	64,456
Subtotal	$ 218,250	218,250	-	-	218,250
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 1,415,958	1,415,958	-	-	1,415,958
Non-public stocks	656,245	-	656,245	-	656,245
Private fund	527,831	-	527,831	-	527,831
Subtotal	$ 2,600,034	1,415,958	1,184,076	-	2,600,034
Loans and receivables					
Cash and cash equivalents (Note)	$ 2,388,143	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (Note)	1,068,714	-	-	-	-
Other receivables (Note)	173,771	-	-	-	-
Subtotal	$ 3,723,228	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	$ 4,613,943	-	-	-	-
Accounts payable (Note)	975,478	-	-	-	-
Other payables (Note)	971,411	-	-	-	-
Subtotal	$ 6,560,832	-	-	-	-

(Continued)

		December 31, 2015				
			Fair value			
		Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Stocks listed on domestic markets	$	125,783	125,783	-	-	125,783
Funds and investment		888,905	888,905	-	-	888,905
Subtotal	$	1,014,688	1,014,688	-	-	1,014,688
Available-for-sale financial assets						
Stocks listed on domestic and foreign markets	$	1,007,779	1,007,779	-	-	1,007,779
Non-public stocks		549,815	-	549,815	-	549,815
Private fund		340,950	-	340,950	-	340,950
Subtotal	$	1,898,544	1,007,779	890,765	-	1,898,544
Loans and receivables						
Cash and cash equivalents (Note)	$	1,869,657	-	-	-	-
Investments in debt instrument without active market (Note)		159,600	-	-	-	-
Notes and accounts receivable (Note)		700,028	-	-	-	-
Other receivables (Note)		142,588	-	-	-	-
Subtotal	$	2,871,873	-	-	-	-
Amortized cost of financial liability						
Bank loan (Note)	$	2,963,959	-	-	-	-
Accounts payable (Note)		1,309,867	-	-	-	-
Other payables (Note)		680,523	-	-	-	-
Subtotal	$	4,954,349	-	-	-	-

Note: The information on for 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:

Investments in debt instrument without active market and financial liability measured at amortized cost

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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

(Continued)

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

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

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

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

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

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

- Equity instruments do not have any quoted market price: 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.

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 the years ended December 31, 2016 and 2015, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy level 3 for the years ended

(Continued)

December 31, 2016 and 2015.

(x) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

The Group oversees the customer's credit risk based on the aging, due date and financial information.

The allowance for doubtful accounts of the Group is estimated to reflect the loss in notes and accounts receivable for those customers graded as "high risk". The major component of the allowance account contains individually significant exposure related to the specific loss.

2) Investments

(Continued)

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

3) Guarantees

As of December 31, 2016 and 2015, the Group did not provide guarantee.

(iv) Liquidity risk

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

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Group also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2016, the Group has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused bank credit lines for short-term borrowings and long-term borrowings amounted to $1,941,748 thousand, $1,352,188 thousand and $2,002,000 thousand, respectively.

(v) Market risk

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

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

The policy of response to currency risk：

1) The Group reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.

2) The Group uses foreign currency borrowings and forward exchange contracts to hedge the remaining nature of currency risk arising from the netting of foreign currency accounts receivable and accounts payable.

3) The Group manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also reports to the foreign currency department to control the foreign currency trend and market information.

(y) Capital management

(Continued)

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

For the years ended December 31, 2016 and 2015, the Group's return on common equity was 17.87% and 16.12%, respectively. The Group's debt ratio at the reporting date were as follows:

	December 31, 2016	December 31, 2015
Debt ratio	30.64%	28.63%

As of December 31, 2016, there were no changes in the Group's approach to capital management.

(7) Related-party transactions:

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

(i) Loans to related parties were as follows

Chainwin Cayman lend money to other related parties, Merit Biotech Inc. for the year ended December 31, 2016, the amount of used loan facilities was USD856 thousand. The loan is unsecured and its interest rate is 1.18%. Merit Biotech Inc. repaid the loan in November 2016.

(ii) Acquisitions of property and other assets

In 2016, the Group purchased property, plant and equipment from its other related party, Merit Biotech Inc. amounting to USD843 thousand ($26,668 thousand). As of December 31, 2016, the purchased amount on property, plant and equipment had been received.

(c) Transactions with key management personnel

For the years ended December 31, 2016 and 2015, key management personnel compensation were comprised as below:

	2016	2015
Short-term employee benefits	$ 362,278	330,428
Post-employment benefits	801	709
	$ 363,079	331,137

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2016	December 31, 2015
Other non-current assets	Gas deposits	$ 4,700	4,700
Other non-current assets	Customs guarantee	20,871	20,781
Property, plant and equipment	Long-term borrowings	3,176,314	3,985,080

(Continued)

Investment property	Long-term borrowings	1,468,113	1,085,846
		$ 4,669,998	5,096,407

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

(i) In 2015, the Company signed a shareholder's agreement with CSDC Private Limited, a Singapore company. According to the agreement, the Company should purchase a certain amount of raw material from the main shareholders of CSDC Private Limited between 2014 to 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.

(ii) The unrecognized commitment of purchase of raw materials by the aforementioned shareholder's agreement and acquisition of plant expansion and machinery equipment were as follows:

	December 31, 2016	December 31, 2015
The unrecognized amount	$ 2,916,764	2,100,360

	December 31, 2016	December 31, 2015
(iii) The unused letters of credit	$ 234,314	2016,610

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2016 and 2015:

(Continued)

	2016			2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,308,032	674,549	1,982,581	1,152,890	548,601	1,701,491
Labor and health insurance	101,727	36,634	138,361	83,012	33,095	116,107
Pension	49,469	15,168	64,637	37,750	13,137	50,887
Others	44,967	88,407	133,374	38,011	74,628	112,639
Depreciation	2,196,934	141,182	2,338,116	1,767,223	132,087	1,899,310
Amortization	11,594	22,349	33,943	7,686	16,095	23,781

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) 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)	Amount of used loan facilities during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Merit Biotech Inc.	Other receivables	Yes	48,375 (USD1,500)	-	-	1.18%	2	-	Working Capital	-	None	-	Net equity 10%= 103,193	Net equity 20%= 206,385

Note 1: Company numbering as follow:

Subsidiaries to subsidiaries－0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1.Business relationship

2.Short-term financing

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 10% and 20%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(Continued)

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	Highest Percentage of ownership (%)	Remark
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	500	72,750	0.34	72,750	0.34	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	〃	〃	557	81,044	0.38	81,044	0.38	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	2,128	26,408	-	26,408	-	
〃	Capital Money Market Fund	〃	〃	191	3,048	-	3,048	-	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	CTBC Hwa-win Money Market Fund	〃	〃	3,207	35,000	-	35,000	-	
					218,250		218,250		
The Company	ITEQ CORPORATION/ Stock	〃	Current available-for-sale financial assets	25,968	864,724	8.57	864,724	8.57	
〃	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	〃	〃	2,125	109,002	2.50	109,002	2.50	
The Company	Solar Applied Materials Technology Corp./Stock	None	Current available-for-sale financial assets	119	1,041	0.03	1,041	0.03	
					974,767		974,767		
〃	Inventec Solar Energy Corporation /Stock	〃	Non-current available-for-sale financial assets	34,000	287,123	10.51	287,123	10.51	
〃	Tainergy Tech Co., Ltd./Stock	〃	〃	943	13,628	0.26	13,628	0.30	
〃	CDIB Capital Creative Industries Limited /Stock	〃	〃	5,000	91,297	3.33	91,297	3.33	
〃	Fuh Hwa Tung-ta Fund	〃	〃	20,710	335,299	-	335,299	-	
〃	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	〃	〃	1,000	93,630	1.78	93,630	1.78	
〃	New Future Capital Co., Ltd./Stock	〃	〃	10,000	100,000	15.87	100,000	15.87	
〃	Magi Capital Fund II, L.P.	〃	〃	-	50,332	5.81	50,332	5.81	
〃	Grand Fortune Venture Corp. /Stock	〃	〃	5,000	50,651	6.87	50,651	6.87	
〃	Fuh Hwa Oriental Fund	〃	〃	15,000	142,200	-	142,200	-	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. /Stock	Subsidiary's main client	〃	75	427,563	0.02	427,563	0.03	(Note 1)
〃	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	〃	1,264	1,266	14.37	1,266	14.37	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	〃	3,300	10,743	7.33	10,743	7.33	
〃	MOAI Electronics Corporation /Stock	None	〃	300	1,121	1.27	1,121	1.27	
〃	Merit Biotech INC. /Stock	Main shareholder of the Company's investment through subsidiaries	〃	1,320	20,414	2.93	20,414	2.93	
					1,625,267		1,625,267		
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	9,260	92,600	16.50	(Note 2)	17.20	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group (Cayman Island) Co., Ltd.	〃	Financial assets measured at cost	12	24,832	4.78	(Note 3)	4.78	

Note 1: Avago Technologies Ltd. renamed Broadcom Ltd. because it merged with Broadcom Corporation in 2016.

Note 2: The redeemable preferred stock was the nature of bond, which was recognised as non-current investment in debt instrument without active market.

Note 3: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

(Continued)

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	-	4,820	76,800	22,526	359,400	27,346	436,256	436,200	56	-	-
〃	Polaris De-Bao Money Market Fund	〃	-	-	7,538	89,500	55,797	663,244	63,335	752,866	752,744	122	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	19,868	245,738	119,752	1,482,818	139,620	1,728,958	1,728,556	402	-	-
〃	Fuh Hwa Tung-ta Fund	Non-current available-for-sale financial assets	-	-	30,000	300,000	-	-	9,290	327,000	92,897	191,243 (Note 1)	20,710	335,299 (Note 2)
〃	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	7,000	227,636	15,000	490,500	-	-	-	-	22,000	1,266,394 (Note 3)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd./ Stock	〃	-	Investment through subsidiary	3,000	195,540	7,500	486,720	-	-	-	-	10,500	686,123 (Note 3)

Note 1: When calculating the amount of the gains on disposal, any handing fee or surcharges were deducted.

Note 2: The amount of ending balance includes the amount of the unrealized gains (losses) on available-for-sale-financial assets.

Note 3: The amount of ending balance was calculated using equity method. The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(4,497,103)	(34)%	1~2 Month	-	-	521,957	49%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	4,497,103	100%	1~2 Month	-	-	(521,957)	(100)%	(Note)

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of

(Continued)

the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	521,957	10.02	-	-	521,957	-	(Note)

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	4,497,103	Note 3	33.01%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related parties	521,957	〃	1.98%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related parties	521,957	〃	1.98%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	4,497,103	〃	33.01%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	73,557	〃	0.54%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	73,557	〃	0.54%

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

(Continued)

(b) Information on investments:

The following is the information on investees for the years ended December 31, 2016 (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: December 31, 2016	Original investment amount: December 31, 2015	Balance as of December 31, 2016: Shares (in thousands)	Balance as of December 31, 2016: Percentage of ownership	Balance as of December 31, 2016: Carrying value	Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Remark
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00%	7,354	100.00%	(102)	(102)	(Note)
〃	Win semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	718,136	227,636	22,000	100.00%	1,266,394	100.00%	20,933	20,933	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	680,029	789,455	32,828	34.52%	158,017	34.52%	(70,545)	(24,351)	
〃	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	200,000	25,000	100.00%	160,463	100.00%	6,144	6,144	(Note)
〃	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06%	83,381	31.06%	(111,608)	(33,167)	
〃	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	-	25.00%	-	25.00%	(48,867)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82%	18,303	6.82%	(111,608)	(7,281)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	32,590	20	40.00%	31,335	40.00%	(1,696)	(675)	
〃	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	〃	682,260	195,540	10,500	43.75%	686,123	50.00%	106,308	2,912	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	〃	38,573	-	1,283	100.00%	36,800	100.00%	(2,136)	(2,136)	(Note)

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

(c) Information on investment in Mainland China:

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

(In thousands of Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investee (Note 2)	Highest Percentage of ownership	Percentage of ownership	Investment income (losses)	Carrying value as of December 31, 2016 (Note 3)	Accumulated remittance of earnings in current period
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	198,397 (RMB 42,943)	(Note 1)	-	-	-	-	132,846 (USD 4,118)	43.75%	43.75%	132,846 (USD 4,118)	284,096 (USD 8,809)	-
Jiangsu Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	48,375 (USD 1,500)	(Note 1)	-	-	-	-	77 (USD 2)	43.75%	43.75%	77 (USD 2)	48,041 (USD 1,490)	-
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	193,500 (USD 6,000)	(Note 1)	-	116,100 (USD 3,600)	-	116,100 (USD 3,600)	(5,047) (USD (156))	26.25%	26.25%	(3,028) (USD (94))	2016,878 (USD 3,283)	-
Jiansu Merit/ CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	96,750 (USD 3,000)	(Note (1)	-	58,050 (USD 1,800)	-	58,050 (USD 1,800)	(1,333) (USD (41))	26.25%	26.25%	(800) (USD (25))	53,623 (USD 1,663)	-
Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	154,800 (USD 4,800)	(Note 1)	-	92,880 (USD 2,880)	-	92,880 (USD 2,880)	3,616 (USD 112)	26.25%	26.25%	2,169 (USD 67)	90,486 (USD 2,806)	-
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	74,738 (RMB 16,177)	(Note 1)	-	-	-	-	(4,210) (USD (131))	43.75%	43.75%	(4,210) (USD (131))	60,023 (USD 1,861)	-

(Continued)

(ii) Limitation on investment in Mainland China:

(In thousands of Dollars)

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
267,030 (USD 8,280)	677,250 (USD 21,000)	10,990,730

Note 1: The Group invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2016 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollar at the average exchange rate for year ended December 31, 2016. The other amounts related to foreign currency were translated into New Taiwan Dollar at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

(iii) Significant transactions: None.

(14) Segment information:

(a) The Group's reportable segment is the foundry segment. The foundry segment engages mainly in researching, developing, manufacturing, and selling of GaAs wafers etc.

Other operating segments are mainly engaged in investment activities and agriculture technology, 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 years ended December 31, 2016 and 2015, 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 year ended December 31, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue：				
Revenue from external customers	$ 13,417,822	205,254	-	13,623,076
Interest expense	$ 20,220	-	-	20,220
Depreciation and amortization	$ 2,363,376	7,436	1,247	2,372,059
Share of loss of associates and joint ventures accounted for using equity method	$ (42,554)	(7,281)	-	(49,835)
Reportable segment profit or loss	$ 3,529,126	47,760	(82,284)	3,494,602
Assets:				
Capital expenditures in noncurrent assets	$ 3,220,851	51,294	-	3,272,145

Reconciliation

(Continued)

For the year ended December 31, 2015	Foundry	Other	and elimination	Total
Revenue：				
Revenue from external customers	$ 12,014,717	1,030	-	12,015,747
Interest expense	$ 13,852	-	-	13,852
Depreciation and amortization	$ 1,923,091	-	-	1,923,091
Share of loss of associates and joint ventures accounted for using equity method	$ (106,195)	(3,784)	-	(109,979)
Reportable segment profit or loss	$ 3,576,183	(65,819)	-	3,510,364
Assets:				
Capital expenditures in noncurrent assets	$ 3,525,524	-	-	3,525,524

The segment profit or loss, assets and liabilities of the operating segment above were consistent with the related accounts shown in the consolidated balance sheets and consolidated statements of comprehensive income of the Group.

(c) Segment information by products and services

The information from the product and the service segment coincides with the administrative segment, and its revenue from external customers was disclosed in Note 14(b).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenue from external customers for the years ended December 31, 2016 and 2015 were as follows:

Area	2016	2015
External Customers:		
America	$ 850,744	595,420
Asia	10,352,382	7,691,152
Africa	-	2,309,242
Taiwan	2,018,653	980,434
Europe	401,297	439,499
Total	$ 13,623,076	12,015,747

Area	2016	2015
Non-current Assets:		
Taiwan	$ 16,041,501	14,906,924
Asia	134,988	-
America	393	320
Total	$ 16,176,882	14,907,244

(Continued)

Non-current assets include property, plant and equipment, investment property, intangible assets and prepayments for business facilities; not including financial instruments, goodwill and deferred tax assets.

(e) Major customers

For the years ended December 31, 2016 and 2015, sales to customers greater than 10% of net revenue were as follows:

	2016		2015	
	Net revenue amount	**Percentage of net revenue (%)**	**Net revenue amount**	**Percentage of net revenue (%)**
Operating revenue of the Group-A company	3,821,509	28	4,434,213	37
Operating revenue of the Group-B company	-	-	2,309,242	19
Operating revenue of the Group-C company	2,035,699	15	212,071	2
	$ 5,857,208	**43**	**6,955,526**	**58**

WIN Semiconductors Corp. and Its Subsidiaries

Notes to Consolidated Financial Statements

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp. :

Opinion

We have audited the financial statements of WIN Semiconductors Corp. ("the Company"), which comprise the balance sheets as of December 31, 2016 and 2015, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Revenue recognition

   For accounting policies of revenue recognition, please refer to Note 4 (p) "Revenue" of the parent company only financial statements.

   WIN Semiconductors Corp. engages in selling of GaAs wafers. Currently, the GaAs semiconductor industry is becoming more competitive. Also, WIN Semiconductors Corp. is a listed company involving in public interest. Therefore, its revenue recognition has been identified as a key audit matter while conducting our audit on the financial statements of WIN Semiconductors Corp.

   <u>How the matter was addressed in our audit:</u>

   Our principal audit procedures included: Testing the design and effectiveness of the Company's internal control on revenue and order to cash transaction cycle. Inspecting the contracts signed with major customers to assess the reasonableness of the timing to recognize revenue. Performing the trend analysis of revenue, and collaborating its movement and expectation to verify whether or not any unusual matter has incurred.

2. Evaluation of inventory

   Please refer to Note 4(g) "Inventory" for accounting policies, Note 5 for accounting assumptions, judgments and estimation uncertainty of inventory, and Note 6(d) for the illustration of inventory of the parent company only financial statements.

   Due to the industry demand, WIN Semiconductors Corp. stores a high ratio of precious metals which result in a lower inventory turnover. Therefore, the Company cannot obtain sufficient information on inventories that were sold or used on the reporting date. Since the technology changes rapidly, the inventory may be out of date or may not conform to market demand, resulting in a risk wherein the carrying amount of inventories may exceed its net realisable value.

How the matter was addressed in our audit

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Mei-Yen Chen.

KPMG

Taipei, Taiwan (The Republic of China)
March 23, 2017

Note to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

WIN Semiconductors Corp.
Balance Sheets
December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2016		December 31, 2015	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,434,161	6	1,742,988	7
1110	Current financial assets at fair value through profit or loss (note 6(b))	72,750	-	948,291	4
1125	Current available-for-sale financial assets (note 6(b))	974,767	4	629,823	3
1170	Notes and accounts receivable, net (note 6(c))	532,672	2	300,134	1
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	521,957	2	375,716	2
1310	Inventories (note 6(d))	2,716,765	11	2,471,370	10
1470	Other current assets (note 6(i))	293,150	1	294,091	1
	Total current assets	6,546,222	26	6,762,413	28
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	1,164,160	5	865,828	4
1546	Non-current investments in debt instrument without active market (note 6(b))	92,600	-	159,600	1
1550	Investments accounted for using equity method (note 6(e))	1,675,609	7	1,248,153	5
1600	Property, plant and equipment (note 6(f) and 8)	13,181,802	51	11,622,870	48
1760	Investment property (note 6(g) and 8)	1,468,113	6	1,085,846	5
1780	Intangible assets (note 6(h))	73,352	-	62,370	-
1840	Deferred tax assets (note 6(n))	75,354	-	85,104	-
1915	Prepayments for business facilities	1,263,897	5	2,135,838	9
1990	Other non-current assets (notes 6(i) and 8)	50,787	-	48,741	-
	Total non-current assets	19,045,674	74	17,314,350	72
	Total assets	$ 25,591,896	100	24,076,763	100

		December 31, 2016		December 31, 2015	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (note6 (j))	$ -	-	23,656	-
2170	Accounts payable	941,535	4	1,309,867	5
2200	Other payables	1,978,321	8	1,789,058	7
2320	Long-term liabilities, current portion (notes 6(k) and 8)	940,194	3	841,507	4
2399	Other current liabilities	207,072	1	606,806	3
	Total current liabilities	4,067,122	16	4,570,894	19
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(k) and 8)	3,673,749	14	2,098,796	9
2570	Deferred tax liabilities (note 6(n))	33,728	-	28,159	-
2600	Other non-current liabilities (note 6(m))	190,858	1	169,814	1
	Total non-current liabilities	3,898,335	15	2,296,769	10
	Total liabilities	7,965,457	31	6,867,663	29
	Equity (notes 6(n), 6(o) and (6(p)):				
3110	Ordinary share	4,076,664	16	5,965,641	24
3200	Capital surplus	3,758,737	14	3,815,017	16
3300	Retained earnings	9,376,801	37	7,045,498	29
3400	Other equity interest	761,897	3	382,944	2
3500	Treasury shares	(347,660)	(1)	-	-
	Total equity	17,626,439	69	17,209,100	71
	Total liabilities and equity	$ 25,591,896	100	24,076,763	100

See accompanying notes to financial statements.

WIN Semiconductors Corp.
Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (note 7)**	$ 13,299,527	100	11,904,017	100
5000	**Operating costs (notes 6(d), (f), (h), (l), (m), (r), 7 and 12))**	(8,414,261)	(63)	(7,191,668)	(60)
	Gross profit from operating	4,885,266	37	4,712,349	40
	Operating expenses (notes 6(c), (f), (g), (h), (l), (m), (r), 7 and 12)):				
6100	Selling expenses	(85,376)	(1)	(69,803)	(1)
6200	Administrative expenses	(667,364)	(5)	(514,021)	(4)
6300	Research and development expenses	(605,674)	(5)	(572,485)	(5)
	Total operating expenses	(1,358,414)	(11)	(1,156,309)	(10)
	Net operating income	3,526,852	26	3,556,040	30
	Non-operating income and expenses:				
7010	Other income (notes 6(l) and 6(s))	130,025	1	98,413	1
7020	Other gains and losses (notes 6(e) and 6(s))	297,470	2	(48,306)	-
7050	Finance costs (note 6(s))	(20,220)	-	(13,852)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	(30,543)	-	(158,912)	(1)
	Total non-operating income and expenses	376,732	3	(122,657)	-
7900	**Profit before tax**	3,903,584	29	3,433,383	30
7950	**Total tax expense (note 6(n))**	(790,810)	(6)	(761,756)	(6)
	Profit	3,112,774	23	2,671,627	24
	Other comprehensive income (loss):				
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans (note 6(m))	(13,272)	-	(6,304)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(n))	2,256	-	1,072	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	(11,016)	-	(5,232)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(6,675)	-	15,177	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	357,577	3	43,012	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	27,714	-	103,884	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	**378,616**	**3**	**162,073**	**1**
	Other comprehensive income	367,600	3	156,841	1
8500	**Total comprehensive income**	**$ 3,480,374**	**26**	**2,828,468**	**25**
	Earnings per common share (expressed in dollars) (note 6(q))				
9750	Basic earnings per share	**$ 6.04**		**3.97**	
9850	Diluted earnings per share	**$ 5.99**		**3.94**	

See accompanying notes to financial statements.

WIN Semiconductors Corp.
Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity interest				
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2015	$ 7,422,377	3,768,620	604,607	3,923,175	4,527,782	4,909	215,962	220,871	-	15,939,650
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	196,347	(196,347)	-	-	-	-	-	-
Cash dividends	-	-	-	(148,679)	(148,679)	-	-	-	-	(148,679)
			196,347	(345,026)	(148,679)					(148,679)
Profit for the year ended December 31, 2015	-	-	-	2,671,627	2,671,627	-	-	-	-	2,671,627
Other comprehensive income for the year ended December 31, 2015	-	-	-	(5,232)	(5,232)	14,874	147,199	162,073	-	156,841
Total comprehensive income for the year ended December 31, 2015	-	-	-	2,666,395	2,666,395	14,874	147,199	162,073	-	2,828,468
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,916	-	-	-	-	-	-	-	1,916
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	-	(1,486,790)
Exercise of employee stock options	30,054	44,481	-	-	-	-	-	-	-	74,535
Balance at December 31, 2015	5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	267,163	(267,163)	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)
			267,163	(565,496)	(298,333)					(298,333)
Profit for the year ended December 31, 2016	-	-	-	3,112,774	3,112,774	-	-	-	-	3,112,774
Other comprehensive income for the year ended December 31, 2016	-	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	-	367,600
Total comprehensive income for the year ended December 31, 2016	-	-	-	3,101,758	3,101,758	(18,401)	397,017	378,616	-	3,480,374
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	5,549	-	-	-	337	-	337	-	5,886
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	-	(1,789,999)
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	-	2,902
Purchase of treasury share	-	-	-	-	-	-	-	-	(347,660)	(347,660)
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	-	(635,831)
Balance at December 31, 2016	**$ 4,076,664**	**3,758,737**	**1,068,117**	**8,308,684**	**9,376,801**	**1,719**	**760,178**	**761,897**	**(347,660)**	**17,626,439**

Note: The appropriations for 2016 and 2015 directors and supervisors' remuneration amounting to $76,300 and $67,100, employee's remuneration amounting to $263,000 and $231,300, were recognized and accrued in the 2016 and 2015 earnings.

See accompanying notes to financial statements.

WIN Semiconductors Corp.
Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	$ 3,903,584	3,433,383
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,331,155	1,899,244
Amortization expense	32,129	23,781
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(13,993)	2,356
Interest expense	20,220	13,852
Interest income	(9,811)	(20,188)
Dividend income	(46,681)	(32,938)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	30,543	158,912
Loss (gain) on disposal of property, plant and equipment	2,768	(1,824)
Loss (gain) on disposal of investments	(209,987)	13,285
Impairment loss on financial assets	-	53,341
Total adjustments to reconcile profit	2,136,343	2,109,821
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in notes and accounts receivable, net	(232,538)	6,745
Increase in accounts receivable due from related parties, net	(146,241)	(265,186)
Increase in inventories	(281,748)	(1,023,336)
Increase in other current assets	(159)	(104,752)
Total changes in operating assets	(660,686)	(1,386,529)
Changes in operating liabilities:		
Increase (decrease) in accounts payable	(368,332)	380,094
Increase in other payable	95,132	88,878
Increase (decrease) in other current liabilities	(399,734)	509,539
Increase in other non-current liabilities	1,645	1,248
Total changes in operating liabilities	(671,289)	979,759
Total changes in operating assets and liabilities	(1,331,975)	(406,770)
Cash inflow generated from operations	4,707,952	5,136,434
Income taxes paid	(888,336)	(514,611)
Net cash flows from operating activities	3,819,616	4,621,823
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(2,761,160)	(5,127,443)
Proceeds from disposal of current financial assets at fair value through profit or loss	3,669,438	5,447,999
Acquisition of current available-for-sale financial assets	(21,732)	-
Acquisition of non-current available-for-sale financial assets	(356,864)	(25,000)
Proceeds from disposal of non-current available-for-sale financial assets	284,140	29,711
Proceeds from disposal of non-current investments in debt instrument without active markets	67,000	-
Acquisition of investments accounted for using equity method	(540,500)	(180,400)
Acquisition of property, plant and equipment	(1,986,782)	(1,522,594)
Proceeds from capital reduction of investments accounted for using equity method	109,426	-
Proceeds from disposal of property, plant and equipment	891	7,560
Acquisition of intangible assets	(44,067)	(32,403)
Increase in other non-current assets	(2,046)	(3,600)
Increase in prepayments for business facilities	(1,189,832)	(1,970,361)
Interest received	10,911	19,454
Dividends received	46,681	32,938
Net cash flows used in investing activities	(2,714,496)	(3,324,139)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(23,656)	23,656
Proceeds from long-term debt	2,514,000	-
Repayments of long-term debt	(841,506)	(545,444)
Increase in other non-current liabilities	6,127	3,303
Cash dividends paid	(298,333)	(148,679)
Capital reduction payments to shareholders	(1,789,999)	(1,486,790)
Exercise of employee share options	2,902	74,535
Payments to acquire treasury shares	(965,293)	-
Interest paid	(18,189)	(12,130)
Net cash flows used in financing activities	(1,413,947)	(2,091,549)
Net decrease in cash and cash equivalents	(308,827)	(793,865)
Cash and cash equivalents at beginning of period	1,742,988	2,536,853
Cash and cash equivalents at end of period	**$ 1,434,161**	**1,742,988**

See accompanying notes to financial statements.

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

(1) Company history:

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

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

The parent company only financial statements was authorized for issued by the Board of Directors as of March 23, 2017.

(3) New standards, amendments and interpretations adopted:

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet adopted by the Company.

According to Ruling No. 20160026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on the parent company only financial statements:

Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets" :

Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. In such cases, the amendments also require that the following be disclosed if the recoverable amount is based on fair value less costs of disposal:

(i) the level of the fair value hierarchy within which the fair value measurement is categorized; and

(ii) the valuation technique(s) used for fair value measurements categorized within Levels 2 and 3 of the fair value hierarchy, and the key valuation assumptions made.

The Company expects the aforementioned amendments will result in a broader disclosure of the recoverable amount for non-financial assets.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC.

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

(Continued)

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 8, 2016	Amendment to IAS 40 Investment Property	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 contains examples and is not an exhaustive list.

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

(4) Summary of significant accounting policies:

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

The significant accountings policies have been applied consistently to all periods presented in these parent company only financial statements.

The significant accounting policies presented in the parent company only financial statements are summarized as follows:

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The parent company only financial statements have been prepared on the historical cost basis except for the following material items in the consolidated balance sheets:

1) Financial instruments measured at fair value through profit or loss are measured at fair value (including derivative financial instruments) ;
2) Available-for-sale financial assets are measured at fair value;
3) The net defined benefit liabilities are recognized as the present value of the defined benefit

(Continued)

obligation, and the effect of the plan assets ceiling disclosure in note 4(q) less plan assets.

(ii) Functional and presentation currency

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

(c) Foreign operations

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates of the end of each reporting period ("the reporting date"). Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate of that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income that arises from the retranslation:

- available-for-sale equity investment;
- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the Company's parent company only financial statements at the exchange rates of the reporting date. The income and expenses of

(Continued)

foreign operations, are translated to the reporting currency of the Company's parent company only financial statements at average rate. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) If the asset is cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

An entity shall classify all other assets as non-current.

An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months

(Continued)

after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

An entity shall classify all other liabilities as non-current.

(e) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable using trade date accounting.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, (which takes into account any dividend and interest income), are recognised in profit or loss, and it is included in other gains and losses, and other income, respectively.

2) Available-for sale financial assets

Available for sale financial assets are non derivative financial assets that are designated available for sale or are not classified in any of the other categories of financial assets. Available for sale financial assets are recognised initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available for sale debt instruments, are recognised in other

(Continued)

comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss, and it is included in other gains and losses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non current debt instrument investment without active market. Such assets are recognised initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short term receivables. Interest income is recognised in profit or loss, and it is included in other income.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset stand that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

(Continued)

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognised in profit or loss.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost before the impairment was recognised at the reversal date.

Impairment losses recognised on available for sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Impairment losses and recoveries in respect of accounts receivable are recognized in operating expenses. Impairment losses and recoveries in respect of the financial assets other than accounts receivables are recognised in profit or loss, and it is included in other gains and losses.

5) Derecognition of financial assets

The Company derecognises financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognised in other comprehensive income and presented in other equity interest — unrealised gains (losses) on available for sale financial assets is recognised in profit or loss, and included in other gains and losses.

The Company allocates between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts on the date of the transfer.

(Continued)

The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income shall be recognised in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised based on the relative fair values of those parts.

(ii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognised in profit or loss, and are included in other gains and losses, and finance costs, respectively.

2) Other financial liabilities

Financial liabilities comprise of short and long borrowings, and trade and other payables, are not classified as held for trading, or designated as at fair value through profit or loss shall be measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortised cost calculated using the effective interest method. Interest expense not capitalised as capital cost is recognised in profit or loss, and is included in finance costs.

3) Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

(Continued)

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

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

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

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control over their financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

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

The parent company only financial statements include the Company’s share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company’s share of losses exceeds its interest in associates, the carrying amount of the investment, including any long term interests that form part thereof, is reduced to zero, and the

(Continued)

recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent company only financial statements, investments in subsidiaries which are controlled by the Company, are accounted for using the equity method. Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

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

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost both on initial recognition and at subsequent period. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(Continued)

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost are eligible for capitalization.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the disposal of an item of property, plant and equipment shall be recognised as other gains and losses.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a systematic basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognised in profit or loss.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and structures: 3 to 25 years
2) Machinery and equipment: 2 to 10 years

(Continued)

3) Factory and equipment: 2 to 10 years

4) Other equipment: 1 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(l) Leases

(i) Lesser

Lease income from operating lease is recognised in income on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Contingent rents are recognised as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value with the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognised in the Company's statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognised as expense in the periods in which they are incurred.

(m) Intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses.

(Continued)

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

(i) Technical know-how: 12 years
(ii) Computer software and information systems: 1 to 3 years
(iii) Others: 1.5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(n) Impairment of non financial assets

The carrying amounts of the Company's non financial assets, other than inventories, deferred tax assets and assets arising from employee benefits are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit.

The recoverable amount for the individual asset or the cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognised immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognised if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash generating units or groups of cash

(Continued)

generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. Losses on cancellation of treasury shares should be recognized under capital reserves.

(p) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognized.

(ii) Rent income

Lease income from investment property is recognized in income on a straight line basis over the lease term. An incentive granted to the lessee is to be recognized as part of the lease income and it is

(Continued)

spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Income from sublease is recognized in profit or loss, and is included in other gains and losses.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability (asset)), and (3) any change in the effect of the asset ceiling (if any, excluding amounts included in the net interest on the defined benefit liability (asset)), are recognized in other comprehensive income. The Company reclassifies the amounts recognized in other comprehensive income to retained earnings.

(Continued)

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

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

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

(s) Income taxes

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

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(Continued)

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized..

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee stock options and employee remuneration.

(u) Operating segment

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

(Continued)

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

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

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

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent company only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is as follows:

Valuation of inventories:

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

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

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(Continued)

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

(a) Note 6(g)-Investment property.
(b) Note 6(t)-Financial instruments.

(6) Explanation of significant accounts:

(b) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	$ 175	200
Cash in bank	1,423,986	524,117
Time deposits	10,000	1,218,671
	$ 1,434,161	1,742,988

Refer to note 6(t) for the fair value sensitivity analysis and interest rate risk of the financial assets and liabilities of the Company.

(c) Financial instruments

(i) Current financial assets at fair value through profit or loss:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 72,750	59,500
Money market funds, equity funds and bond funds	-	888,791
	$ 72,750	948,291

Refer to note 6(s) for the gains or losses on disposals of investments and the amount of remeasurement at fair value through profit or loss.

(ii) Current available-for-sale financial assets:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 974,767	629,823

(Continued)

(iii) Non-current available-for-sale financial assets:

	December 31, 2016	December 31, 2015
Stocks listed on domestic markets	$ 13,628	20,560
Non-public stocks	622,701	504,318
Private fund (Note)	527,831	340,950
	$ 1,164,160	865,828

Note: As of December 31, 2016, the private fund is during the lock-up period.

Refer to note 6(s) for the gains or losses on disposals of investments

(iv) Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	December 31, 2016	December 31, 2015
Preferred stock B	2012.11.23~2019.11.22	-	$ 92,600	159,600

(v) Sensitivity analysis in the equity price risk:

For the years ended December 31, 2016 and 2015, the sensitivity analyses for the changes in the securities price at the reporting date as illustrated below:

	2016		2015	
Prices of securities at the reporting date	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	$ 64,168	2,183	44,1870	28,449
Decreasing 3%	$ (64,168)	(2,183)	(44,870)	(28,449)

(vi) As of December 31, 2016 and 2015, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(t).

(d) Notes and accounts receivable, net

	December 31, 2016	December 31, 2015
Notes receivable	$ -	100
Accounts receivable	533,634	303,405
Accounts receivable due from related parties	521,957	375,716
Less：allowance for doubtful accounts	(962)	(3,371)
	$ 1,054,629	675,850

At the reporting date, the Company's aging analysis of notes and accounts receivable that were past due and not impaired, were as follows:

(Continued)

	December 31, 2016	December 31, 2015
Past due 1~60 days	$ 31,114	10,368
Past due 61~180 days	2,023	1,882
Past due more than 181 days	-	-
	$ 33,137	**12,250**

The movement of allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 3,371	-	3,371
Impairment loss recognised	1,553	-	1,553
Uncollected amounts written off	(3,962)	-	(3,962)
Balance at December 31, 2016	**$ 962**	**-**	**962**

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 3,371	-	3,371
Impairment loss recognised	-	-	-
Balance at December 31, 2015	**$ 3,371**	**-**	**3,371**

The Company's policy of allowance for receivables is as follows:

Assessment method:

(i) At the balance sheet date, the Company evaluates the probability of collection regarding the receivable in accordance with each customer.

(ii) The Company may recognise 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

Impairment loss recognised for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Company also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

The Company establishes a policy of allowance for doubtful accounts based on historical trends of the probability of default and the timing of recoveries and the amount of loss incurred. The policy is mainly based on the characteristic of industry and the conservative of business cove.

The Company believed that no impairment allowance was necessary with respect to the past due receivables that were collectable.

As of December 31, 2016 and 2015, the notes and accounts receivable, net were not pledged.

(Continued)

(e) Inventories

	December 31, 2016	December 31, 2015
Raw materials, supplies and spare parts	$ 1,857,866	1,505,390
Work in process	559,185	732,353
Finished goods	299,714	233,627
	$ 2,716,765	2,471,370

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

	2016	2015
Loss on valuation of inventories and obsolescence	$ 39,588	27,454
Revenue from sale of scraps	$ (7,323)	(21,445)

The inventories were not pledged.

(f) Investments accounted for using equity method

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

	December 31, 2016	December 31, 2015
Subsidiaries	$ 1,434,211	840,058
Associates	241,398	408,095
	$ 1,675,609	1,248,153

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2016.

(ii) Associates:

Since January 28, 2015, the Company has acquired 35.04% of the shares of Phalanx Biotech Group, Inc. for $180,400 thousand in cash, and has significant influence on it. In April 2015, Phalanx Biotech Group, Inc. approved a cash subscription, the Company did not subscribe any new shares. Therefore, the percentage of the Company's ownership declined to 31.06%. The Company still has significant influence on Phalanx Biotech Group, Inc.

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 parent company only financial statements of the Company.

	December 31, 2016	December 31, 2015
Total equity of the individually insignificant investments in associates	$ 241,398	408,095

	2016	2015
Attributable to the Company:		
Net loss	$ (57,518)	(106,606)
Other comprehensive income	247	28
Total comprehensive income	$ (57,271)	(106,578)

For the year ended December 31, 2015, the Company recognized impairment loss amounting to $53,341 thousand due to the impaired securities. The impairment loss was recorded under other gains or losses. For the year ended December 31, 2016, there was no aforementioned issue.

(iii) As of December 31, 2016 and 2015, the investments accounted for using equity method were not pledged.

(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2016 and 2015 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost:							
Balance as of January 1, 2016	$ 2,546,534	1,000,117	12,551,818	2,820,770	227,998	2,257,410	21,404,647
Additions	-	180,543	1,182,261	504,229	92,464	235,054	2,194,551
Reclassification (Note 1)	-	967,324	1,765,380	1,112,941	58,049	(2,221,867)	1,681,827
Disposals	-	(28,903)	(320,837)	(434,646)	(129,468)	-	(913,854)
Balance as of December 31, 2016	$ 2,546,534	2,119,081	15,178,622	4,003,294	249,043	270,597	24,367,171
Balance as of January 1, 2015	$ 2,546,534	998,111	11,724,452	2,773,866	192,652	1,345,584	19,581,199
Additions	-	2,006	690,919	43,657	72,710	915,073	1,724,365
Reclassification (Note 2)	-	-	145,879	3,247	-	(3,247)	145,879
Disposals	-	-	(9,432)	-	(37,364)	-	(46,796)
Balance as of December 31, 2015	$ 2,546,534	1,000,117	12,551,818	2,820,770	227,998	2,257,410	21,404,647
Accumulated depreciation:							
Balance as of January 1, 2016	$ -	429,291	7,514,001	1,681,770	156,715	-	9,781,777
Depreciation	-	80,716	1,865,387	305,128	64,408	-	2,315,639
Disposals	-	(27,366)	(320,567)	(434,645)	(129,469)	-	(912,047)
Balance as of December 31, 2016	$ -	482,641	9,058,821	1,552,253	91,654	-	11,185,369
Balance as of January 1, 2015	$ -	370,746	5,934,630	1,449,642	173,891	-	7,928,909
Depreciation	-	58,545	1,583,067	232,128	20,188	-	1,893,928
Disposals	-	-	(3,696)	-	(37,364)	-	(41,060)
Balance as of December 31, 2015	$ -	429,291	7,514,001	1,681,770	156,715	-	9,781,777
Carrying value：							
Balance as of December 31, 2016	$ 2,546,534	1,636,440	6,119,801	2,451,041	157,389	270,597	13,181,802
Balance as of January 1, 2015	$ 2,546,534	627,365	5,789,822	1,324,224	18,761	1,345,584	11,652,290
Balance as of December 31, 2015	$ 2,546,534	570,826	5,037,817	1,139,000	71,283	2,257,410	11,622,870

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were classified as investment property.

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

(Continued)

(i) Pledge to secure:

As of December 31, 2016 and 2015, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long term borrowings was disclosed in note 8.

(ii) Property, plant and equipment under construction

In 2012, the Company acquired land, buildings and structures for the construction a new factory. As of December 31, 2015, the completion of preceding construction of the factory had been reclassified to property, plant and equipment and investment property.

(iii) For the years ended December 31, 2016 and 2015, capitalized interest expenses amounted to $30,975 thousand and $40,623 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.37%~1.64% and 1.55%~1.79%, respectively.

(h) Investment property

	Land	Buildings and structures	Total
Cost:			
Balance as of January 1, 2016	$ 963,127	138,225	1,101,352
Reclassification (Note)	-	397,783	397,783
Balance as of December 31, 2016	$ 963,127	536,008	1,499,135
Balance as of January 1, 2015	$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2015	$ 963,127	138,225	1,101,352
Accumulated depreciation:			
Balance as of January 1, 2016	$ -	15,506	15,506
Depreciation	-	15,516	15,516
Balance as of December 31, 2016	$ -	31,022	31,022
Balance as of January 1, 2015	$ -	10,190	10,190
Depreciation	-	5,316	5,316
Balance as of December 31, 2015	$ -	15,506	15,506
Carrying value:			
Balance as of December 31, 2016	$ 963,127	504,986	1,468,113
Balance as of January 1, 2015	$ 963,127	128,035	1,091,162
Balance as of December 31, 2015	$ 963,127	122,719	1,085,846
Fair value:			
Balance as of December 31, 2016			$ 1,639,399
Balance as of December 31, 2015			$ 1,232,437

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

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

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:

(Continued)

Location	For the year ended December 31, 2016
Hsinchu	0.21%
Taoyuan	2.12%

As of December 31, 2016 and 2015, investment property were subject to a registered debenture to secured bank loans, the collateral for these long term borrowings was disclosed in note 8.

(i) Intangible assets

(i) The movement in intangible assets for the years ended December 31, 2016 and 2015 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Costs:					
Balance as of January 1, 2016	$	46,005	57,702	1,843	2016,550
Additions		-	38,337	4,774	43,111
Disposals		-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	$	46,005	82,536	5,612	134,153
Balance as of January 1, 2015	$	46,005	48,044	-	94,049
Additions		-	29,886	1,843	31,729
Disposals		-	(20,228)	-	(20,228)
Balance as of December 31, 2015	$	46,005	57,702	1,843	2016,550
Amortisation:					
Balance as of January 1, 2016	$	19,808	22,767	605	43,180
Amortisation		3,834	25,666	2,629	32,129
Disposals		-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	$	23,642	34,930	2,229	60,801
Balance as of January 1, 2015	$	15,974	23,653	-	39,627
Amortisation		3,834	19,342	605	23,781
Disposals		-	(20,228)	-	(20,228)
Balance as of December 31, 2015	$	19,808	22,767	605	43,180
Carrying value:					
Balance as of December 31, 2016	$	22,363	47,606	3,383	73,352
Balance as of January 1, 2015	$	30,031	24,391	-	54,422
Balance as of December 31, 2015	$	26,197	34,935	1,238	62,370

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2016 and 2015, the amortization expenses of intangible assets were as follows:

		2016	2015
Operating costs	$	9,782	7,686
Operating expenses		22,347	16,095
	$	32,129	23,781

(iii) As of December 31, 2016 and 2015, the intangible assets were not pledged.

(Continued)

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

		December 31, 2016	December 31, 2015
Other receivable from metal recycling	$	156,090	123,648
Tax refund receivable		68,579	116,165
Prepaid expenses		54,955	39,154
Refundable deposits		25,216	23,260
Restricted assets		25,571	25,481
Others		13,526	15,124
	$	343,937	342,832

(k) Short-term borrowings

		December 31, 2016	December 31, 2015
Unsecured short-term borrowings	$	-	23,656
Unused bank credit lines for short-term borrowings	$	1,941,748	3,402,960
Unused bank credit lines for short-term and long-term borrowings	$	1,352,188	1,694,367
Annual interest rate		0.63%~1.66%	0.79%

(l) Long-term borrowings

		December 31, 2016	December 31, 2015
Unsecured long-term borrowings (Settled in NTD)	$	2,514,000	-
Secured long-term borrowings (Settled in NTD)		2,099,943	2,940,303
Less：long-term liabilities, current portion		(940,194)	(841,507)
Total	$	3,673,749	2,098,796
Unused bank credit lines for long-term borrowings	$	2,002,000	1,458,000
Annual interest rate		1.23%~1.64%	1.54%~1.64%
Expiry date		2018/2/18~2020/3/1	2018/2/18~2020/3/1

As of December 31, 2016, the remaining balances of the borrowing due were as follows:

Year due		Amount
January 1, 2017~December 31, 2017	$	940,194
January 1, 2018~December 31, 2018		867,472
January 1, 2019~December 31, 2019		2,708,750
January 1, 2020~December 31, 2020		97,527
	$	4,613,943

The unused bank credit lines for short term and long term borrowings at the reporting date were disclosed in note 6(j).

(i) The proceeds and repayment of the borrowings

For the year ended December 31, 2016, the Company proceeded from long term borrowings amounting to $2,514,000 thousand with an interest rate of 1.23%~1.36%. For the year ended December 31, 2015, the Company did not proceed any borrowings.

(Continued)

For the years ended December 31, 2016 and 2015, the repayment amounted to $841,506 thousand and $545,444 thousand, respectively

(ii) The collateral for these long term borrowings was disclosed in note 8

(iii) In January 2011, the Company entered into a seven year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 thousand and is due in February 2018.

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

At the ended of the annual reporting period, current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 120%, interest coverage ratio shall not be less than 300%, and net equity shall not be less than $6,000,000 thousand.

For the years ended December 31, 2016 and 2015, the Company was in compliance with the above financial covenants and restrictions.

(m) Operating lease

(i) Lease-lessor

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

For the years ended December 31, 2016 and 2015, the rental income recognised in other income amounted to $68,793 thousand and $27,625 thousand, respectively.

(ii) Lease-lessee

The Company leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 5 years.

For the years ended December 31, 2016 and 2015, the rent expense amounted to $28,298 thousand and $25,905 thousand, respectively, which were recorded as operating costs and operating expenses.

(n) Employee benefits

(i) Defined benefit plans

The movement in the present value of the defined benefit obligations and fair value of plan assets were as follows:

(Continued)

		December 31, 2016	December 31, 2015
Total present value of obligations	$	100,272	84,407
Fair value of plan assets		(38,844)	(37,896)
Recognised liabilities for defined benefit obligations (Note)	$	61,428	46,511

(Note) Recognised liabilities for defined benefit obligations were recognised as other non-current liabilities.

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

1) Composition of plan assets

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

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $48,959 thousand as of December 31, 2016. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Founds, Ministry of Labor.

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

For the years ended December 31, 2016 and 2015, movements in the present value of the defined benefit obligations for the Company were as follows:

		2016	2015
Defined benefit obligation as of January 1	$	84,407	75,211
Current service costs and interest		3,030	2,795
Net remeasurements of defined benefit liability (asset)			
—Actuarial (gains) losses-Actuarial assumption		6,348	1,436
—Experience gain and loss		6,487	5,2016
(Gains) losses from prior service costs and interest		-	(140)
Defined benefit obligation as of December 31	$	100,272	84,407

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

For the years ended December 31, 2016 and 2015, movement in the fair value of the plan assets were as follows:

(Continued)

	2016	2015
Fair value of plan assets as of January 1	$ 37,896	36,252
Interest revenue	709	727
Net remeasurements of the defined benefit liability (asset)		
—Return on plan assets (excluding the interest expense)	(437)	237
Amounts contributed to plan	(	(
Fair value of plan assets as of December 31	**$ 38,844**	**37,896**

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2016 and 2015, there were no changes in the effect of plan asset ceiling.

5) The expenses recognised in profit or losses

For the years ended December 31, 2016 and 2015, the expenses recognised in profit or losses for the Company were as follows:

	2016	2015
Current service cost	$ 1,487	1,330
Net interest expense of defined benefit plan	834	738
Prior service cost and settlement of defined benefit plan	-	(140)
	$ 2,321	**1,928**

	2016	2015
Administrative expenses	**$ 2,321**	**1,928**

6) The remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income

For the years ended December 31, 2016 and 2015, the remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income were as follows:

	2016	2015
Balance as of January1	$ 17,595	11,291
Recongnised in the current period	13,272	6,304
Balance as of December 31	**$ 30,867**	**17,595**

7) Actuarial assumptions

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

	December 31, 2016	December 31, 2015
Discount rate	1.375%	1.875%
Future salary rate increases	3.000%	3.000%

(Continued)

The Company expects to make contributions of $239 thousand to the defined benefit plans in the next year starting from December 31, 2016. The weighted average duration of the defined benefit obligation is 17.94 years.

8) Sensitivity analysis

As of December 31, 2016 and 2015, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	Effects to the defined benefit obligation	
	Increase by 0.25%	**Decrease by 0.25%**
Balance as of December 31, 2016		
Discount rate	(3,247)	3,337
Future salary rate increases	3,272	(3,159)
Balance as of December 31, 2015		
Discount rate	(2,834)	2,960
Future salary rate increases	2,870	(2,778)

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

The method and assumptions used on sensitivity analysis of the year ended December 31, 2016 is the same as those of the year ended December 31, 2015.

(ii) Defined contribution plans

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

The Company set aside $61,235 thousand and $48,959 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2016 and 2015.

(o) Income tax

(i) Income tax expense

The amount of income tax expenses for the years ended December 31, 2016 and 2015 were as follows:

(Continued)

		2016	2015
Current tax expense			
Current period	$	777,550	766,034
Adjustment for prior periods		(4,315)	15,822
		773,235	781,856
Deferred tax expense			
Origination and reversal of temporary differences		17,575	(20,100)
Income tax expense	$	790,810	761,756

The amount of income tax (expenses) benefit recognised in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

		2016	2015
Components of other comprehensive income that will not be classified to profit or loss:			
The remeasurements of defined benefit plans	$	2,256	1,072

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

		2016	2015
Profit before tax	$	3,903,584	3,433,383
Estimated income tax calculated using the Company's domestic tax rate	$	663,609	583,675
Tax-exempt income		(43,808)	(3,341)
10% surtax on unappropriated earnings		210,090	162,107
Others		(39,081)	19,315
	$	790,810	761,756

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2016 and 2015 were as follows:

		Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:					
Balance as of January 1, 2016	$	30,379	12,841	41,884	85,104
Recognised in profit or loss		2,572	1,108	(15,686)	(12,006)
Recognised in other comprehensive income		-	-	2,256	2,256
Balance as of December 31, 2016	$	32,951	13,949	28,454	75,354
Balance as of January 1, 2015	$	28,016	10,681	27,438	66,135
Recognised in profit or loss		2,363	2,160	13,374	17,897
Recognised in other comprehensive income		-	-	1,072	1,072
Balance as of December 31, 2015	$	30,379	12,841	41,884	85,104

(Continued)

	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:				
Balance as of January 1, 2016	$ 28,159	-	-	28,159
Recognised in profit or loss	3,559	2,010	-	5,569
Balance as of December 31, 2016	$ 31,718	2,010	-	33,728
Balance as of January 1, 2015	$ 25,993	4,369	-	30,362
Recognised in profit or loss	2,166	(4,369)	-	(2,203)
Balance as of December 31, 2015	$ 28,159	-	-	28,159

(iii) Examination and approval

The Company's corporate income tax returns for the years through 2014 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance. However, there was controversy over the expiration of the loss carryfowards for the year 2012. The Company expected to apply for constitutional interpretation.

(iv) The Company's integrated income tax information at the reporting date were as follows:

	December 31, 2016	December 31, 2015
Unappropriated earnings after 1997	$ 8,308,684	6,244,544
Balance of imputation credit account (ICA)	$ 1,540,683	786,268

	2016(Estimated)	2015(Actual)
Creditable ratio for distributed to domestic shareholders of earnings	24.06%	24.04%

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit seeking income tax which was actually paid under the provisions of Article 66 9, half of the amount of the surcharge on profit seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(p) Capital and other equity

(i) Ordinary share

As of December 31, 2016 and 2015, the Company's authorised share capital consisted of 1,000,000 thousand shares of ordinary share, with $10 dollars par value per share, of which 407,666 thousand

(Continued)

shares, and 596,564 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 thousand for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2016 and 2015:

	Ordinary share (in thousands)	
	2016	2015
Balance as of January 1	596,564	742,238
Exercise of employee stock options	102	3,005
Capital reduction	(179,000)	(148,679)
Retirement of treasury share	(10,000)	-
Balance as of December 31	407,666	596,564

For the years ended December 31, 2016 and 2015, the Company had issued 102 thousand shares and 3,005 thousand shares resulting from the exercise of employee stock options, respectively. The record dates were agreed on the end of each calendar quarter. All issued shares were paid up upon issuances. The aforementioned stock issuance, which was authorized by and registered with the government authorities, was included in ordinary share.

The Company resolved capital reductions of $1,789,999 thousand and $1,486,790 thousand representing 179,000 thousand shares and 148,679 thousand shares of outstanding shares as approved in the shareholders' meetings on June 24, 2016 and June 3, 2015, respectively. On August 1, 2016 and July 2, 2015, the authority had already approved the application and the Company's Board of Directors resolved the record date as August 2, 2016 and July 9, 2015. The related registration process had been completed.

As of December 31, 2016, the Company issued 11,121 thousand units of Global Depositary Receipts (GDRs), representing 55,605 thousand ordinary shares of stock of the Company.

(ii) Capital surplus

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

	December 31, 2016	December 31, 2015
Additional paid-in capital	$ 3,736,867	3,797,820
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	21,163	15,614
Employee stock options	707	1,583
	$ 3,758,737	3,815,017

In accordance with amended Company Act in 2012, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual

(Continued)

amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

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

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

1) Legal reserve

According to the amended Company Act which was announced in January 2012, 10% of net income should be set aside as statutory earnings reserve, until it equals the share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

2) Special reverse

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

(Continued)

3) Appropriations of earnings

The appropriations of earning for 2015 and 2014 had been approved in a shareholders' meeting held on June 24, 2016 and June 3, 2015, respectively. The appropriations and dividends were as follows:

	2015	2014
Cash dividends	$ 298,333	148,679

The above mentioned appropriations of earning for 2015 and 2014 were consistent with the resolutions of the meeting of the Board of Directors.

In the shareholders' meeting held on June 3, 2015, it resolved the employee bonuses and directors' and supervisors' remuneration amounted $176,700 thousand and $53,000 thousand, respectively. The above mentioned appropriations of earnings were consistent with those accrued and recognized for the year ended December 31, 2014.

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

(iv) Treasury shares

In 2016, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 13,920 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2016, a total of 3,920 thousand shares were not yet cancelled.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of the number of common shares issued. Also, the total amount of the repurchased shares should not exceed the sum of retained earnings, paid in capital in excess of par value and other realized capital surplus. The shares and dollar amount that may be repurchased do not exceed the upper limit, which were calculated based on the audited or reviewed financial reports by a certified accountant, for the latest accounting period prior to a resolution of a meeting of the board of directors.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(Continued)

(v) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2016	$ 19,783	363,161
Foreign currency differences (net of tax)：		
Subsidiaries	(18,311)	-
Associates	247	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	548,820
Subsidiaries	-	39,440
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	(191,243)
Balance as of December 31, 2016	**$ 1,719**	**760,178**

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2015	$ 4,909	215,962
Foreign currency differences (net of tax):		
Subsidiaries	14,846	-
Associates	28	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	34,154
Subsidiaries	-	104,187
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	8,858
Balance as of December 31, 2015	**$ 19,783**	**363,161**

(q) Share-based payment

The details of share-based payment were as follows:

Item	Date of approval by Board of Directors	Date of approval by authority	Issue date	Duration	Estimated issued shares	Actual issue shares	Price of each share (expressed in dollars)
2010	2010.07.05	2010.09.28	2011.01.26	5 Years	10,000,0	10,000,0	$ 28.4

The details of exercisable percentage of employee stock options were as follows:

	Issued in 2010
Over one year	-
Over two years	60%
Over three years	100%

(Continued)

Over four years	100%
Over five years	100%

(i) Fair value of those options at the measurement date and information on how that fair value was measured.

Had the Company used the fair value based method to evaluate the options using the Black Scholes model, the assumptions at the various grant dates would have been as follows:

	2010 employee stock options exercise in the 2nd year	2010 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	$ 4.30	5.30
Share price at grant date (dollars)	$ 27.02	27.02
Exercise price (dollars)	$ 27.10	27.10
Expected volatility	31.25%	31.25%
Expected life	2 Years	3 Years
Risk-free interest rate	0.73%	0.86%

Expected volatility is based on the weighted average of historical volatility, and it is adjusted accordingly when there is additional market information about the volatility. The Company determined the risk free rate during the life of the option. These rates are determined based on the government bonds, and they are in accordance with the regulations. Service and non market performance conditions attached to the transactions are not taken into account in determining the fair value.

(ii) For the years ended December 31, 2016 and 2015, the related outstanding units and weighted average exercise price of employee stock options were as follows:

	2016		2015	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	$ 28.40	142	22.70	3,147
Granted	-	-	-	-
Exercised	28.40	(102)	24.80	(3,005)
Expired	-	(40)	-	-
Outstanding at the end	-	-	28.40	142
Exercisable as of December 31		-		142

As of December 31, 2015 the Company's compensatory outstanding employee stock options were as follows:

(Continued)

	December 31, 2015				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2011.01.26	$ 28.4	142	0.07	142	$ 28.4

(iii) Compensation cost for employee stock options

For the years ended December 31, 2016 and 2015, the compensation cost for employee stock options both amounted to $0 thousand.

(r) Earnings per share ("EPS")

For the years ended December 31, 2016 and 2015, the Company's earnings per share were calculated as follows:

	2016		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS:			
Profit belonging to common shareholders	$ 3,112,774	515,536	$ 6.04
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employee remuneration	-	3,695	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 3,112,774	519,231	$ 5.99

	2015		
	Profit	Weighted- average average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS:			
Profit belonging to common shareholders	$ 2,671,627	672,148	$
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employee remuneration	-	6,213	
Employee stock options	-	502	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 2,671,627	678,863	$ 3.94

(Continued)

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

For the years ended December 31, 2016 and 2015 the Company accrued and recognised its employee remuneration amounting to $263,000 thousand and $231,300 thousand, and directors' and supervisors' remuneration amounting to $76,300 thousand and $67,100 thousand, respectively. The amount of employeer emuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the bonuses and remuneration, and multiplied by the rule of Company's Article of Incorporation. The above bonuses and remuneration were included in the operating costs and operating expenses of the years ended December 31, 2016 and 2015. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2016 and 2015.

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

(t) Non-operating income and expenses

(i) Other income

	2016	2015
Interest income	$ 9,811	20,188
Dividend income	46,681	32,938
Rent income	73,533	45,287
	$ 130,025	98,413

(Continued)

(ii) Other gains and losses

	2016	2015
Foreign exchange gains (losses)	$ (16,128)	77,363
Impairment loss on financial assets	-	(53,341)
Gains (losses) on disposals of investments	209,987	(13,285)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	13,993	(2,356)
Gains (losses) on disposals on the property, plant and equipment	(2,768)	1,824
Other	92,386	(58,511)
	$ 297,470	(48,306)

(iii) Finance cost

	2016	2015
Interest expense on bank borrowings	$ 50,770	53,445
Other interest expenses	425	1,030
Less: capitalized interest expense	(30,975)	(40,623)
	$ 20,220	13,852

(u) Financial instruments

(i) Credit risk

1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. Cash and cash equivalents is deposited in different financial institutions to control the credit risk exposed to single financial institution. The Company owns securities by purchasing traded stocks and money market fund issued by high credit quality financial institutions. The Company owns debt instrument investments issued by high credit quality company. However, the credit risk involving securities is not expected to be significant.

2) Disclosures about concentrations of risk

As of December 31, 2016 and 2015, the Company's notes and account receivables were both concentrated on 5 and 3 customers, whose accounts represented 84% and 72% of the total notes and account receivables, respectively. In order to reduce the credit risk on these account receivables, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible collectability of account receivables periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

(Continued)

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$	2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans		2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable		941,535	941,535	941,535	-	-	-
Other payables		917,320	917,320	917,320	-	-	-
	$	6,472,798	6,556,881	2,843,021	896,840	2,817,020	-
As of December 31, 2015							
Non-derivative financial liabilities							
Secured bank loans	$	2,940,303	3,019,321	880,470	962,248	1,176,603	-
Unsecured bank loans		23,656	23,674	23,674	-	-	-
Accounts payable		1,309,867	1,309,867	1,309,867	-	-	-
Other payables		679,922	679,922	679,922	-	-	-
	$	4,953,748	5,032,784	2,893,933	962,248	1,176,603	-

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

(iii) Currency risk

(1) Exposure to currency risk

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

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets						
Monetary items						
USD	$ 74,977	32.25	2,418,000	71,251	32.83	2,339,164
EUR	27	33.90	930	1	35.88	19
JPY	65,504	0.2756	18,053	130,957	0.2727	35,712
GBP	3	39.61	104	-	48.67	-
RMB	-	4.62	-	9	5.00	47
			$ 2,437,087			2,374,942
Non-monetary items						
USD	40,623	32.25	$ 1,316,726	21,968	32.83	721,215
Financial liabilities						
Monetary items						
USD	13,628	32.25	439,503	19,503	32.83	640,276
EUR	442	33.90	14,993	112	35.88	4,022
JPY	291,236	0.2756	80,265	653,154	0.2727	178,115
			$ 534,761			822,413

(2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, net (included the related parties), other receivables, current financial assets at fair value through profit or loss, available for sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY

(Continued)

etc. for the years ended December 31, 2016 and 2015 would have increased (decreased) the net profit after tax by $78,947 thousand and $64,566 thousand, respectively, and other comprehensive income by $2,089 thousand and $35,925 thousand, respectively. The analysis assumes that all other variables remain constant.

The Company's exchange gain or loss, inducing realized and unrealized of monetary items convert to amount of functional currency, information about exchange rate is as below:

	2016		**2015**	
	Exchange gain or loss	**Average exchange rate**	**Exchange gain or loss**	**Average exchange rate**
NTD	$ (16,128)	-	77,363	-

(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Company's net profit after tax would have (decreased) increased by $12,443 thousand and $12,226 thousand for the years ended December 31, 2016 and 2015, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and available for sale financial assets is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 72,750	72,750	-	-	72,750
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 988,395	988,395	-	-	988,395
Non-public stocks	622,701	-	622,701	-	622,701
Private fund	527,831	-	527,831	-	527,831
Subtotal	$ 2,138,927	988,395	1,150,532	-	2,138,927
Loans and receivables					
Cash and cash equivalents (Note)	$ 1,434,161	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (Note)	1,054,629	-	-	-	-
Other receivables (Note)	169,616	-	-	-	-
Subtotal	$ 2,751,006	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	$ 4,613,943	-	-	-	-
Accounts payable (Note)	941,535	-	-	-	-
Other payables (Note)	917,320	-	-	-	-
Subtotal	$ 6,472,798	-	-	-	-

	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 59,500	59,500	-	-	59,500
Funds and investment	888,791	888,791	-	-	888,791
Subtotal	$ 948,291	948,291	-	-	948,291
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 650,383	650,383	-	-	650,383
Non-public stocks	504,318	-	504,318	-	504,318
Private fund	340,950	-	340,950	-	340,950
Subtotal	$ 1,495,651	650,383	845,268	-	1,495,651
Cash and cash equivalents (Note)	$ 1,742,988	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Notes and accounts receivable (Note)	675,850	-	-	-	-
Other receivables (Note)	138,772	-	-	-	-
Subtotal	$ 2,717,210	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	$ 2,963,959	-	-	-	-
Accounts payable (Note)	1,309,867	-	-	-	-
Other payables (Note)	679,922	-	-	-	-
Subtotal	$ 4,953,748	-	-	-	-

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

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

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

Investments in debt instrument without active market and financial liability measured at amortized cost

(Continued)

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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

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

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

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

Except for the above mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques,

(Continued)

such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

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

- Equity instruments do not have any quoted market price: 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.

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 the years ended December 31, 2016 and 2015, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy Level 3 for the years ended December 31, 2016 and 2015.

(v) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) Market risk

(Continued)

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

The Company oversees the customer's credit risk based on the aging, due date and financial information.

The allowance for doubtful accounts of the Company is estimated to reflect the loss in notes and accounts receivable for those customers graded as "high risk". The major component of the allowance account contains individually significant exposure related to the specific loss.

(Continued)

2) Investments

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

3) Guarantees

As of December 31, 2016 and 2015, the Company did not provide guarantee.

(iv) Liquidity risk

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

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2016, the Company has unused bank credit lines for short term borrowings, long term bank borrowings, and the unused bank credit lines for short term borrowings and long term borrowings amounted to $1,941,748 thousand, $1,352,188 thousand and $2,002,000 thousand, respectively.

(v) Market risk

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

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

(Continued)

The policy of response to currency risk:

1) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.

2) The Company uses foreign currency borrowings and forward exchange contracts to hedge the remaining nature of currency risk arising from the netting of foreign currency accounts receivable and accounts payable.

3) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also reports to the foreign currency department to control the foreign currency trend and market information.

(w) Capital management

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

For the years ended December 31, 2016 and 2015, the Company's return on common equity was 17.87% and 16.12%, respectively. The Company's debt ratio at the reporting date were as follows:

	December 31, 2016	December 31, 2015
Debt ratio	31.12%	28.52%

As of December 31, 2016, there were no changes in the Company's approach to capital management.

(7) Related-party transactions:

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

		Owners (shareholding %)	
	Area	December 31, 2016	December 31, 2015
WIN SEMI. USA, INC.	California, U.S.A.	100.00%	100.00%
WIN Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	100.00%	100.00%
WIN Venture Capital Crop.	Taiwan	100.00%	100.00%
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	Cayman Islands	43.75%	-
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note)	China	100.00%	-
Jiangsu CM/ Merit Agriculture Development Co. ,Ltd.	China	60.00%	-
Jiangsu Merit/ CM Agriculture Development Co., Ltd.	China	60.00%	-
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	China	60.00%	-
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	China	100.00%	-
Formosa Fortune Group Co., Ltd. (abbrev. Formosa BVI)	British Virgin Islands	100.00%	-
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	China	100.00%	-

(Continued)

(Note) Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd. renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Company and its subsidiaries.

(c) Significant transactions with related parties

(i) Operating revenue

The amounts of significant transaction with related parties for the years ended December 31, 2016 and 2015 were as follow:

	2016	2015
Subsidiary	$ 4,497,103	4,679,319

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

(ii) Receivable from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follow:

Account	Categories	December 31, 2016	December 31, 2015
Accounts receivable	Subsidiary	$ 521,957	375,716

(d) Transactions with key management personnel

For the years ended December 31, 2016 and 2015, key management personnel compensation were comprised as below:

	2016	2015
Short-term employee benefits	$ 321,188	303,334
Post-employment benefits	745	709
	$ 321,933	304,043

(8) Pledged assets:

The carrying amount of pledged assets was as follows:

Pledged assets	Pledged to secure	December 31, 2016	December 31, 2015
Other non-current assets	Gas deposits	$ 4,700	4,700
Other non-current assets	Customs guarantee	20,871	20,781
Property, plant and equipment	Long-term borrowings	3,176,314	3,985,080
Investment property	Long-term borrowings	1,468,113	1,085,846
		$ 4,669,998	5,096,407

(Continued)

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

(i) In 2015, the Company signed a shareholder's agreement with CSDC Private Limited, a Singapore company. According to the agreement, the Company should purchase a certain amount of raw material from the main shareholders of CSDC Private Limited between 2014 to 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.

(ii) The unrecognized commitment of purchase of raw materials by the aforementioned shareholder's agreement and acquisition of plant expansion and machinery equipment were as follows:

	December 31, 2016	December 31, 2015
The unrecognized amount	$ 1,662,434	2,100,360

	December 31, 2016	December 31, 2015
(iii) The unused letters of credit	$ 234,314	2016,610

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Other:

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2016 and 2015:

	2016			2015		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,302,384	570,406	1,872,790	1,152,890	478,539	1,631,429
Labor and health insurance	101,522	27,767	129,289	83,012	25,706	108,718
Pension	48,927	14,629	63,556	37,750	13,137	50,887
Others	44,961	84,652	129,613	38,011	74,628	112,639
Depreciation	2,191,586	139,569	2,331,155	1,767,223	132,021	1,899,244
Amortization	9,782	22,347	32,129	7,686	16,095	23,781

As of December 31, 2016 and 2015, the Company had 2,051 and 1,807 employees, respectively.

(Continued)

(13) Other disclosures:

(a) Information on significant transaction:

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

(i) Loans to other parties:

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Merit Biotech Inc.	Other receivables	Yes	48,375 (USD1,500)	-	-	1.18%	2	-	Working Capital	-	None	-	Net equity 10%= 103,193	Net equity 20%= 206,385

Note 1: Company numbering as follow:

Subsidiaries to subsidiaries－0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1.Business relationship

2.Short-term financing

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 10% and 20%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	500	72,750	0.34	72,750	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	〃	〃	557	81,044	0.38	81,044	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	2,128	26,408	-	26,408	
〃	Capital Money Market Fund	〃	〃	191	3,048	-	3,048	
					110,500		110,500	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	CTBC Hwa-win Money Market Fund	〃	〃	3,207	35,000	-	35,000	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
The Company	ITEQ CORPORATION /Stock	None	Current available-for-sale financial assets	25,968	864,724	8.57	864,724	
〃	MAG. LAYERS Scienific-Technics Co., Ltd./Stock	〃	〃	2,125	109,002	2.50	109,002	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	119	1,041	0.03	1,041	
					974,767		974,767	
The Company	Inventec Solar Energy Corporation /Stock	〃	Non-current available-for-sale financial assets	34,000	287,123	10.51	287,123	
〃	Tainergy Tech Co., Ltd./Stock	〃	〃	943	13,628	0.26	13,628	
〃	CDIB Capital Creative Industries Limited/ Stock	〃	〃	5,000	91,297	3.33	91,297	
〃	Fuh Hwa Tung-ta Fund	〃	〃	20,710	335,299	-	335,299	
〃	MagiCap Venture Capital Co., Ltd./ Preterred Stock A	〃	〃	1,000	93,630	1.78	93,630	
〃	New Future Capital Co., Ltd./ Stock	〃	〃	10,000	100,000	15.87	100,000	
〃	Magi Capital Fund II L.P.	〃	〃	-	50,332	5.81	50,332	
〃	Grand Fortune Ventrue Corp./ Stock	〃	〃	5,000	50,651	6.87	50,651	
〃	Fuh Hwa Oriental Fund	〃	〃	15,000	142,200	-	142,200	
					1,164,160		1,164,160	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./Stock	Subsidiary's main client	〃	75	427,563	0.02	427,563	(Note 1)
〃	Anokiwave Inc./Series B Perferred Stock	Subsidiary's client	〃	1,264	1,266	14.37	1,266	
					428,829		428,829	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company' s client	〃	3,300	10,743	7.33	10,743	
〃	MOAI Electronics Corporation /Stock	None	〃	300	1,121	1.27	1,121	
〃	Merit Biotech INC. /Stock	Main shareholder of the Company's investment through subsidiaries	〃	1,320	20,414	2.93	20,414	
					32,278		32,278	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	9,260	92,600	16.50	(Note 2)	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	〃	Financial assets measured at cost	12	24,832	4.78	(Note 3)	

Note 1: Avago Technologies Ltd. renamed Broadcom Ltd. because it merged with Broadcom Corporation in 2016.

Note 2: The redeemable preferred stock was the nature of bond, which was recognised as non-current investment in debt instrument without active market.

Note 3: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

(iv) Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	-	4,820	76,800	22,526	359,400	27,346	436,256	436,200	56	-	-
〃	Polaris De-Bao Money Market Fund	〃	-	-	7,538	89,500	55,797	663,244	63,335	752,866	752,744	122	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	19,868	245,738	119,752	1,482,818	139,620	1,728,958	1,728,556	402	-	-
〃	Fuh Hwa Tung-Ta Fund	Non-currnet available-for-sale financial assets	-	-	30,000	300,000	-	-	9,290	327,000	92,897	191,243 (Note 1)	20,710	335,299 (Note 2)
〃	WIN Semiconductors Cayman Islands Co., Ltd. /Stock	Investments accounted for using equity method	-	Subsidiary	7,000	227,636	15,000	490,500	-	-	-	-	22,000	1,266,394 (Note 3)
WIN Semiconductors Cayman Islands Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. /Stock	〃	-	Inuestment through subsidiary	3,000	195,540	7,500	486,720	-	-	-	-	10,500	686,123 (Note 3)

Note 1: When calculating the amount of the gains on disposal, any handing fee or surcharges were deducted.

Note 2: The amount of ending balance includes the amount of the unrealized gains (losses) on available-for-sale-financial assets.

Note 3: The amount of ending balance was calculated using equity method.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

(vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(4,497,103)	(34)%	1~2 Month	-	-	521,957	49%	
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	4,497,103	100%	1~2 Month	-	-	(521,957)	(100)%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	521,957	10.02	-	-	521,957	-

(ix) Trading in derivative instruments: None.

(b) Information on investment in Mainland China:

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

(In thousands of dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment From Taiwan as of December 31, 2016	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses)	Carrying value as of December 31, 2016 (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	198,397 (RMB 42,943)	(Note 1)	-	-	-	-	132,846 (USD 4,118)	43.75%	132,846 (USD 4,118)	284,096 (USD 8,809)	-
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	48,375 (RMB 1,500)	(Note 1)	-	-	-	-	77 (USD 2)	43.75%	77 (USD 2)	48,041 (RMB 1,490)	-
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	193,500 (USD 6,000)	(Note 1)	-	116,100 (USD 3,600)	-	116,100 (USD 3,600)	(5,047) (USD (156))	26.25%	(3,028) (USD (94))	2016,878 (USD 3,283)	-
Jiangsu Merit /CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	96,750 (USD 3,000)	(Note 1)	-	58,050 (USD 1,800)	-	58,050 (USD 1,800)	(1,333) (USD (41))	26.25%	(800) (USD (25))	53,623 (USD 1,663)	-
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	154,800 (USD 4,800)	(Note (1)	-	92,880 (USD 2,880)	-	92,880 (USD 2,880)	3,616 (USD 112)	26.25%	2,169 (USD 67)	90,486 (USD 2,806)	-
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	74,738 (USD 16,177)	(Note 1)	-	-	-	-	(4,210) (USD (131))	43.75%	(4,210) (USD (131))	60,023 (USD 1,861)	-

(Continued)

(ii) Limitation on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of December 31, 2016	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
267,030 (USD 8,280)	677,250 (USD 21,000)	10,990,730

Note 1: The Company invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2016 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollar at the average exchange rate for the year ended December 31, 2016. The other amounts related to foreign currency were translated into New Taiwan Dollar at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

(iii) Significant transactions: None.

(14) Segment information

Please refer to the consolidated financial statements for the years ended December 31, 2016.

WIN Semiconductors Corp.

Chairman: Chin-Tsai Chen