



**WIN Semiconductors Corp.**

**2015 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.***

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## I. LETTER TO SHAREHOLDERS

**Dear Shareholders,**

2015 proved to be another year of turbulence driven by political uncertainty and implementation of extraordinary monetary policy in several developed economies. A significant policy divergence developed between the US Federal Reserve Bank (FED), and the European Central Bank (ECB) and Bank of Japan (BOJ), which influenced currency markets and resulted in the strengthening of the US dollar. In response to continued low inflation and persistent sluggish growth, the ECB increased the size and expanded the type of assets purchased under its Quantitative Easing (QE) program, and further reduced interest rates into negative territory. The BOJ has been pursuing a similar path for several years and has led to a significant weakening its currency. In contrast to these policies, the US Federal Reserve raised its FED funds rate by 0.25% in December, and was the first rate increase since the 2008 financial crisis. Global currency markets anticipated this move, which was preceded by a significant appreciation of US dollar in the second half of 2015. The impact of dollar strength was rapidly transmitted across emerging economies as many commodities, particularly oil and basic metals, experienced increased volatility and substantial price declines. Furthermore, global growth momentum was adversely impacted mid-year by a surprise depreciation of the RMB and subsequent equity declines on Hong Kong and mainland exchanges. The Chinese economy is plagued by excess capacity and has clearly entered an economic slowdown, and Taiwan, a country economically linked to China, was significantly affected by the volatility in Chinese equity and FX markets. The multitude of economic shocks creates many challenges for enterprises in Taiwan and necessitates adaptation to a changing business environment. Additionally, numerous Taiwanese firms possess key technologies, and are now experiencing the dual threats of competition from the “red supply chain” as well as becoming the target for merger and acquisition by their opponents. Thus, the strategic calculation of whether to compete or to merge will impact investment decisions and ultimately affect an enterprise’s long-term competitiveness, greatly increasing the operating difficulty for the corporation.

WIN has successfully adapted to the evolving business climate and is proud to report both revenue and net profit reached record highs in 2015. Although we experienced brief periods of muted demand due to supply chain inventory adjustments, we successfully optimized product mix and reduced market risk by leveraging our diversified technology portfolio. As a result, we controlled operational volatility and delivered 21% revenue growth in 2015. Moreover, in the area of corporate governance, WIN ranked in the top 5% of the first Corporate Governance Evaluation published by the Taiwan Stock Exchange in April 2015. WIN was granted the highest honor; grade A++, for the Evaluation of Information Disclosure. To earn this top grade, WIN was evaluated by the Authority in every management aspect including implementation of governance policy, emphasis on shareholders’ equity, risk management, operational transparency, and disclosure of information. Furthermore, in 2015 WIN executed a capital reduction in order to optimize our capital structure and improve return on equity, and since completion this plan has proven to achieve its desired target. All of the

achievements above have gained the recognition in the equity market, and by both foreign and domestic institutional investors.

2015 operating results and 2016 outlook are reported as follows:

## A. Operating Performance in 2015

### 1. Operating Performance

The Company's 2015 consolidated revenues totaled NT\$12,015,747 thousand, representing an increase of 21.25% compared to the year 2014. 2015 net income was NT\$ 2,671,627 thousand, representing an increase of 36.07% compared to the prior year, and EPS for 2015 was NT\$3.97.

### 2. Analysis of Receipts, Expenditures, and Profitability

Unit: NT\$ thousands; %

Items			2015 (Consolidated)	2014 (Consolidated)
Interest Income & Interest Expense	Interest Income		20,280	17,159
	Interest Expense		13,852	48,304
Profitability	Return on Total Assets (%)		11.68	9.33
	Return on Equity (%)		16.12	12.74
	Ratio to Issued Capital (%)	Operating Income	58.84	31.19
		Profit before Tax	57.56	32.72
	Profit Ratio (%)		22.23	19.81
	Earnings Per Share (NT\$ dollars)		3.97	2.65

### 3. Budget Implementation

The Company is not required to make public its 2015 financial forecast information; however, the Board of Directors approved the budget plan and the overall operating plan is in good condition.

### 4. Research and Development Status

Innovation has always been WIN's core competency, and our technology and talented employees being WIN's most valuable assets. To continue attracting global clients with our diversified market leading technologies, WIN has allocated considerable resources to technology innovation and advanced process development crucial for next generation applications. We believe our market leading process portfolio differentiates us from the competition and positions WIN as the industry's preferred foundry partner. The latest example of this proactive technology investment is WIN's integrated BiHEMT technology, which has now been widely adopted by tier-one handset makers and is a key component of its WiFi front-end module. This significant market share gain for WIN is derived from technology R&D launched more than 10 years ago.

WIN is one of the few GaAs foundries that provide vertically integrated manufacturing capabilities encompassing epitaxial growth, wafer fabrication, and packaging. WIN not only possesses the most advanced GaAs process and device technologies available, but also continually improves the quality control and speed of new technology development by leveraging our internal epitaxial wafer capability. Additionally, as mobile devices become thinner, our technologies must accommodate stacked assembly techniques and integration in low-profile packages. To address these market trends, WIN provides our customers in-house Copper pillar bumping services to enable flip-chip assembly techniques as well as supply chain simplification.

To address high power applications, WIN has invested in GaN technology for several years and has now commenced small-scale production. GaN technology provides the optimal solution for 4G base stations that are being deployed around the world. As the demand for mobile data continues to increase, 4G systems are moving to higher frequency bands (2.7GHz and above) and GaN provides superior bandwidth, linearity and efficiency to transmit data at these higher frequencies.

Moreover, the macro trend of increasing data consumption driven by FTTX, big data and emerging IoT devices is accelerating the rollout of higher capacity broadband networks and data center upgrades. These networks and data centers rely on fast, reliable transport of data over optical fiber, and the key transmitting and receiving components of these networks are realized by III/V compound semiconductors. WIN has content at multiple points of these networks and has achieved leadership in III/V compound semiconductor technology through continuous investment in process R&D and market development.

## **B. Business Plan in 2016**

The smartphone market has been the largest end-market for the GaAs industry for many years and the mobile power amplifier is the single largest application for III-V semiconductors. However, mobile PA is also a highly volatile and competitive market with constant fluctuations in share allocation and periodic inventory adjustments. This market requires a high degree of operational flexibility, and investment for capacity expansion remains a challenging decision for a foundry partner who must always fulfill the shifting demands of multiple customers. WIN devotes substantial resources to understand application, customer and market trends in advance of capacity expansion to reduce risk and ensure we can meet the production demands of the industry.

After several years of volatility, WIN truly believes that the only way to reduce business risk is to diversify our end-markets and product mix. Fortunately, WIN possesses more than 15 years of R&D experience in multiple device technologies that enable us to diversify our markets beyond smartphones. With a broad technology portfolio, WIN continues to expand our business in infrastructure markets, which includes base stations, satellite communication, and fiber-optic networks. In 2015, WIN's enabling BiHEMT process has taken share in WiFi, supporting numerous products for the emerging 802.11ac standard, increasing revenue to a record high. Looking ahead in 2016, WIN remains

positive on the trends of dual band RF frontend modules and MIMO for WiFi, and will remain focused on the high margin infrastructure business. We are confident that growth in revenue and net profit will continue in 2016, and have already begun the expansion of our new fab to fulfill increased customer demand.

### **C. Development Strategy**

Although the U.S. and European economies are gradually recovering from recession while the Chinese economy is slowing down, our view of the global macroeconomic and industrial demand remains prudently optimistic. The supply and demand dynamics for the industry driven by the addressable market for IoT devices will be supportive of growth this year. This is due the migration of RF communication functions from smartphones to the field of IoT. According to market research forecasts, the number of IoT devices to be deployed is projected to reach 40 billion units. Thus, demand for RF communication components and optical devices are expected to show robust growth, insulating WIN from the impact of saturation in the smartphone market in the coming years, as the era of M2M and V2V becomes the dominant end-market.

Although global smartphone unit sales are saturating, the total output for RF components is expected to maintain healthy growth, driven by the proliferation of dual band RF front-end modules and MIMO for WiFi. This trend is now migrating from high-end devices to the mid-/low-end devices as global LTE penetration increases. Therefore, WIN will continue its focus on the development of advanced technology to diversify our end-markets, aiming at a steady increase of revenue and net profit to maximize shareholder return.

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

Competition is always one of WIN's top motivations for growth and has driven the company to a leadership position in our industry. Many competitors are emulating WIN's success by copying our technology and business model. Recently, some of these companies engaged in unlawful business practices and attempted to bribe our engineers to steal confidential technology and R&D data. These illegal behaviors make the competitive environment much more challenging. WIN is committed to take every precaution to protect our intellectual property, and continues to take a strong IP position by seeking patents for our technologies. WIN will proactively take every action necessary to meet these challenges and ensure our sustainable long-term competitiveness.

Sincerely yours,

*Chin-Tsai Chen*  
*Chairman & President*

*Yu-Chi Wang*  
*CEO*

*Linna Su*  
*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

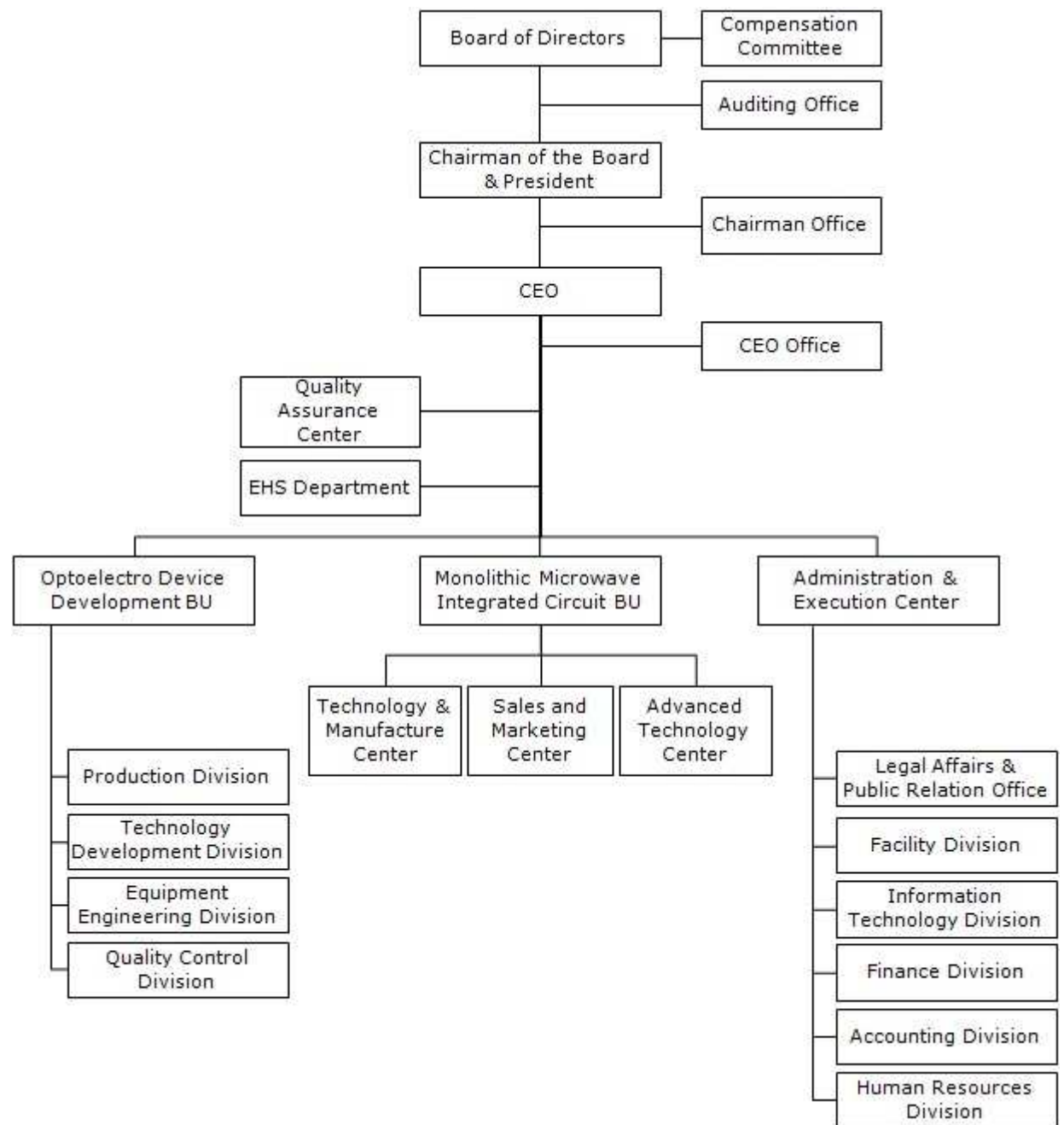
Year	Month	Milestones
1999	Oct.	WIN Semiconductors Incorporates in Taiwan
	Dec.	Ground breaking ceremony
2000	July	Facility construction complete for corporate offices & Fab #1
	Nov.	Completes production of Asia's 1 <sup>st</sup> ,6-inch,GaAs HBT MMIC wafer Completes production of Asia's 1 <sup>st</sup> ,6-inch,GaAs pHEMT wafer
2001	Mar.	Presents the world's 1 <sup>st</sup> ,6-inch,0.15μm GaAs pHEMT MMIC wafer
	May	Produced the worlds' 1 <sup>st</sup> , 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
2002	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
2003	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
2004	Sep.	Pilot run of 0.5 um 35V pHEMT for CATV
2005	May.	Successfully developed HBT process for high efficiency, high performance 2G/3G cellphone application
2007	Apr.	Acquired additional Huaya 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
2008	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
2009	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

<b>Year</b>	<b>Month</b>	<b>Milestones</b>
2 0 1 0	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
2 0 1 1	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
2 0 1 2	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
2 0 1 3	Oct.	Awarded Certificate of Corporate Governance System CG6008 General Assessment
	Dec.	Win 3rd National Industrial Innovation Award, Outstanding Enterprise Innovation Award category
2 0 1 4	Feb.	Win 2nd Taiwan Mittelstand Award
2 0 1 5	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
2 0 1 6	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

### III. CORPORATE GOVERNANCE REPORT

#### 3.1. Organization

##### 3.1.1. Organization Chart



### 3.1.2. Major Corporate Functions

Department	Functions
Auditing Office	<ul style="list-style-type: none"> <li>• Regularly and irregularly implementing auditing activities to ensure the operation performance and progress of improvement in different business cycles.</li> </ul>
EHS Department	<ul style="list-style-type: none"> <li>• Planning, managing and operating of environmental protection, fire prevention and labor safety and health of the company.</li> </ul>
Monolithic Microwave Integrated Circuit BU	<ul style="list-style-type: none"> <li>• Planning and executing GaAs MMIC's key materials, technologies, process, equipment improvement, manufacturing and selling.</li> </ul>
Optoelectronic Device Development BU	<ul style="list-style-type: none"> <li>• R&amp;D and manufacturing for III-V optoelectronic materials and components.</li> </ul>
Quality Assurance Center	<ul style="list-style-type: none"> <li>• Coordination of product quality improvement and execution of quality control.</li> </ul>
Administration & Execution Center	<ul style="list-style-type: none"> <li>• Legal Affairs &amp; 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.</li> <li>• Facility Division: Planning, set-up and maintenance of fab facility system.</li> <li>• Information Technology Division: Planning, implementation, managing and integration of IT systems, including application system fulfillment and infrastructure establishment in the company.</li> <li>• 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.</li> <li>• Accounting Division: Reviewing transaction documents and vouchers, conducting accounting close, tax filing, budgeting and book-keeping.</li> <li>• 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.</li> <li>• 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.</li> </ul>

### 3.2. Directors, Supervisors and Management Team

#### 3.2.1. Directors and Supervisors

##### A. Information Regarding Directors and Supervisors

Apr. 26, 2016

Title	Nationality	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		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	06/10/2013	3	05/01/2003	21,737,971	2.87	17,848,895	2.99	1,504,374	0.25	0	0	<ul style="list-style-type: none"> <li>Master Degree in Public Administration, University of San Francisco, USA</li> <li>Master Degree in Accounting, Tamkang University, Taiwan</li> <li>General Manager, Namchow Chemical Industrial Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>President, WIN Semiconductors Corp.</li> <li>Vice Chairman, HIWIN Technologies Corp.</li> <li>Director, Namchow Chemical Industrial Co., Ltd.</li> <li>Independent Director, Kinsus Interconnect Technology Corp.</li> <li>Independent Director, Tong Hsing Electronic Ind, Ltd.</li> <li>Supervisor, Taipei Financial Center Corp.</li> <li>Director, ITEQ Corporation</li> <li>Director Representative, WIN Venture Capital Corp.</li> <li>Chairman, Inventec Energy Corporation</li> <li>Supervisor, Inventec Solar Energy Corporation</li> </ul>	Director	Shun-Ping Chen	Son
Director	R.O.C	Cheng-Huei Wang	06/10/2013	3	06/10/2013	1,563,000	0.21	1,250,711	0.21	0	0	0	0	<ul style="list-style-type: none"> <li>College graduated</li> <li>Chairman, Inventec Multimedia &amp; Telecom Corporation</li> <li>Director Representative, Inventec Multimedia &amp; Telecom Corporation (Cayman)</li> </ul>	<ul style="list-style-type: none"> <li>Director, Uunmicron Kunshan Corporation</li> </ul>	-	-	-
Director	R.O.C	Yu-Chi Wang	06/10/2013	3	06/19/2008	2,157,243	0.28	1,602,993	0.27	0	0	0	0	<ul style="list-style-type: none"> <li>PhD in Material Engineering, Rutgers University, USA</li> <li>Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA</li> </ul>	<ul style="list-style-type: none"> <li>CEO, WIN Semiconductors Corp.</li> <li>Director and CEO, WIN SEMI. USA, INC.</li> </ul>	-	-	-
Director	R.O.C	Wen-Ming Chang	06/10/2013	3	06/19/2008	845,000	0.11	540,737	0.09	0	0	0	0	<ul style="list-style-type: none"> <li>PhD in Chemical Engineering, Clemson University, USA</li> <li>General Manager, Huga Optotech Inc.</li> </ul>	<ul style="list-style-type: none"> <li>BU General Manager, WIN Semiconductors Corp.</li> <li>Director Representative, Inventec Energy Corporation</li> </ul>	-	-	-
Director	R.O.C	Shun-Ping Chen	06/10/2013	3	06/10/2013	3,544,368	0.47	2,731,373	0.46	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree in Business Administration, Rutgers University, USA</li> <li>Manager, Protek (Shanghai) Limited</li> </ul>	<ul style="list-style-type: none"> <li>Senior Vice President, WIN Semiconductors Corp.</li> <li>Director Representative, WIN Venture Capital Corp.</li> <li>Director Representative, Phalanx Biotech Group, Inc.</li> <li>Supervisor Representative, CDIB CME Fund Ltd.</li> <li>Director Representative, NEW FUTURE CAPITAL CO., LTD.</li> </ul>	Chairman	Chin-Tsai Chen	Father

Title	Nationality	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		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
Independent Director	R.O.C	Chao-Shun Chang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Master Degree in Public Finance, National Chengchi University, Taiwan</li> <li>Certified Public Accountant</li> <li>Director / Supervisor, Share Long Securities Co., Ltd.</li> <li>Supervisor, First Commercial Bank</li> <li>Supervisor, First Financial Holding Co., Ltd.</li> <li>Chairman, Franklin Templeton First Taiwan Securities Investment Trust Enterprise</li> <li>Chairman, Bank of Overseas Chinese</li> <li>Chairman, Taiwan Business Bank</li> <li>Chairman of First Financial Holding Co., Ltd. and First Commercial Bank</li> <li>Supervisor, Taiwan Stock Exchange Corporation</li> <li>Supervisor, Securities and Futures Institute, ROC</li> </ul>	<ul style="list-style-type: none"> <li>CPA, Enrich CPAs &amp; Co.,</li> <li>Chairman, ACE Venture Consulting Corporation</li> <li>Independent Director, Formosa Laboratories, Inc.</li> <li>Director, Taiwan Styrene Monomer Corporation</li> <li>Independent Director, TSEC Corporation</li> </ul>	-	-	-
Independent Director	R.O.C	Wei-Lin Wang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Juris Science Doctor, Washington University in St. Louis, USA</li> <li>Partner, New Hope Law Firm, Taiwan</li> <li>Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA</li> <li>Sr. Counselor, Lee and Li, Attorneys-at-Law</li> <li>Associate Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan</li> <li>Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan</li> <li>Assistant Professor, Graduate Institute of Financial and Economic Law, Feng Chia University</li> </ul>	<ul style="list-style-type: none"> <li>Assistant Professor, Financial Law Department, Ming Chuan University</li> <li>Independent Director, Young Fast Optoelectronics Co., Ltd.</li> <li>Director Representative, ID Branding Venture Capital Inc.</li> <li>Director Representative, Global Strategic Investment Fund</li> <li>Independent Director, ANT Precision Industry Co. Ltd.</li> <li>Member of Compensation Committee, Hold Key Electric Wire &amp; Cable, Co. Ltd.</li> </ul>	-	-	-
Supervisor	R.O.C	International Fiber Technology Co., Ltd.-	06/10/2013	3	10/12/1999	6,300,000	0.83	5,041,253	0.84	0	0	0	0	None	None	-	-	-
	R.O.C	Representative : Shih-Chuan Hsieh				0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Bachelor Degree in Agricultural Economics, National Taiwan University, Taiwan</li> <li>Chairman, WIN Semiconductors Corp.</li> <li>Director, Episil Technologies Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, International Fiber Technology Co., Ltd.</li> </ul>	-	-	-
Supervisor	R.O.C	Mei-Lan Wang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>Master in Management Sciences, Tamkang University, Taiwan</li> <li>Chairman, Department of Accounting, Tamkang University, Taiwan</li> <li>Chairman, Institution of Accounting, Tamkang University, Taiwan</li> <li>Dean, Finance Office, Tamkang University, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>Supervisor, Tamkang University</li> <li>Chief Supervisor, Accounting Education Foundation, Tamkang University</li> </ul>	-	-	-
Supervisor	R.O.C	Cheng-Li Huang	06/10/2013	3	06/10/2011	0	0	0	0	0	0	0	0	<ul style="list-style-type: none"> <li>PhD in Accounting, University of Warwick, UK</li> <li>Chairman, Department of Accounting, Tamkang University, Taiwan</li> <li>Chairman, Institution of Accounting, Tamkang University, Taiwan</li> <li>Dean, Finance Office, Tamkang University, Taiwan</li> </ul>	<ul style="list-style-type: none"> <li>Professor, Department of Accounting, Tamkang University</li> <li>Independent Director, UMC</li> </ul>	-	-	-

## B. Major Shareholders of the Institutional Shareholders

Apr. 26, 2016

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%)
	Kuo Cheng Investment Enterprise Co., Ltd. (20.3%)
	Kuo Chang Investment Enterprise Co., Ltd. (20.4%)
	Ming-Chieh Hsieh (6.3%)

## C. Major Shareholders of the Company's Institutional Shareholders

Apr. 26, 2016

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. 26, 2016

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 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
Cheng-Huei Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yu-Chi Wang	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Ming Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shun-Ping Chen			✓			✓		✓	✓	✓		✓	✓	0
Chao-Shun Chang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shih-Chuan Hsieh (Representative of International Fiber Technology Co., Ltd.)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Mei-Lan Wang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chen-Li Huang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: 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.

### 3.2.2. Management Team

Apr. 26, 2016

Title	Nationality	Name	Date Effective	Shareholding		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	12/16/2011	17,848,895	2.99	1,504,374	0.25	0	0	<ul style="list-style-type: none"> <li>Master Degree in Public Administration, University of San Francisco, USA</li> <li>Master Degree in Accounting, Tamkang University, Taiwan</li> <li>General Manager, Namchow Chemical Industrial Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman, WIN Semiconductors Corp.</li> <li>Vice Chairman, HIWIN Technologies Corp.</li> <li>Director, Namchow Chemical Industrial Co., Ltd.</li> <li>Independent Director, Kinsus Interconnect Technology Corp.</li> <li>Independent Director, Tong Hsing Electronic Ind, Ltd.</li> <li>Supervisor, Taipei Financial Center Corp.</li> <li>Director, ITEQ Corporation</li> <li>Director Representative, WIN Venture Capital Corp.</li> <li>Chairman, Inventec Energy Corporation</li> <li>Supervisor, Inventec Solar Energy Corporation</li> </ul>	Sr. Vice President	Shun-Ping Chen	Son
CEO	R.O.C	Yu-Chi Wang	09/28/2010	1,602,993	0.27	0	0	0	0	<ul style="list-style-type: none"> <li>PhD in Material Engineering, Rutgers University, USA</li> <li>Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA</li> </ul>	Director and CEO, WIN SEMI. USA, INC.	-	-	-
BU General Manager	R.O.C	Wen-Ming Chang	03/01/2007	540,737	0.09	0	0	0	0	<ul style="list-style-type: none"> <li>PhD in Chemical Engineering, Clemson University, USA</li> <li>General Manager, Huga Optotech Inc.</li> </ul>	Director Representative, Inventec Energy Corporation	-	-	-
Sr. Vice President	R.O.C	Chang-Hwang Hua	08/16/2004	17,604	0.003	24,005	0.004	0	0	<ul style="list-style-type: none"> <li>PhD in Material Science, Stanford University, USA</li> <li>Engineering Director, Skyworks Solutions, Inc., USA</li> <li>VP, Network Device, Inc., USA</li> </ul>	-	-	-	-
Vice President	R.O.C	Joseph Liu	05/02/2000	462,514	0.08	18,964	0.003	0	0	<ul style="list-style-type: none"> <li>PhD in Electrical Engineering, Pennsylvania State University, USA</li> <li>Senior Principal Staff, Lockheed Martin Corp.</li> </ul>	-	-	-	-
Vice President	R.O.C	Brian Lee	04/01/2010	718,578	0.12	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree, University of Southern California, USA</li> <li>Sales Manager, UMC, Taiwan</li> </ul>	-	-	-	-
Sr. Vice President	R.O.C	Shun-Ping Chen	07/01/2010	2,731,373	0.46	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree in Business Administration, Rutgers University, USA</li> <li>Manager, Protek (Shanghai) Limited</li> </ul>	<ul style="list-style-type: none"> <li>Director Representative, WIN Venture Capital Corp.</li> <li>Director Representative, Phalanx Biotech Group, Inc.</li> <li>Supervisor Representative, CDIB CME Fund Ltd.</li> <li>Director Representative, NEW FUTURE CAPITAL CO., LTD.</li> </ul>	President	Chin-Tsai Chen	Father
Sr. Vice President	R.O.C	Kyle Chen	07/01/2010	288,071	0.05	0	0	0	0	<ul style="list-style-type: none"> <li>EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan</li> <li>Fab Director, MXIC</li> </ul>	-	-	-	-
Assistant Vice President	R.O.C	Annie Yu	03/15/2005	134,390	0.02	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree in Law, Cornell University, USA</li> <li>Supervisor, Huga Optotech Inc.</li> </ul>	-	-	-	-
Assistant Vice President	R.O.C	S.Y. Wang	09/01/2005	380,000	0.06	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree in Industrial Engineering and Engineering Management, Tsing Hua University, Taiwan</li> <li>Manager, MXIC</li> </ul>	-	-	-	-
Head of Accounting	R.O.C	Linna Su	11/01/2010	137,460	0.02	0	0	0	0	<ul style="list-style-type: none"> <li>Master's Degree in Accounting, Soochow University, Taiwan</li> <li>Vice Manager of Accounting, Elitegroup Computer Systems Co., Ltd.</li> <li>Audit Manager, Elitegroup Computer Systems Co., Ltd.</li> </ul>	-	-	-	-
Head of Finance	R.O.C	Joe Tsen	11/01/2010	625,764	0.10	0	0	0	0	<ul style="list-style-type: none"> <li>MBA in Finance, Baruch College, USA</li> <li>Account Manager, CIBC, Canada</li> </ul>	<ul style="list-style-type: none"> <li>CFO, WIN SEMI. USA, INC.</li> <li>Supervisor Representative, WIN Venture Capital Corp.</li> </ul>	-	-	-

### 3.2.3. Remuneration of Directors, Supervisors, President and Vice President

#### A. Remuneration of Directors

Unit: NT\$ thousands; Shares in thousands; %

Title	Name	Remuneration (Note 1)								Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 2)		Relevant Remuneration Received by Directors Who Are Also Employees												Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C) (Note 2)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing-Employee Bonus (G) (Note 2)		Exercisable Employee Stock Options (H)		New Restricted Employee Stock (I)						
		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	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		The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	
																Cash	Stock	Cash	Stock							
Chairman	Chin-Tsai Chen	0	0	0	0	33,550	33,550	40	40	1.26	1.26	92,683	118,808	324	324	60,855	0	60,855	0	0	0	0	7.87	8.85	38	
Director	Cheng-Huei Wang	0	0	0	0	22,629	22,629	219	219	0.85	0.85															
Director	Yu-Chi Wang																									
Director	Wen-Ming Chang																									
Director	Shun-Ping Chen																									
Independent Director	Chao-Shun Chang																									
Independent Director	Wei-Lin Wang																									

Note 1: If the total amount of remuneration received by all of the directors and supervisors in their capacity as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the company shall disclose the remuneration paid to that individual director or supervisor.

Note 2: The employees' compensation and Directors' and Supervisors' compensation for year 2015 were NT\$231,300 thousand and NT\$67,100 thousand, respectively, which were passed by the Board of Directors' meeting on March 17, 2016. All the compensations will be distributed after the Company's amended Articles of Incorporation has been approved in the Company's Annual General Meeting (AGM) on June 24, 2016.

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				
NT\$ 2,000,000 ~ NT\$ 5,000,000	Cheng-Huei Wang Yu-Chi Wang Wen-Ming Chang Shun-Ping Chen Chao-Shun Chang Wei-Lin Wang	Cheng-Huei Wang Yu-Chi Wang Wen-Ming Chang Shun-Ping Chen Chao-Shun Chang Wei-Lin Wang	Cheng-Huei Wang Chao-Shun Chang Wei-Lin Wang	Cheng-Huei Wang Chao-Shun Chang Wei-Lin Wang
NT\$ 5,000,000 ~ NT\$ 10,000,000				
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	Yu-Chi Wang	Yu-Chi Wang
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000			Chin-Tsai Chen	Chin-Tsai Chen
Total	7	7	7	7

## B. Remuneration of Supervisors

Unit: NT\$ thousands; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%)		Compensation Paid to Supervisors from an Invested Company other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B) (Note)		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	International Fiber Technology Co., Ltd.- Representative: Shih-Chuan Hsieh	0	0	10,921	10,921	105	105	0.41	0.41	0
Supervisor	Mei-Lan Wang									
Supervisor	Cheng-Li Huang									

Note: The Directors' and Supervisors' compensation for year 2015 was NT\$67,100 thousand which was passed by the Board of Directors' meeting on March 17, 2016. The compensation will be distributed after the Company's amended Articles of Incorporation has been approved in the Company's Annual General Meeting (AGM) on June 24, 2016.

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the Financial Reports (D)
Under NT\$ 2,000,000	Shih-Chuan Hsieh (Representative of International Fiber Technology Co., Ltd.)	Shih-Chuan Hsieh (Representative of International Fiber Technology Co., Ltd.)
NT\$ 2,000,000 ~ NT\$ 5,000,000	International Fiber Technology Co., Ltd., Mei-Lan Wang, Cheng-Li Huang	International Fiber Technology Co., Ltd., Mei-Lan Wang, Cheng-Li Huang
NT\$ 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	4	4

### C. Compensation of President and Vice President

Unit: NT\$ thousands; Shares in thousands; %

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note)				Ratio of Total Compensation (A+B+C+D) to Net Income (%)		Exercisable Employee Stock Options		New Restricted Employee Stock		Compensation paid to the President and Vice President from an Invested Company other than the Company's Subsidiary
		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		The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	
								Cash	Stock	Cash	Stock							
President	Chin-Tsai Chen	29,251	41,576	709	709	91,277	105,078	73,955	0	73,955	0	7.31	8.28	0	0	0	0	38
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																	

Note: The employees' compensation for year 2015 was NT\$231,300 thousand which was passed by the Board of Directors' meeting on March 17, 2016. The compensation will be distributed after the Company's amended Articles of Incorporation has been approved in the Company's Annual General Meeting (AGM) on June 24, 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	Chang-Hwang Hua
NT\$10,000,000 ~ NT\$ 15,000,000	Wen-Ming Chang Brian Lee	Wen-Ming Chang Brian Lee
NT\$15,000,000 ~ NT\$ 30,000,000	Shun-Ping Chen Kyle Chen	Shun-Ping Chen Kyle 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	8	8

#### D. Employee Bonus Granted to Management Team

Year 2015; Unit: NT\$ thousands; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash (Note)	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chin-Tsai Chen	0	80,955	80,955	3.03
	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				
	Assistant Vice President	Annie Yu				
	Assistant Vice President	S.Y. Wang				
	Head of Accounting	Linna Su				
	Head of Finance	Joe Tsen				

Note: The employees' compensation for year 2015 was NT\$231,300 thousand which was passed by the Board of Directors' meeting on March 17, 2016. The compensation will be distributed after the Company's amended Articles of Incorporation has been approved in the Company's Annual General Meeting (AGM) on June 24, 2016.

#### 3.2.4. 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\$ thousands; %

<div> <div>Year</div> <div>Items</div> </div>	Ratio of Total Remuneration to Net Income			
	2014		2015 (Note 1)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Paid to Directors	2.27%	2.27%	2.11%	2.11%
Paid to Supervisors	0.44%	0.44%	0.41%	0.41%
Paid to Presidents and Vice Presidents	8.62%	9.76%	7.31%	8.28%

Note 1: The employees' compensation and Directors' and Supervisors' compensation for year 2015 were NT\$231,300 thousand and NT\$67,100 thousand, respectively, which were passed by the Board of Directors' meeting on March 17, 2016. All the compensations will be distributed after the Company's amended Articles of Incorporation has been approved in the Company's Annual General Meeting (AGM) on June 24, 2016.

Note 2: The net income, after deducting the expensing employee bonus, for 2014 and 2015 were NT\$ 1,963,469 thousand and 2,671,627 thousand respectively.

**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, supervisors and managers, as well as rewards and incentive programs of managers.
- (2) Directors and supervisors: Remuneration for directors and supervisors is made according to ratios set forth in the Company's Articles of Incorporation (at 1-3%) based on the annual earnings. The appropriated retained earnings is aligned with the Company operation performance and operation performance and future risks were taken into account in determining ratios of remuneration for directors and supervisors. The annual earning distribution status shall be submitted to the board of directors for discussion before its submitted to the shareholders' meeting for resolution. According to the amended Company Act which was announced in May 2015, employee bonuses, and Directors' and Supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its Article of Incorporation before the deadline specified by the authorities.
- (3) Presidents and vice presidents: 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 Company should be accountable for future risks, therefore, the compensation policy has low correlation with future risks. 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.

### 3.3. Implementation of Corporate Governance

#### 3.3.1. Board of Directors Meeting Status

A total of 8(A) meetings of the 6<sup>th</sup> session Board of Directors were held in 2015. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Chin-Tsai Chen	8	0	100%	Re-elected by AGM on June 10, 2013
Director	Cheng-Huei Wang	8	0	100%	Newly elected by AGM on June 10, 2013
Director	Yu-Chi Wang	8	0	100%	Re-elected by AGM on June 10, 2013
Director	Wen-Ming Chang	8	0	100%	
Director	Shun-Ping Chen	7	1	87.5%	Newly elected by AGM on June 10, 2013
Independent Director	Chao-Shun Chang	7	1	87.5%	Re-elected by AGM on June 10, 2013
Independent Director	Wei-Lin Wang	6	2	75%	

**Remarks:**

1. If there are any circumstances referred to in Article 14-3 of Securities and Exchange Act and resolutions of the Directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of meetings, sessions, contents of motions, all independents' opinion and the Company's response to independent directors' opinion should be specified:  
None.
2. If there is any Director(s) avoiding of motions due to conflict of interest, such Directors' names, contents of motions, causes for avoidance and voting should be specified:  
For the purposes of establishing a sound governance system by the Board of Directors (the Board) of the Company and strengthening the Board's supervision function and management mechanism, the Company promulgates the "Rules and Procedures of Board of Directors Meetings" pursuant to the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" (the "Rules"). According the Rules, in order to protect the interests of the Company and shareholders where there are any matter is in conflict with interest of a director, he/she should not participate in discussion and voting.
3. Measures taken to strengthen the function of the Board:  
The Company has elected two independent directors on the annual general shareholders' meeting since 2010 and has promulgated related rules of corporate governance, and will adopt the candidate nomination system for re-election of directors of the Board in 2016.  
Since 2011, the Company has established the Compensation Committee to formulate and review periodically the performance assessment and compensation policy of the Company. The Compensation Committee held 3 meetings during 2015. All 3 commissioners attended the Committee meetings. The Compensation Committee operates smoothly.

#### 3.3.2. Audit Committee Meeting Status

The company is currently adopting the supervisors system. However, starting from the year of 2016, the company will proactively establish the Audit Committee and elected 3 independent directors pursuant to the Securities and Exchange Act.

### 3.3.3. Attendance of Supervisors at Board Meetings

A total of 8(A) meetings of the 6<sup>th</sup> session Board of Directors were held in 2015. Supervisor attendance was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remarks
Supervisor	International Fiber Technology Co., Ltd.-Representative: Shih-Chuan Hsieh	5	62.5%	Re-elected by AGM on June 10, 2013
Supervisor	Mei-Lan Wang	8	100%	
Supervisor	Cheng-Li Huang	8	100%	
Remarks:				
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 communication 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. The Company has accepted and highly paid attention to the opinions expressed by the attending supervisors.				

### 3.3.4. 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) Though the Company does not have internal operation procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters, it has designated the spokesperson /deputy spokesperson and has set IR mailbox (ir@winfoundry.com) 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) The Board of Directors of the Company is consisted of 5 directors and 2 independent directors. The composition of the Board of Directors is diversified. Members of the Board own high calibrations in the areas of commerce, law, finance or accounting, or otherwise necessary for the business operation of the Company on a diversity basis so the Company's decision-making and supervision functions can be duly performed by the Board.	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. The company will proactively establish 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
(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.	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
4. Has the Company established a means of communicating with its Stakeholders or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has set up the Stakeholders 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
5. 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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
6. 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
(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.)?	V		(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.	None
7. 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)?	V		See explanations below:	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
<p>(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.</p> <p>(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.</p> <p>(3) Investors: Investors can easily understand the Company's operation status from the spokesman, the MOPS and the Company's website.</p> <p>(4) Suppliers: The Company maintains close partnership with suppliers and deal with supplies based on the principal of good faith.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>				
8. Does the Company perform any self evaluations on its corporate governance practices or appointed any third party to do so? (If yes, please disclose the Board of Director's view on the results of such evaluation.)	V		The Company regularly self-assesses its corporate governance implementation status based on the assessment index of Corporate Governance Assessment held by the Taiwan Securities Exchange to strengthen its corporate governance system.	None

### 3.3.5. Composition, Responsibilities and Operations of the Compensation Committee

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

Position	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note 1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Member of the Compensation Committee	Remarks (Note 2)
		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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	4	Yes
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Not applicable
Other	Ching-Hwei Chang			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Not applicable

Note 1: 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.

Note 2: If the person has the position of director, state if conforming to the fifth paragraph of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

#### 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 2<sup>nd</sup> session is from June 10, 2013 to June 9, 2016. A total of 3(A) meetings of the compensation committee were held in 2015. Member attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Wei-Lin Wang	3	0	100%	Re-appointed on June 10, 2013
Member	Hai-Ming Chen	3	0	100%	Re-appointed on June 10, 2013
Member	Ching-Hwei Chang	3	0	100%	Newly appointed on May 09, 2014.
Remarks: 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.					

### 3.3.6. 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 Best Practice Principles” 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 2015 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
(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 2015. 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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(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
(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. As to 2015, 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 2015, electricity utilization is reduced by 10.16% (the goal is 0.2%) and Cl2 output (Kg/wafer) is reduced by 16.27% (the goal is 2.0%). For 2016, the estimate reduction rate for electricity is set for 0.2% and Cl2 output (Kw/wafer), 0.1%.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Promotion of Social Welfare				
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	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.	None
(2) Has the Company established appropriately managed employee appeal procedures?	V		(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.	None
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(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
(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) The Company holds labor-management meeting periodically and releases meeting memo to ensure employees rights and suggestions have been respected.	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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(6) Has the Company set policies 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
(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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(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
<p>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".</p>				
<p>6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices:</p> <p>(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</p> <p>(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.</p>				

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
<p>(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.</p> <p>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:</p> <ul style="list-style-type: none"><li>✓ Certification for no use of hazardous substances</li><li>✓ EICC-Gesl Conflict Minerals Reporting template</li><li>✓ Testing report made by a fair laboratory of a third party.</li><li>✓ Safety Data Sheet</li></ul> <p>Introduction of the Company's Hazardous Substance Free Management Procedure</p> <p>(4) Launch "Employer Friendly Enterprise" Campaign</p> <ol style="list-style-type: none"><li>1. The Company is committed to creating job opportunities; local employees come first.</li><li>2. The Company allocates sufficient reserve or pay pension fund for employees according to Labor Standard Law and Employee Pension Fund Statute.</li><li>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.</li></ol> <p>(5) Human Rights</p> <ol style="list-style-type: none"><li>1. The Company conducts face-to-face employer and employee communication meeting regularly in compliance with labor regulations.</li><li>2. The Company enacted sexual harassment prevention and disciplinary procedures to protect employers' right and privacy.</li><li>3. The Company sets up an employee opinion box and discussion platform; in-charge organizations will handle and respond to opinions raised by employees.</li></ol>				
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below: None.				

### 3.3.7. 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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
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”.				
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.				

### 3.3.8. Corporate Governance Guidelines and Regulations

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

### **3.3.9. Internal Control Systems**

#### **A. Statement of Internal Control**

##### **WIN Semiconductors Corp.**

##### **Statement of Internal Control**

March 17, 2016

The internal control self-assessment of WIN Semiconductors Corp. was conducted for the year ended December 31, 2015 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 17, 2016, with none of the seven 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

**3.3.10. 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 2005, the in-charge government agency audited the differential pressure gauge of the scrubber of the company to find it did not meet the operation conditions set forth in the operation permit and therefore charged a fine in the amount of NT\$100,000. The company has changed the gauge immediately, taken related improvement actions and return a response to the government agency.

**3.3.11. Major Resolutions of Shareholders' Meeting and Board Meetings**

**A. Action Arising of Shareholders' Meeting on June 3, 2015**

Major Resolutions	Resolutions	Action Arising
Adoption of the 2014 business report and financial statements.	After voting, the proposal was approved as proposed.	—
Adoption of the proposal for distribution of 2014 profits.	After voting, the proposal was approved as proposed.	The Chairman of the Boards decided to set up the ex-dividend date of cash dividend for July 7, 2015 and paid on July 21, 2015.
Amendment to the Company's "Articles of Incorporation".	After voting, the proposal was approved as proposed.	The amendment of "Articles of Incorporation" was passed by the Annual Shareholders Meeting of 2015 and disclosed on the Company's website.
Amendment to the Company's "Rules for Election of Directors and Supervisors".	After voting, the proposal was approved as proposed.	The amendment of "Rules for Election of Directors and Supervisors" was passed by the Annual Shareholders Meeting of 2015 and disclosed on the Company's website.
Capital reduction by distributing cash to shareholders	After voting, the proposal was approved as proposed.	The Board of Directors decided to set the record date of capital reduction for July 9, 2015, record date of the replacement of share certificates, August 24, 2015, and payment date of the returned cash capital and listing date for new shares, August 28, 2015.
Proposal for release of Directors from non-competition restrictions	After voting, the proposal was approved as proposed.	—

## B. Major Resolutions of Board Meetings

Date	Major Resolutions
03/11/2015	<ol style="list-style-type: none"> <li>1. Approval of the parent-company-only financial statements and consolidated financial statements for the year of 2014.</li> <li>2. Approval of the business report for the year of 2014.</li> <li>3. Evaluation of independence and qualification of the CPA to be engaged by the Company.</li> <li>4. Approval of the fee for professional service to be rendered by the CPA totaling NT\$ 3,310 thousand for the year of 2015.</li> <li>5. Issuance of Internal Control Statement of the Company for the year of 2014.</li> <li>6. Setting up timeframe for submitting proposals by shareholders of the Company for the annual shareholders meeting of 2015 and making resolutions of shareholders via on-line voting.</li> <li>7. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2015.</li> <li>8. Recommendation of releasing of Director(s) from non-competition restrictions.</li> <li>9. Increasing the budget amounts of employee stock trust agreement to key managers in the year of 2014.</li> <li>10. Budget of managers' compensation for the year of 2015.</li> </ol>
04/22/2015	<ol style="list-style-type: none"> <li>1. Recommendation of the distribution of earnings for the year of 2014.</li> <li>2. Approval of capital reduction by distributing cash to shareholders.</li> <li>3. Amendment to the Company's "Articles of Incorporation".</li> <li>4. Promulgation the Company's "Corporate Governance Best Practice Principles," "Regulations Governing the Board Performance Evaluation," "Ethical Corporate Management Best Practice Principles," "Procedures for Ethical Management and Guidelines for Conduct," amendment to the Company's "Rules for Election of Directors and Supervisors" and "Corporate Social Responsibility Best Practice Principles."</li> <li>5. Revision to the proposal by shareholders of the Company for the annual shareholders meeting of 2015.</li> <li>6. Application for short-term facilities with financial institutions.</li> </ol>
05/06/2015	<ol style="list-style-type: none"> <li>1. Application for short-term facilities with financial institutions.</li> </ol>
07/09/2015	<ol style="list-style-type: none"> <li>1. The issuance of new shares for exercise by employees of Employee Stock Options during the second quarter of 2015.</li> <li>2. Setting up the record date of capital reduction and approval on the action plan of the replacement of share certificates for the capital reduction.</li> <li>3. Application for short-term and mid-term facilities with financial institution.</li> <li>4. Authorized the chairman to make the decision of implementation for directors and supervisors' compensation after review and consent of the Compensation Committee from the year of 2014.</li> </ol>
10/07/2015	<ol style="list-style-type: none"> <li>1. The issuance of new shares for exercise by employees of Employee Stock Options during the third quarter of 2015.</li> <li>2. Application for short-term and mid-term facilities with financial institutions.</li> </ol>
11/10/2015	<ol style="list-style-type: none"> <li>1. Approval of the auditing plan of the Company for the year of 2016.</li> <li>2. Assess the company's capability to complete the financial report independently.</li> </ol>
12/31/2015	<ol style="list-style-type: none"> <li>1. Amendment to the Company's "Articles of Incorporation."</li> <li>2. Approval of the budget plan of the Company for the year of 2016.</li> <li>3. Approval of the company's "Procedures for Halt and Resumption Applications of Stock Trading."</li> <li>4. The issuance of new shares for exercise by employees of Employee Stock Options during the fourth quarter of 2015.</li> <li>5. Application for short-term and mid-term facilities with financial institutions.</li> </ol>

Date	Major Resolutions
03/17/2016	<ol style="list-style-type: none"> <li>1. Approval of the financial statements and consolidated financial statements for the year of 2015.</li> <li>2. Approval of the business report for the year of 2015.</li> <li>3. Recommendation of the distribution of earnings for the year of 2015.</li> <li>4. The distribution of employees' profit sharing bonus and Directors' and Supervisors' compensations for the year of 2015.</li> <li>5. Approval of capital reduction by distributing cash to shareholders</li> <li>6. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2016.</li> <li>7. Change of the CPA of the Company beginning the first quarter of 2016.</li> <li>8. Evaluation of independence and qualification of the CPA to be engaged by the Company.</li> <li>9. Approval of the professional service fee of the CPA for the year of 2016.</li> <li>10. Issuance of Internal Control Statement of the Company for the year of 2015.</li> <li>11. Approval of the company's "Audit Committee Charter."</li> <li>12. Amendment to the Company's "Rules and Procedures of Shareholders' Meeting".</li> <li>13. Amendment to the Company's "Rules for Election of Directors and Supervisors".</li> <li>14. Revision to the auditing plan of the company for the year of 2016.</li> <li>15. Approval of re-electing Directors (including Independent Directors) of the Board in the annual shareholders meeting.</li> <li>16. Discussion of the candidate list for the Directors and Independent Directors of the 7<sup>th</sup> tenure of Board of Directors.</li> <li>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.</li> <li>18. Application for short-term and mid-term facilities with financial institutions.</li> <li>19. Budget of managers' compensation for the year of 2015 and 2016.</li> </ol>

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

None

**3.3.13. 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

#### 3.4.1. Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Mei-Yen Chen and Pei-Chi Chen	2015.01.01~2015.12.31	—

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000			100	100
2	NT\$2,000 ~ NT\$4,000		3,310		3,310
3	NT\$4,000 ~ NT\$6,000				
4	NT\$6,000 ~ NT\$8,000				
5	NT\$8,000 ~ NT\$10,000				
6	Over NT\$100,000				

Unit: NT\$ thousands

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	Mei-Yen Chen Pei-Chi Chen	3,310	-	-	-	100	100	2015.01.01~ 2015.12.31	—

#### 3.4.2. Replacement of CPA

##### A. Regarding the Former CPA

Replacement Date	March 7, 2014			March 17, 2016		
Replacement reasons and explanations	Due to internal restructuring at KPMG firm, the CPAs of the Company were changed starting January 1, 2014.			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	Parties	CPA	The Company	Parties	CPA	The Company
	Status			Status		
	Termination of appointment	-	-	Termination of appointment	-	-
	No longer accepted (continued) appointment	-	-	No longer accepted (continued) appointment	-	-
Other issues (except for unqualified issues) in the audit reports within the last two years	Not applicable			Not applicable		
Differences with the company	-	Accounting principles or practices		-	Accounting principles or practices	
	-	Disclosure of Financial Statements		-	Disclosure of Financial Statements	
	-	Audit scope or steps		-	Audit scope or steps	
	-	Others		-	Others	
Other Revealed Matters	None			None		

## B. Regarding the Successor CPA

Name of accounting firm	KPMG	KPMG
Name of CPA	Mei-Yen Chen and Pei-Chi Chen	Fion Chen and Mei-Yen Chen
Date of appointment	March 7, 2014	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	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable	Not applicable

### 3.4.3. 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 2015.

## 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

### 3.5.1. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2015		As of Apr. 30, 2016	
		Shares Additions (Deductions) in Shareholding (Note)	Shares Additions (Deductions) in Pledge	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Chairman	Chin-Tsai Chen	(4,456,676)	8,697,000	0	0
Director	Cheng-Huei Wang	(462,289)	0	0	0
Director	Yu-Chi Wang	(506,250)	0	0	0
Director	Wen-Ming Chang	(173,263)	0	(8,000)	0
Director	Shun-Ping Chen	(726,995)	0	0	0
Independent Director	Chao-Shun Chang	0	0	0	0
Independent Director	Wei-Lin Wang	0	0	0	0
Supervisor	International Fiber Technology Co., Ltd.	(1,258,747)	0	0	0
	Representative: Shih-Chuan Hsieh	0	0	0	0
Supervisor	Mei-Lan Wang	0	0	0	0
Supervisor	Cheng-Li Huang	0	0	0	0
Sr. Vice President	Chang-Hwang Hua	(22,396)	0	0	0
Vice President	Joseph Liu	(115,485)	0	0	0
Vice President	Brian Lee	(179,422)	0	0	0
Sr. Vice President	Kyle Chen	(71,929)	0	0	0
Assistant Vice President	Annie Yu	(231,501)	0	(168,000)	0
Assistant Vice President	S.Y. Wang	(300,000)	0	(20,000)	0
Head of Accounting	Linna Su	(322,297)	0	(44,000)	0
Head of Finance	Joe Tsen	(260,236)	0	(13,000)	0

Note: Shares deductions in shareholding include the number of shares exchanged due to the 20% capital reductions in 2015.

### 3.5.2. Shares Trading with Related Parties

None

### 3.5.3. Shares Pledge with Related Parties

None

### 3.6. Relationship among the Top Ten Shareholders

Apr. 26, 2016; 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.	29,211,941	4.90	N/A	N/A	N/A	N/A	None	None	None
Representative: Yu-Wen Chen	0	0	-	-	-	-	-	-	None
Labor Pension Fund (New Scheme)	29,067,903	4.87	N/A	N/A	N/A	N/A	None	None	None
Kou-I Yeh	24,040,211	4.03	640,485	0.11	0	0	Li-Chuan Yeh	Within the 2nd degree of kinship of Kou-I Yeh	None
							Inventec Corporation	Director of Inventec Corporation	None
Chin-Tsai Chen	17,848,895	2.99	1,507,374	0.25	0	0	None	None	None
HSBC Bank in custody for Robeco Capital Growth Funds	14,105,508	2.36	N/A	N/A	N/A	N/A	None	None	None
Labor Pension Fund	12,440,359	2.09	N/A	N/A	N/A	N/A	None	None	None
Inventec Corporation	11,602,885	1.95	N/A	N/A	N/A	N/A	Kou-I Yeh	Director of Inventec Corporation	None
Representative: Tsu-Chin Lee	0	0	-	-	-	-	-	-	None
Li-Chuan Yeh	11,062,997	1.85	4,681,164	0.78	0	0	Kou-I Yeh Li-Cheng, Yeh	Within the 2nd degree of kinship of Li-Chuan Yeh	None
Li-Cheng Yeh	11,062,997	1.85	1,880,466	0.32	0	0	Kou-I Yeh Li-Chuan, Yeh	Within the 2nd degree of kinship of Li-Cheng Yeh	None
Citi Bank in custody for Norges Bank	10,819,721	1.81	N/A	N/A	N/A	N/A	None	None	None

### 3.7. Ownership of Shares in Affiliated Enterprises

Mar. 31, 2016; 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.	13,000	100.00	0	0	13,000	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

Note: Investments accounted for using equity method.

## IV. CAPITAL OVERVIEW

### 4.1. Capital and Shares

#### 4.1.1. Source of Capital

##### A. Issued Shares

Apr. 26, 2016; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	596,666,262	403,333,738	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

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
Jul. 2013	10	1,000,000	10,000,000	757,855	7,578,548		None
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	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

#### 4.1.2. Status of Shareholders

Apr. 26, 2016

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	117	93	15,111	304	15,630
Shareholding (Shares)	56,292,921	79,222,598	66,916,598	191,722,648	202,511,497	596,666,262
Percentage	9.44%	13.27%	11.22%	32.13%	33.94%	100.00%

#### 4.1.3. Shareholding Distribution Status

Apr. 26, 2016

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	5,518	2,329,356	0.39%
1,000 ~ 5,000	7,005	14,887,571	2.50%
5,001 ~ 10,000	1,239	9,535,610	1.60%
10,001 ~ 15,000	399	4,927,355	0.83%
15,001 ~ 20,000	279	4,915,702	0.82%
20,001 ~ 30,000	255	6,275,634	1.05%
30,001 ~ 40,000	125	4,353,737	0.73%
40,001 ~ 50,000	99	4,407,729	0.74%
50,001 ~ 100,000	241	17,227,994	2.89%
100,001 ~ 200,000	145	20,647,957	3.46%
200,001 ~ 400,000	118	33,472,330	5.61%
400,001 ~ 600,000	43	21,202,930	3.55%
600,001 ~ 800,000	32	22,159,273	3.71%
800,001 ~ 1,000,000	27	24,537,612	4.11%
1,000,001 or over	105	405,785,472	68.01%
Total	15,630	596,666,262	100.00%

#### 4.1.4. List of Major Shareholders

Apr. 26, 2016

Shareholder's Name	Shareholding	
	Shares	Percentage
Tien Ho Industrial Co., Ltd.	29,211,941	4.90%
Labor Pension Fund (New Scheme)	29,067,903	4.87%
Kou-I Yeh	24,040,211	4.03%
Chin-Tsai Chen	17,848,895	2.99%
HSBC Bank in custody for Robeco Capital Growth Funds	14,105,508	2.36%
Labor Pension Fund	12,440,359	2.09%
Inventec Corporation	11,602,885	1.95%
Li-Chuan Yeh	11,062,997	1.85%
Li-Cheng Yeh	11,062,997	1.85%
Citi Bank in custody for Norges Bank	10,819,721	1.81%

#### 4.1.5. Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$; Shares in thousands

Unit: NT\$, Shares in thousands

Item			2014	2015	2016/1/1~ 2016/4/30
Market Price Per Share	Highest Market Price		31.80	54.50	68.80
	Lowest Market Price		25.10	24.70	44.50
	Average Market Price		28.78	39.65	57.48
Net Worth Per Share	Before Distribution		21.48	28.85	Not applicable
	After Distribution		21.27	(Note 1)	
Earnings Per Share	Weighted Average Shares (thousand shares)		741,095	672,148	
	Earnings Per Share		2.65	3.97	
Dividends Per Share	Cash Dividends		0.20	(Note 1)	
	Stock Dividends	Dividends from Retained Earnings	-	-	
		Dividends from Capital Surplus	-	-	
	Accumulated Undistributed Dividends		-	-	
Return on Investment	Price / Earnings Ratio (Note 2)		10.70	10.21	
	Price / Dividend Ratio (Note 3)		141.75	(Note 1)	
	Cash Dividend Yield Rate (Note 4)		0.71%	(Note 1)	

Note 1: The appropriation of earnings for 2015 shall be determined by the 2016 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

#### 4.1.6. Dividend Policy and Implementation Status

##### A. Dividend Policy

According to the Article of Incorporation, the Company shall distribute the cash and stock dividends 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.

According to the amended Company Act which was announced in May 2015, employee bonuses, and Directors' and Supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its Article of Incorporation before the deadline specified by the authorities.

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. The proposal of 2015 profit distribution will be implemented according to the relevant regulations upon the approval of shareholders at the Annual Shareholders' Meeting on June 24, 2016.

## **B. Proposed Distribution of Dividend**

The proposal for distribution of 2015 profits was passed at the Board of Directors meeting on March 17, 2016. This proposal will be discussed at the annual shareholders' meeting on June 24, 2016. 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.

Unit: NT\$

The proposal for distribution of 2015 profits	Stockholders' cash dividends
	298,333,131

## **C. Material Change in Dividend Policy Is Expected**

None

### **4.1.7. 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.

### **4.1.8. 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 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 equal 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. Any balance left over shall be allocated according to the following principles:

1. Employee bonus: not less than 5% but no more than 10%. The cash and stock bonus ratio for employee bonus shall be in proportionate to that distributed to shareholders and shall be determined pursuant to Employee Bonus Procedure of the Corporation. Stock-type employee bonus may be distributed to qualified employees of affiliates of the Corporation.
2. Compensation of Directors and Supervisors: not less than 1% but no more than 3%.
3. The balance is shareholders' dividend, in which cash dividend shall not be lower than 10% of entire dividend.

As the Corporation 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 Corporation's growth and cash demand.

According to the amended Company Act which was announced in May 2015, employee bonuses, and Directors' and Supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its Article of Incorporation before the deadline specified by the authorities.

#### **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 2015 Approved in Board of Directors Meeting**

1. Distribution for Employee, Director, and Supervisor Compensation for 2015 was passed by the Board of Directors' meeting on March 17, 2016 as below:
  - (1) Employee compensation distributed in cash is NT\$ 231,300 thousand.
  - (2) Directors' and supervisors' compensation is NT\$ 67,100 thousand.
2. Ratio of employee compensation distributed in stocks to capitalization of earnings: 0%.

**D. Information of 2014 Earnings Set Aside for Employee Bonus and Directors' and Supervisors' Remuneration**

1. Recommended Distribution of Employee Bonus and Directors' and Supervisors' Remuneration  
The 2014 earnings appropriation plan was passed by the stockholders' meeting on June 03, 2015 as below:
  - (1) Employee cash bonus is NT\$176,700 thousand.
  - (2) Appropriated directors' and supervisors' remuneration is NT\$ 53,000 thousand.
  - (3) Stockholders' cash bonus is NT\$148,679 thousand, and the undistributed earnings at the end of this period is NT\$3,578,149 thousand.
2. Ratio of recommended employee stock bonus to capitalization of earnings: 0%.
3. Recounted EPS after recommended distribution of employee bonus and directors' and supervisors' remuneration: NT\$2.65.
4. The actual distribution of employee bonus and directors' and supervisors' remuneration above-mentioned was parallel with the recommended resolution of the stockholders' meeting.

**4.1.9. Buyback of Treasury Stock**

None

**4.2. Corporate Bonds**

None

**4.3. Preferred Stock**

None

#### 4.4. Global Depositary Receipts

Item		Issued Date	10/09/2012 & 11/07/2012
Issued Date		10/09/2012 & 11/07/2012	
Listing Exchange		Luxembourg Stock Exchange	
Issued Amount		US\$168,128,000	
Listing Price		US\$5.254	
Issued Size		10/09/2012	30,000,000 units
		11/07/2012	2,000,000 units
		08/24/2015	(6,393,632) units
		Total	25,606,368 units
Source of Underlying Representing Share		Issue comprised of common shares from capital increase by cash & existing shares held by shareholders	
Amount of Underlying Representing Share		128,031,840 shares	
Rights and Obligations of Depositor Receipt Holder		The rights and obligations are the same as common stock holders'	
Trustee Bank		None	
Depositary Bank		The Bank of New York Mellon	
Custodian Bank		Trust Department, Mega International Commercial Bank	
Outstanding Balance (Apr. 26, 2016)		0 units	
Issuing Expenses and Maintenance Fees		Issuing Expenses: Jointly be borne by the Company and Selling Shareholders on a pro-rata basis Maintenance Fees: Be borne by the Company	
Important Terms and Conditions of Depositary and Custodian Agreements		Please refer to Depositary Agreement and Custodian Agreement	
Price per Unit	Year 2015	High	US\$ 8.18
		Low	US\$ 4.08
		Average	US\$ 6.27
	Jan. 01, 2016~ Apr. 26, 2016	High	US\$ 10.35
		Low	US\$ 6.88
		Average	US\$ 8.70

#### 4.5. Employee Stock Options

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

None

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

Apr. 26, 2016; Unit: Shares; NT\$

Apr. 20, 2010, Unit: Shares, NT\$

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	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 3)	12,869,000 (Note 5)	2.16%	12,369,000	9.0~25.0	135,796,340	2.07%	—	—	—	0%
	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										
	Head of Accounting	Linna Su										
	Head of Finance	Joe Tsen										
	Assistant Vice President	Annie Yu										
	Assistant Vice President	S.Y. Wang										
CEO	Yu-Chi Wang											
Employee	Chief Engineer	Walter Anthony	5,912,000	0.99%	5,602,000	9.9~28.4	86,008,040	0.94%	—	—	—	0%
	Sr. Vice President	David Danzilio (Note 4)										
	Executive Assistant	Linda Huang (Note 2)										
	Director of Dept.	Tim Hsiao										
	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. Industry Overview

Gallium arsenide (GaAs) is a compound of the elements gallium and arsenic. It is a III/V semiconductor, used in the manufacture of devices such as microwave frequency integrated circuits, monolithic microwave integrated circuits (MMIC), infrared light-emitting diodes, laser diodes, and solar cells. GaAs has inherent physical properties that allow its electrons to move up to five times faster than those of silicon. As a result, GaAs provides improved electrical performance at higher frequencies versus silicon, and also results in improved power efficiency and consequently longer battery life. In addition, GaAs substrate is semi-insulating whereas silicon is conductive. The semi-insulating properties of GaAs permit integration of numerous functions in a single device which currently cannot be realized effectively in silicon-based MMICs, thereby permitting further miniaturization with GaAs.

Due to these superior electronic properties, integrated circuits made out of GaAs features low noise, high-frequency, high control temperature and high transfer speed, making GaAs an effective alternative to silicon for MMIC and an enabling technology across wireless, consumer, automotive and defense sectors. GaAs is now used in a wide range of applications, including power amplifiers and switches in handset devices; base stations, backhaul and fiber optic networks in wireless communication infrastructure systems; wireless automation systems; Wi-Fi connectivity products; CATV/DBS video distribution systems; and radars and radio communications for defense systems, amongst many more.

Despite its diverse applications, the main driver of GaAs growth has recently been the rapid consumer adoption of sophisticated handheld devices such as smartphones and tablets, and the unprecedented level of efficiency requirements of these devices to meet the constraints on size, cost and power consumption. Handsets MMIC, predominately power amplifiers ("PA"), represented more than half of the entire GaAs device market. GaAs has become the mainstream semiconductor material for PA in smartphones.

Looking beyond 4G, 5G data transmission speeds are 100x faster than 4G LTE. So far, only GaAs PAs can handle the increased data transmission speeds of 5G. Additionally, the cost-to-performance gap between GaAs and silicon in power amplifier applications continues to widen, not narrow.

According to Strategy Analytics, the GaAs device market revenues up 9.3% from 2014, reaching a market of US\$8.1bn in 2015. In 2015, the top 3 GaAs device manufacturers took up 65.6% of the total market share, led by Skyworks at 32.3%.

### Supply Chain

SUPPLY CHAIN		COMPANY		
GaAs Substrate		Freiberger, AXTI, Sumitomo		
GaAs EPI		IQE(MBE), Kopin, VPEC, Hitachi Cable, Sumika, IntelliEPI, Picogiga		
GaAs IC Design		Microsemi, Microchip, RDA, Epicom	GaAs IDM	Skyworks Qorvo Avago Anadigics
GaAs Foundry		WIN, AWSC, GCS, Wavetek		
GaAs IC Packaging		Tong Shing, Lingsen Precision		
GaAs IC Testing		Giga Solution, ASE, Sigurd, King Yuan		
Application	Handset	Apple, HTC, Samsung, LG, Motorola, Blackberry, Huawei, ZTE, Nokia		
	Wi-Fi	Cisco, Broadcom, Huawei		

## 5.2. Business Scope

Founded in October 1999, we were the first pure-play 6-inch GaAs foundry in the world. We manufacture semiconductor devices on GaAs wafers based on proprietary circuitry designs provided by our customers, which include world-leading IDMs and fabless design houses such as Avago, Murata, Skyworks and RDA. Our principal products include power amplifier and radio frequency switch chips used in mobile communication devices such as smartphones. Each of these chips is an integrated circuit consisting of a large number of building blocks called HBTs and pHEMTs, fabricated on GaAs wafers and arranged according to a circuitry layout designed by our customers. Our different customers' proprietary circuitry designs serve their chips' unique functionalities. Most of our products belong to the general categories of high frequency and high power MMICs and RFICs used for applications ranging from mobile communications, WLAN, cable TV and point-to-point base station links to fiber-optic communications, GPS and satellite communications.

WIN have the largest capacity among the world's dedicated GaAs foundries. We believe that we are among the leaders of fabrication process technology in the global GaAs market. We aim to provide our customers leading-edge technologies and sufficient manufacturing capacity to support their needs. We have built three semiconductor fabrication facilities, commonly known as "fabs", fab A and B located in Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan, fab C located in Guishan Industrial Park, Guishan, Toayuan City, Taiwan.

We believe we have the most advanced technologies in the GaAs industry. Our ability to develop new technologies independently differentiates us from some of our competitors who have limited capabilities to develop their own technologies. We have industry-leading 0.15 $\mu$ m pHEMT technology and were the first and only foundry worldwide to have commercially developed pHEMT at 0.1 $\mu$ m gate length on 6-inch GaAs wafers. Our BiHEMT technology enables on-chip integration of PAs and switches. We have the technologies and technical know-how to manufacture GaAs products for applications in frequency bands ranging from 100MHz to 100GHz. Besides focusing our research and development efforts in mainstream mobile communication products, we have also started new technological development efforts in areas such as optoelectronic devices and gallium nitride ("GaN") high power devices whose applications include 4G base stations. Our comprehensive portfolio of technologies enables our customers to develop products for a wide range of applications.

## 5.3. Research & Development

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 following table sets forth our research and development expenses for the periods indicated:

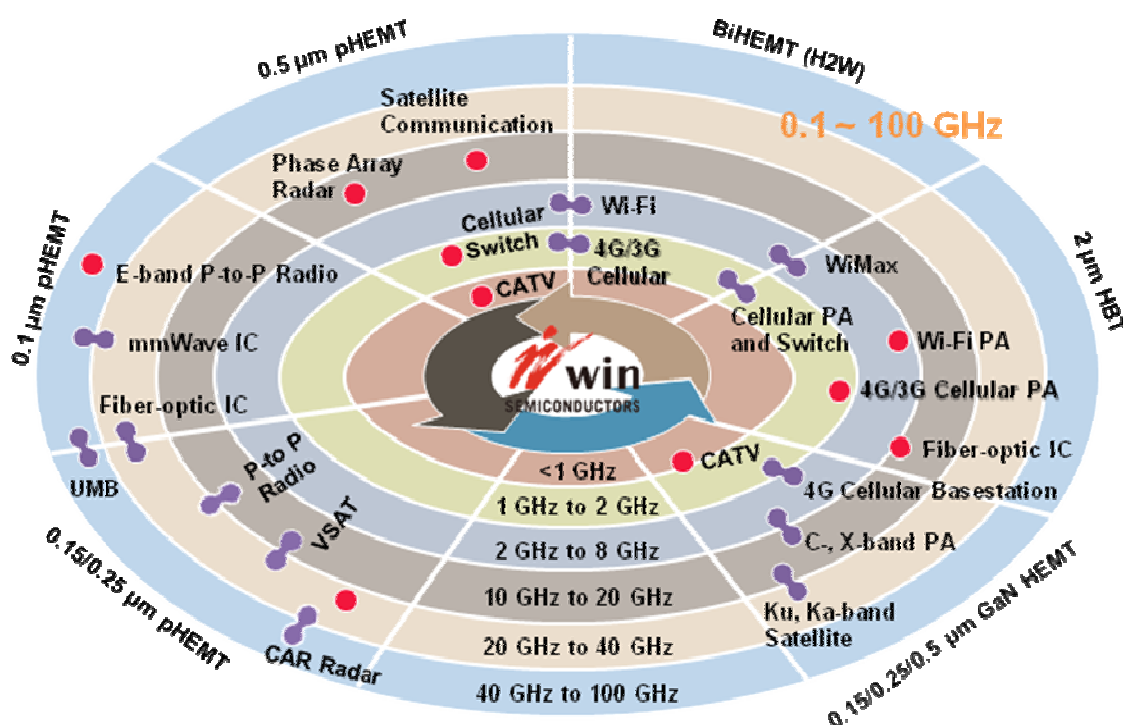
Unit: NT\$ thousands

Item	For the year ended December 31, 2014	For the year ended December 31, 2015
R&D Expenses	561,783	572,485
Consolidated Sales	9,910,010	12,015,747
R&D Expenses / Sales (%)	5.67%	4.76%

We are developing our newest generation HBT technology to meet the high linearity and high power requirements of RF power amplifiers in 4G mobile communication systems, enabling enhanced transmission speed multiple times faster than their counterparts in the 3G systems. At the same time, with the sharp rise in mobile phone usage, high power base station transmission is needed for stable and high speed mobile communication for 3G/4G networks. Responding to this challenge, we are developing

advanced processing technologies for manufacturing high power HBTs to be used in small base stations and high power gallium nitride (“GaN”) HEMTs to be used in major base stations. The production for GaN devices has started from the end of 2015.

In our research and development, we focus on our proprietary technology development. We believe we have the most comprehensive technology portfolio of any GaAs foundry. Our technology platforms enable our customers to develop optimized products for virtually any frequency range from 100MHz to 100GHz.



WIN's technology roadmap covers both HBT and HEMT processes. More than 20 processes are available and production-ready. WIN will continue to provide various cutting-edge process to keep of customers ahead of the game.

#### 5.4. Business Strategy

Superiority of manufacturing technology is one of the key criterion by which a fabless design house or an IDM selects its foundry service partner. Although we already have the most advanced technology portfolio in the industry, we plan to continue our R&D investment to maintain our technological edge and to meet our customers' evolving demands. For example, we have developed a Cu Pillar Flip-Chip process that is capable of packaging multiple PAs in one module in order to reduce size and improve performance. Also, the integrated BiHEMT technology has now been widely adopted by tier-one handset makers and is a key component of its WiFi front-end module. This significant market share gain for WIN is derived from technology R&D launched more than 10 years ago.

We have leveraged our technology capabilities to enter new markets in areas such as optoelectronic devices and GaN high power devices. Our goal is to diversify our product portfolio and in the long term increase our focus on non-handset business, which generally contribute to an increase in gross profit margin.

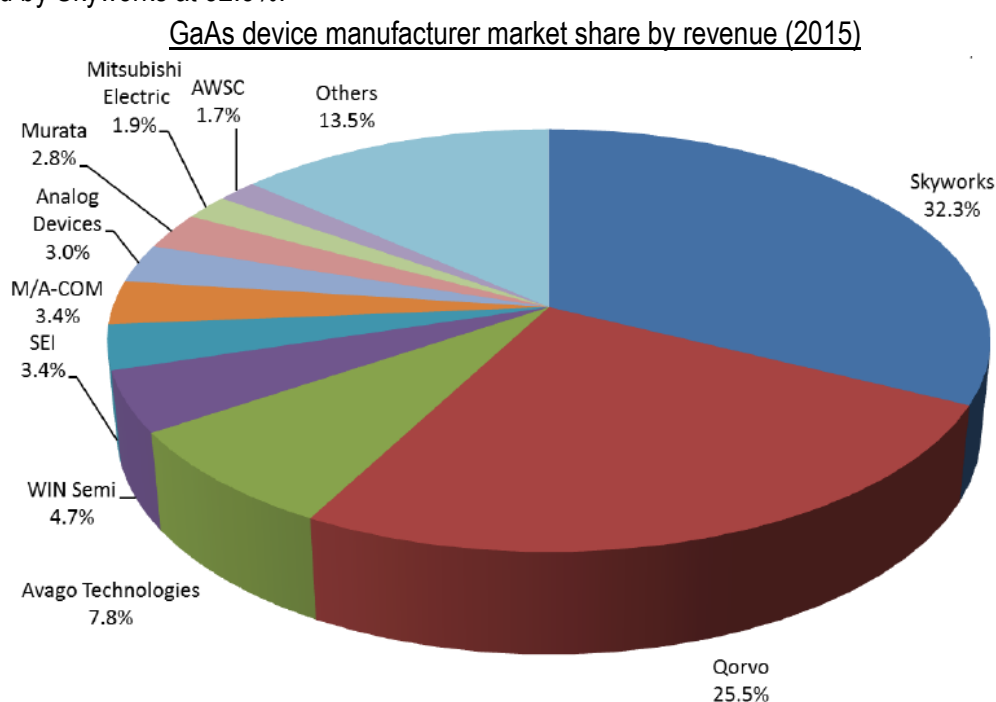
We intend to further develop and expand our customer base and our end-markets to further diversify our revenue sources and reduce our exposure to revenue and profit risks. We have been exploring non-handset markets and high frequency applications such as satellite communications, point-to-point base station links and fiber-optic communications. In March 2016, we announced to enter into the high

data rate optical device market by the addition of optical device production capabilities to the broad GaAs and GaN technology portfolio. These new foundry services provide flexible, large scale manufacturing of a variety of complex laser and photodiode designs for 2.5G, 10G and 25G data rates.

In addition, manufacturing capacity is another critical criterion by which a fabless design house or an IDM selects its foundry service partner. In 2015, we had surpassed 1 million cumulative wafer shipments to customers in the mobile PA, WiFi, wireless infrastructure and optical markets. In response to increasing demand across all segments, we purchased a third wafer fab, Fab C, in 2013, and the refurbishment has completed. We plan to continue to expand our capacity to establish a manufacturing scale sufficient for increased mass production in response to future demand from our customers.

## 5.5. Market Share

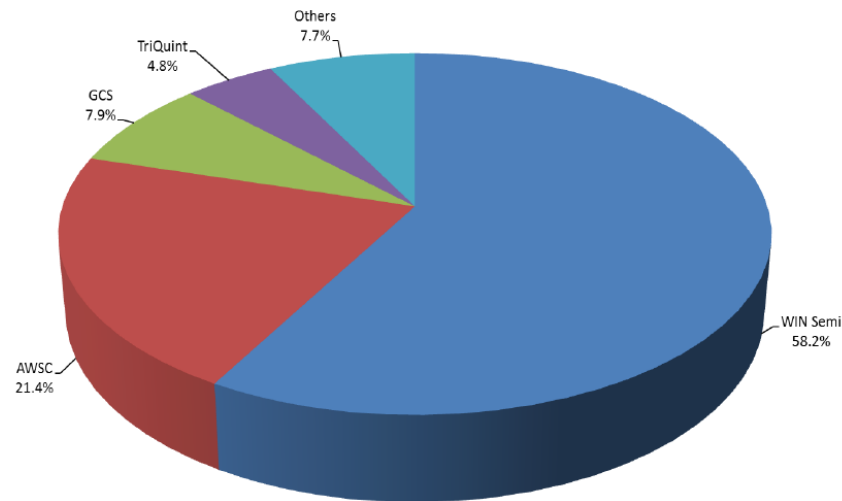
According to Strategy Analytics, the GaAs device market revenues up 9.3% from 2014, reaching a market of US\$8.1bn in 2015. In 2015, the top 3 GaAs device manufacturers took up 65.6% of the total market share, led by Skyworks at 32.3%.



Source: Strategic Analytics

The GaAs OEM/ODM foundry players include WIN Semi, Advanced Wireless Semiconductor Co (AWSC) GCS and TriQuint, jointly accounted 92% of the total market share in 2015 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 TriQuint 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 2015 WIN Semi held 58.2% of GaAs foundry market share.

GaAs foundry market share by revenue (2014)

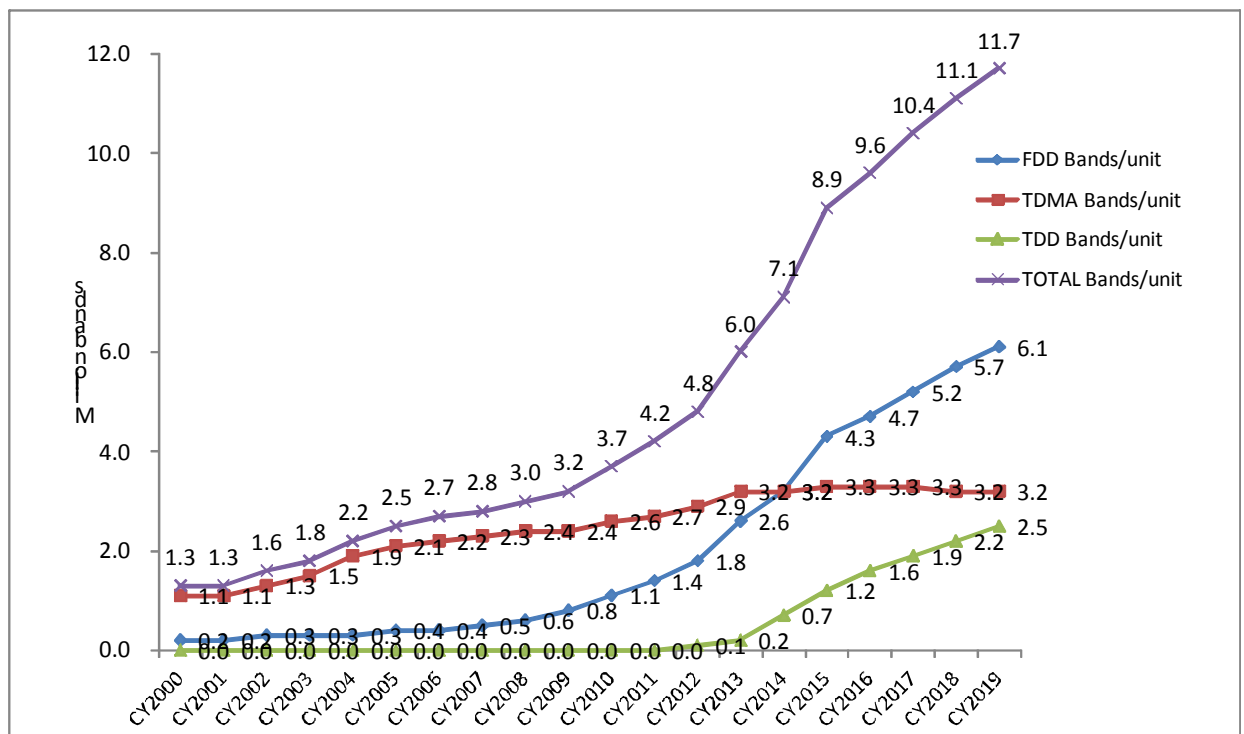


Source: Strategy Analytics

## 5.6. Growth Momentum

Smartphones tend to have greater functionality and connectivity than handsets, including functions such as WiFi, Bluetooth, and analog TV. They are also more likely to adopt 3G and 4G technology for ubiquitous Internet connectivity. As a result, they require more radio-frequent components such as PAs and switches and have a greater GaAs content per device than handsets.

Usually, each 2G phone is built with 1–2 PAs whereas in a 4G LTE smartphone it requires at least 7–8 PAs. As a result, the band count in a cellular terminal will expand from 10,903 million in 2013 to 32,897 million in 2019, and the bands per unit in a cellular terminal will expand from 6 in 2013 to 11.7 in 2019, according to Navian's report.



Source: Navian Inc., RF Devices/Modules for Cellular 2015-2016, Jan. 2016.

According to IDC, the growth for smartphone unit sales is slowing down, 2015 is likely to be the last year

of double-digit smartphone growth and smartphone shipment will reach 1.92 billion, resulting in a CAGR of 6% from 2016 to 2020. Although global smartphone unit sales are saturating, the total output for RF components is expected to maintain healthy growth, driven by the proliferation of dual band RF front-end modules and MIMO for WiFi. This trend is now migrating from high-end devices to the mid-/low-end devices as global LTE penetration increases. WIN remains positive on the trends of dual band RF frontend modules and MIMO for WiFi.

In addition, other applications such as wireless communication infrastructure systems and CATV/DBS video distribution systems, also face favourable drivers due to the significant growth in IP data and wider adoption of WiFi in consumer electronics and handsets.

As the Big Data trend is gaining momentum, numerous industries do not want to miss the business opportunities presented by IoT. According to Gartner, by 2020, the number of IoT devices in use will reach approximately 26 billion, 30 times the 0.9 billion in use during 2009. Machine-to-Machine connectivity will impact the traditional business model of many suppliers and will generate countless new services. At its core, IoT is the integration of sensors, mobile devices and cloud computing, and is a key factor in the ICT value chain. The data transmission from any IoT device will rely on wireless communication technology similar to the mobile PA function, and GaAs semiconductor components will play an important role. Thus, demand for RF communication components and optical devices are expected to show robust growth, as the era of M2M and V2V becomes the dominant end-market.

WIN has outlined the mid-to-long term growth momentum coming from the surge in Mobile Data Demand. In addition to IoT, increased penetration/growth of 4G LTE smartphones is a near term volume driver. There are over 40 frequency bands in use worldwide, and PA demand will keep increasing along with the growth in 4G-smartphone volumes. However, 4G signal quality and connection speed are related to the density of base stations and we believe WIN will maintain its leadership position in this industry owing to our state-of-the-art high frequency, high power MMIC technologies. The global smartphone market continues to evolve and these competitive pressures will inevitably result in further industry consolidation and drive many legacy GaAs manufactures to a fabless model. We welcome this outsourcing trend as it adds to our growth momentum in the mid-to-long term, and supports our strategy of R&D investment, manufacturing scale and diversified markets and will enable WIN to capture these new opportunities.

## **5.7. Competitive Strengths**

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.

We have over ten years of experience in GaAs chip production on 6-inch wafers, compared with certain other key industry players that only recently converted production lines from 4-inch to 6-inch in 2010. Besides the longest history of production on 6-inch wafers in the industry, we have also demonstrated superiority in our manufacturing capacity, process reliability, product quality and operation efficiency, which enables us to manufacture and deliver products to our customers in short cycle times and help them shorten their products' time to market. We have an excellent track record of on-time delivery, and we have one of the highest production yields in the industry.

Our industry leadership in technology and manufacturing enables us to provide superior value and outstanding service to our customers. It also enables us to command a premium in pricing, to some extent

mitigating the general trend of declining average selling prices in the GaAs industry.

We are the largest GaAs semiconductor foundry in the world in terms of revenue. Our market share increased from 42% in 2009 to 58% in 2015.

We have the largest manufacturing capacity among GaAs foundries in the world. The monthly wafer output in our fabs was approximately 24,000 as of December 31, 2015. Moreover, we have completed refurbishment of a third wafer fab location in Guishan, Toayuan City, Taiwan. This facility was purchased in 2013 and has been expanded from four to seven floors, along with site upgrades with additional infrastructure to support mass production of a range of compound semiconductor technologies. Installation of clean room facilities and equipment on the 6th and 7th floors has completed. The remaining space will be outfitted with clean rooms based on market requirements. When completed, Fab C will more than double WIN's market leading manufacturing capacity. Our unparalleled manufacturing capacity is a key competitive advantage in attracting top-tier fabless design houses and IDM customers.

We are a pure-play GaAs foundry. We manufacture GaAs chips based on proprietary circuitry designs provided by our customers. We do not design our own GaAs chips and thus do not compete with our customers. Because the foundry business model involves our customers passing their proprietary design information to us for manufacturing, we believe our fabless and IDM customers do not perceive a conflict of interest in working with us and are more willing to share manufacturing know-how with us. Our pure-play model contributes to a higher degree of trust among our customers and further strengthens our relationship with them.

Many 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 us, 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.

## 5.8. Alternative Technologies

Besides GaAs, there are other compound semiconductors, such as GaN and InP, that are favourable alternatives to Silicon. These compound semiconductors have wide bandgap, high breakdown voltage, and extremely high power density, making them well suited for products with high power, high efficiency and wider bandwidth performance requirements. Market development for such technologies has benefitted greatly from funding and research derived from military industry, and commercial adoption is likely to emerge in the near future.

## 5.9. Principal Product Offerings

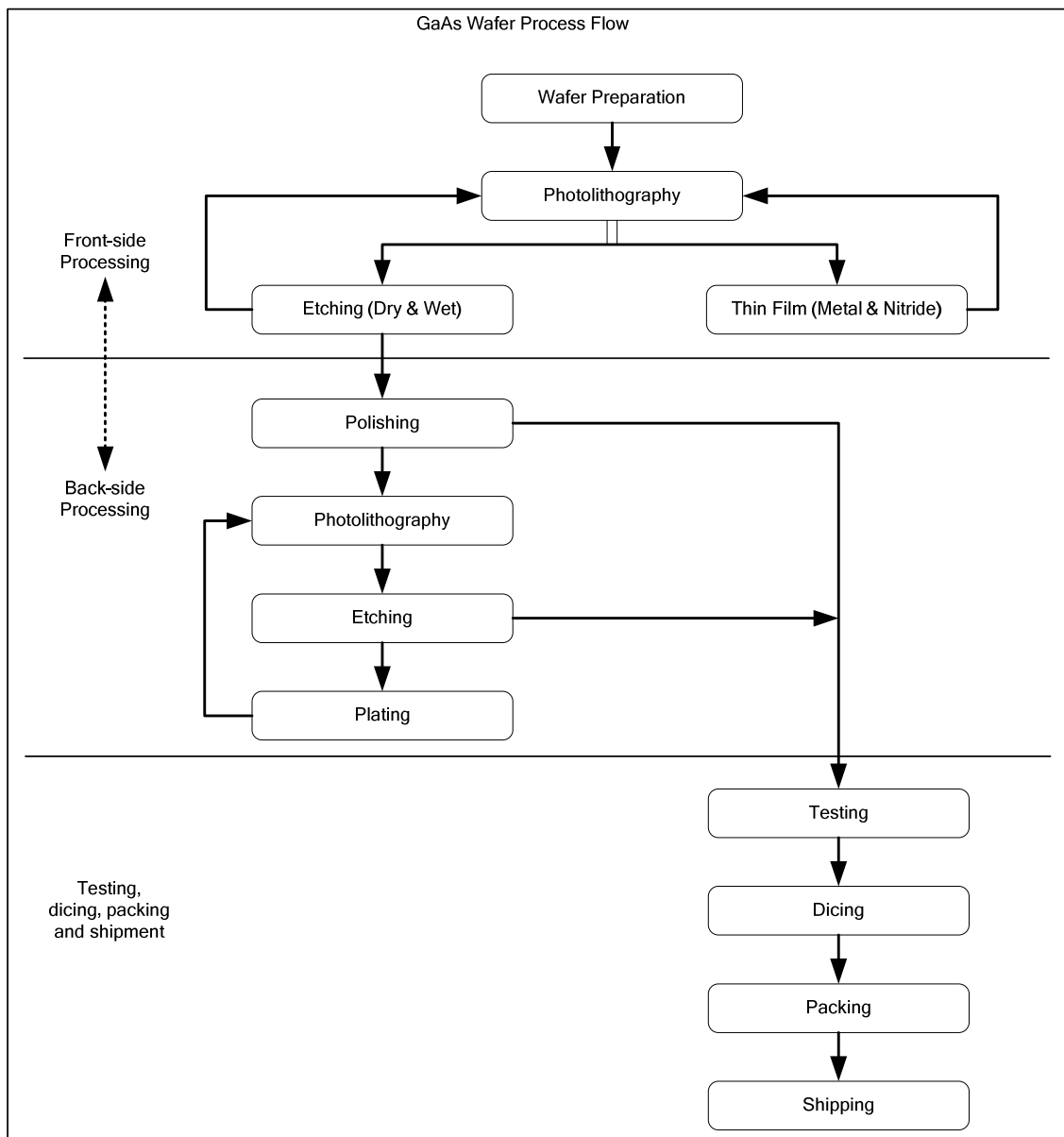
We build semiconductor devices on GaAs epi wafers based on proprietary circuitry designs provided by our customers. Our major product offerings include power amplifier and RF switch chips based on HBTs and pHEMTs. The following table shows the main types of devices currently manufactured in our fabs and their respective applications:

Market Applications	Device Technology
Cable TV Tunner	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

Market Applications	Device Technology
Very Small Aperture Terminal (VSAT)	pHEMT , BiHEMT
Satellite TV	pHEMT , BiHEMT
Broadband Satellite Services	pHEMT
Local Multipoint Distribution (LMDS)	pHEMT
Multipoint Video Distribution Service (MVDS)	pHEMT
Automotive Radar-Smart Cruise Control	pHEMT

## 5.10. 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:



## 5.11. Sales and Marketing

We sell the majority of our products directly to our customers. Our customers are primarily located worldwide in America, Asia, Europe and domestically in Taiwan. Historically, most of our sales are to Asia, including Taiwan, and America. As we continue to develop new technologies to penetrate different application markets and increase our market share, we aim to build close relationships with industry leaders and form strategic partnerships with them.

We aim to provide one-stop shopping and total solution to our customers. We use dedicated account managers to develop an in-depth understanding of our customers' markets and their strengths and weaknesses. We develop strategic initiatives to accelerate our customers' product development cycles and to penetrate deep into their specific areas. For customers that are leaders in their area, we assign technical and business leads to their accounts. We hold regular business meetings with customer executives of these strategic accounts to review progress and identify problems. These sessions provide us with a deep understanding of our customers' business plans and enable us to act accordingly. This has enabled us to increase the share of our products among products purchased by these market leaders and has helped our smaller customers to grow faster than their peers.

We ordinarily conduct quarterly or monthly review meetings with our major customers. For certain customers, we conduct weekly review meetings with them. Top level executive meetings also are regularly conducted. We also routinely conduct technology presentations to demonstrate to our customers our technology advancements.

As we penetrate into different markets and increase our market share, we attract new customers. We regularly attend industrial exhibitions worldwide to meet with prospective customers. If the customer decides to work with us, the first tape-out can release within six months or sooner. Production orders normally come in within a year. Most of our customers are IDMs and fabless design houses in the wireless communication and RF component industry.

Our pricing is based on cost, order volume, strategic partnership and market price. Products sold in different geographical regions or for different applications command different prices. For example, prices for high frequency products are more expensive due to their more complex design and manufacturing process. Such products also generate higher margins for us.

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

Unit: NT\$ thousands; %

2014				2015			
Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN	Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN
Company B	2,263,661	22.84	None	Company A	4,434,213	36.90	None
Company A	1,756,319	17.72	None	Company B	2,309,242	19.22	None
Company C	1,067,405	10.77	None	Company C	901,064	7.50	None
Others	4,822,625	48.67	—	Others	4,371,228	36.38	—
Total Net Revenue	9,910,010	100.00	—	Total Net Revenue	12,015,747	100.00	—

## 5.12. 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.

#### Suppliers Accounted for at Least 10% of Annual Net Procurement

Unit: NT\$ thousands; %

2014				2015			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN
Company D	1,706,328	33.64	None	Company D	1,848,585	31.28	None
Company E	573,128	11.30	None	Company E	694,909	11.76	None
Others	2,792,900	55.06	—	Others	3,365,626	56.96	—
Total Net Procurement	5,072,356	100.00	—	Total Net Procurement	5,909,120	100.00	—

#### 5.13. Production and Shipment

##### Production in the Last Two Years

Unit: Pieces; NT\$ thousands

Year	2014			2015		
Item	Capacity	Output	Amount	Capacity	Output	Amount
Wafers	279,000	178,458	\$6,467,451	259,850	204,937	\$7,107,026

##### Shipments and Net Revenue in the Last Two Years

Unit: Pieces; NT\$ thousands

Item	2014				2015			
	Export		Domestic		Export		Domestic	
	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue
Wafers	145,095	\$8,164,055	31,243	\$1,737,824	187,071	\$11,035,313	15,313	\$979,404
Others	0	\$ 0	0	\$ 8,131	0	\$ 0	0	\$ 1,030
Total	145,095	\$8,164,055	31,243	\$1,745,955	187,071	\$11,035,313	15,313	\$980,434

#### 5.14. Human Resource

##### Workforce Structure

Substantially all of our employees are based in Taiwan. Approximately 82.9%, 84.0% and 84.0% of our employees have bachelors' or other postgraduate degrees as of December 31, 2014, December 31, 2015 and April 30, 2016, respectively. The following table sets forth the number of our employees as of the dates indicated:

Year		December 31, 2014	December 31, 2015	April 30, 2016
Number of Employees	Executive Officer	205	219	221
	Staff	590	773	820
	Direct Employees	726	809	870
	Total	1,521	1,801	1,911
Average Age		32.96	33.88	32.87
Education Ratio (%)	Ph.D.	2.17%	2.01%	1.88%
	Masters	19.73%	22.15%	21.87%
	Bachelor's Degree	61.01%	59.85%	60.24%
	Senior High School	17.09%	15.99%	16.01%
	Total	100%	100%	100%

## Employee 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.

## 5.15. Environmental, Health and Safety Regulation

Semiconductor fabs generate gaseous chemical waste, liquid waste, waste water and other industrial waste in various stages of the manufacturing process. Some of this waste is toxic. We have installed pollution control equipment for the treatment of gaseous chemical waste and liquid waste. Our waste water is processed through our pre-treatment system and then a central processing unit operated by the Hwaya Technology Park where our fabs are located. Our operations are subject to regulation and periodic monitoring by the ROC Environmental Protection Administration and local environmental protection

authorities.

We believe that we have adopted pollution control measures for the effective maintenance of environmental protection standards consistent with the practice of the semiconductor industry in Taiwan. We also believe that we are in compliance in all material respects with all environmental laws and regulations applicable to our operations.

Each of our sites has been certified as meeting the ISO 14001 environmental management system standards and OHSAS 18001 occupational health and safety standards. The ISO 14001 environmental management system standards are part of a comprehensive series of quality standards for environmental management published by the International Standards Organization. The ISO 14001 standards cover environmental management principles, systems and supporting techniques. OHSAS 18001 is an international occupational health and safety management system specification.

#### 5.16. 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 confidentiality 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 confidentiality 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	2011/02/18~2016/02/18	Syndicated loan: NT\$4,800 million

## VI. FINANCIAL STATUS

### 6.1. Five-Year Financial Summary

#### 6.1.1. Condensed Balance Sheets

##### A. Condensed Balance Sheets - IFRSs

Unit: NT\$ thousands

Item \ Year	Consolidated Financial Statements					Parent-company-only Financial Statements				
	Five-Year Financial Summary (Note 1)					Five-Year Financial Summary (Note 1)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Current Assets	5,228,991	8,566,330	5,688,964	7,124,744	6,984,103	5,053,378	8,317,081	5,377,369	6,587,484	6,762,413
Property, plant and equipment	9,594,313	11,617,771	12,636,304	11,652,510	11,623,190	9,594,108	11,617,640	12,636,187	11,652,290	11,622,870
Intangible Assets	117,652	82,708	64,248	54,422	62,370	117,652	82,708	64,248	54,422	62,370
Other Assets	3,845,728	3,322,654	2,721,988	2,984,232	5,441,810	4,015,758	3,566,243	3,021,839	3,497,146	5,629,110
Total Assets	18,786,684	23,589,463	21,111,504	21,815,908	24,111,473	18,780,896	23,583,672	21,099,643	21,791,312	24,076,763
Current Liabilities	Before Distribution	3,087,459	3,614,184	2,327,448	2,748,606	4,605,604	3,081,671	3,608,393	2,315,587	2,724,010
	After Distribution	3,606,333	4,750,429	3,437,245	2,897,285	(Note 2)	3,600,545	4,744,638	3,425,385	2,872,689
Non-current Liabilities		5,519,939	5,621,731	3,892,479	3,127,652	2,296,769	5,519,939	5,621,731	3,892,479	3,127,652
Total Liabilities	Before Distribution	8,607,398	9,235,915	6,219,927	5,876,258	6,902,373	8,601,610	9,230,124	6,208,066	5,851,662
	After Distribution	9,126,272	10,372,160	7,329,724	6,024,937	(Note 2)	9,120,484	10,366,369	7,317,864	6,000,341
Total Equity Attributable to Owners of Parent		10,179,286	14,353,548	14,891,577	15,939,650	17,209,100	10,179,286	14,353,548	14,891,577	15,939,650
Share Capital		6,485,930	7,541,877	7,392,754	7,422,377	5,965,641	6,485,930	7,541,877	7,392,754	7,422,377
Capital Surplus		1,707,122	3,763,045	3,728,358	3,768,620	3,815,017	1,707,122	3,763,045	3,728,358	3,768,620
Retained Earnings	Before Distribution	2,223,056	3,202,764	3,671,483	4,527,782	7,015,498	2,223,056	3,202,764	3,671,483	4,527,782
	After Distribution	1,704,182	2,066,519	2,561,686	4,379,103	(Note 2)	1,704,182	2,066,519	2,561,685	4,379,103
Other Equity		(236,822)	(154,138)	98,982	220,871	382,944	(236,822)	(154,138)	98,982	220,871
Treasury Shares		0	0	0	0	0	0	0	0	0
Non-controlling Interests		0	0	0	0	0	0	0	0	0
Total Equity	Before Distribution	10,179,286	14,353,548	14,891,577	15,939,650	17,209,100	10,179,286	14,353,548	14,891,577	15,939,650
	After Distribution	9,660,412	13,217,303	13,781,780	15,790,971	(Note 2)	9,660,412	13,217,303	13,781,779	15,790,971

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

Note 2: The appropriation of earnings for 2015 shall be determined by the 2016 annual regular shareholders' meeting.

##### B. Condensed Balance Sheets - ROC GAAP

Unit: NT\$ thousands

Item \ Year	Consolidated Financial Statements					Individual Financial Statements				
	Five-Year Financial Summary (Note)					Five-Year Financial Summary (Note)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Current Assets	5,565,604	8,864,825				5,389,991	8,615,576			
Funds and Investments	1,516,012	1,370,092				1,686,042	1,614,561			
Fixed Assets	11,266,742	13,228,466				11,266,537	13,228,340			
Intangible Assets	117,652	82,708				117,652	82,708			
Other Assets	132,673	44,861				132,673	44,861			
Total Assets	18,598,683	23,590,952				18,592,895	23,586,046			
Current Liabilities	Before Distribution	3,065,682	3,586,351			3,059,894	3,581,445			
	After Distribution	3,584,556	4,722,596			3,578,768	4,717,690			
Long-term Liabilities		5,483,622	5,558,677			5,483,622	5,558,677			
Other Liabilities		4,246	20,907			4,246	20,907			
Total Liabilities	Before Distribution	8,553,550	9,165,935			8,547,762	9,161,029			
	After Distribution	9,072,424	10,302,180			9,066,636	10,297,274			
Capital Stock		6,485,930	7,541,877			6,485,930	7,541,877			
Capital Surplus		1,707,122	3,763,045			1,707,122	3,763,045			
Retained Earnings	Before Distribution	2,073,743	3,154,109			2,073,743	3,154,109			
	After Distribution	1,554,869	2,017,864			1,554,869	2,017,864			
Unrealized Gain or Loss on Financial Instruments		(224,726)	(35,656)			(224,726)	(35,656)			
Cumulative Translation Adjustments		3,064	1,642			3,064	1,642			
Net Loss Unrecognized as Pension Cost		0	0			0	0			
Total Shareholders' Equity	Before Distribution	10,045,133	14,425,017			10,045,133	14,425,017			
	After Distribution	9,526,259	13,288,772			9,526,259	13,288,772			

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

## 6.1.2. Condensed Statements of Comprehensive Income

### A. Condensed Statements of Comprehensive Income - IFRSs

Unit: NT\$ thousands, 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)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Operating Revenue		11,237,964	10,481,303	9,910,010	12,015,747		11,066,244	10,340,949	9,776,226	11,904,017
Gross Profit		3,635,946	3,232,185	3,509,596	4,761,031		3,464,226	3,091,831	3,384,889	4,712,349
Net Operating Income		2,448,136	2,109,615	2,314,692	3,510,364		2,394,326	2,046,556	2,277,533	3,556,040
Non-operating Income and Expenses		(611,120)	102,780	114,262	(76,726)		(557,334)	165,815	151,361	(122,657)
Profit before Tax		1,837,016	2,212,395	2,428,954	3,433,638		1,836,992	2,212,371	2,428,894	3,433,383
Profit from Continuing Operations	The financial statements have been prepared in accordance with IFRSs starting 2013.	1,554,253	1,811,510	1,963,469	2,671,627	The financial statements have been prepared in accordance with IFRSs starting 2013.	1,554,253	1,811,510	1,963,469	2,671,627
Profit from Discontinued Operations		0	0	0	0		0	0	0	0
Profit		1,554,253	1,811,510	1,963,469	2,671,627		1,554,253	1,811,510	1,963,469	2,671,627
Other Comprehensive Income, after Tax		75,302	262,888	124,517	156,841		75,302	262,888	124,517	156,841
Comprehensive Income		1,629,555	2,074,398	2,087,986	2,828,468		1,629,555	2,074,398	2,087,986	2,828,468
Profit, Attributable to Owners of Parent		1,554,253	1,811,510	1,963,469	2,671,627		1,554,253	1,811,510	1,963,469	2,671,627
Profit, Attributable to Non-controlling Interests		0	0	0	0		0	0	0	0
Comprehensive Income, Attributable to Owners of Parent		1,629,555	2,074,398	2,087,986	2,828,468		1,629,555	2,074,398	2,087,986	2,828,468
Comprehensive Income, Attributable to Non-controlling Interests		0	0	0	0		0	0	0	0
Earnings Per Share (expressed in dollars)		2.31	2.40	2.65	3.97		2.31	2.40	2.65	3.97

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

### B. Condensed Statements of Operations - ROC GAAP

Unit: NT\$ thousands, except for earnings per share

Item \ Year	Consolidated Financial Statement					Individual Financial Statement				
	Five-Year Financial Summary (Note)					Five-Year Financial Summary (Note)				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Operating Revenue	8,901,273	11,237,964	The financial statements have been prepared in accordance with IFRSs starting 2013.			8,728,814	11,066,244	The financial statements have been prepared in accordance with IFRSs starting 2013.		
Gross Profit	2,804,330	3,640,184				2,631,871	3,468,464			
Income from Operations	1,777,371	2,457,300				1,669,141	2,402,604			
Non-operating Income	231,335	66,195				230,280	64,814			
Non-operating Expenses	(838,975)	(595,155)				(729,714)	(539,102)			
Income from Operations of Continued Segments - before Tax	1,169,731	1,928,340				1,169,707	1,928,316			
Income from Operations of Continued Segments - after Tax	1,278,610	1,647,529				1,278,610	1,647,529			
Income from Discontinued Departments	0	0				0	0			
Extraordinary Gain or Loss	0	0				0	0			
Cumulative Effect of Accounting Principle Changes	0	0				0	0			
Net Income	1,278,610	1,647,529				1,278,610	1,647,529			
Earnings Per Share (expressed in dollars)	2.04	2.45				2.04	2.45			

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
2011	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2012	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2013	KPMG	Fion 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

## 6.2. Five-Year Financial Analysis

### A. Financial Analysis of Financial Statements - IFRSs

Item (Note3)		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)				
		2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
Financial Structure (%)	Debt Ratio		39.15	29.46	26.94	28.63		39.14	29.42	26.85	28.52
	Long-term Funds to Property, Plant and Equipment		171.94	148.65	163.63	167.82		171.94	148.65	163.64	167.82
Solvency (%)	Current Ratio		237.02	244.43	259.21	151.64		230.49	232.22	241.83	147.95
	Quick Ratio		174.85	189.95	202.49	94.60		168.26	177.49	184.60	90.48
	Times Interest Earned Ratio		15.77	22.38	34.34	63.29		15.77	22.38	34.34	63.28
Operating Ability	Accounts Receivable Turnover (turns)		13.20	12.33	14.79	17.29		14.55	14.51	23.29	21.78
	Days to Collect Accounts Receivable (day)		28	30	25	21		25	25	16	17
	Average Inventory Turnover (turns)		3.81	4.49	4.87	3.65		3.81	4.49	4.87	3.62
	Accounts Payable Turnover (turns)		6.87	8.25	8.18	6.48		6.87	8.25	8.17	6.42
	Average Days to Sell Inventory		96	81	75	100		96	81	75	101
	Property, Plant and Equipment Turnover (turns)	(Note 2)	1.06	0.86	0.82	1.03	(Note 2)	1.04	0.85	0.81	1.02
	Total Assets Turnover (turns)		0.53	0.47	0.46	0.52		0.52	0.46	0.46	0.52
	Return on Total Assets (%)		7.74	8.40	9.33	11.68		7.74	8.41	9.34	11.70
Profitability	Return on Equity (%)		12.67	12.39	12.74	16.12		12.67	12.39	12.74	16.12
	Profit before Tax to Issued Capital (%)		24.36	29.93	32.72	57.56		24.36	29.93	32.72	57.55
	Profit to Sales (%)		13.83	17.28	19.81	22.23		14.04	17.52	20.08	22.44
	Earnings Per Share (\$)		2.31	2.40	2.65	3.97		2.31	2.40	2.65	3.97
Cash Flow	Cash Flow Ratio (%)		82.07	214.76	139.34	106.23		78.07	221.34	145.47	101.11
	Cash Flow Adequacy Ratio (%)		59.84	87.11	102.97	117.83		59.12	83.62	103.65	117.07
	Cash Flow Reinvestment Ratio (%)		10.00	15.42	10.07	16.19		9.40	15.92	10.56	15.27
Leverage	Operating Leverage		2.27	2.77	2.56	2.15		2.27	2.80	2.56	2.11
	Financial Leverage		1.04	1.04	1.02	1.00		1.04	1.04	1.02	1.00

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 lower 2015 current ratio and quick ratio were mainly due to the increase in current liabilities, such as accounts payable and tax liabilities from growth in capex and revenues, and profit before tax.

(2) The higher 2015 times interest earned ratio was mainly due to an increase in profit before tax and decrease in interest expense.

3. Operating Ability: The higher accounts receivable turnover ratio was mainly due to a decrease in accounts receivable from good collection.

(1) The lower inventory turnover ratio and account payable turnover ratio and higher average days to sell inventory were mainly due to an increase in inventory level in material for revenue growth.

(2) The higher 2015 property, plant and equipment turnover was mainly due to the revenue growth.

4. Profitability: The higher ROA, ROE, profit before tax to issued capital ratio and EPS were mainly due to an increase in profit before tax from revenue growth.

5. Cash Flow: 2014 operating cash inflow decreased mainly due to higher inventory level in material for production needed.

(1) The lower cash flow ratio was mainly due to mainly due to the increase in current liabilities, such as accounts payable and tax payable from capability expansion and growth in profit before tax.

(2) The higher 2015 cash flow reinvestment ratio was mainly due to increasing operating cash inflow from revenue growth and lower cash dividends resulting from execution of capital reduction.

6. Leverage: N/A.

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

Note 2: The financial statements have been prepared in accordance with IFRSs starting 2013.

Note 3: 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)

## B. Financial Analysis of Financial Statements- ROC GAAP

Item (Note 2)		Year	Consolidated Financial Statements					Individual Financial Statement									
			Financial Analysis in the Past Five Years (Note 1)					Financial Analysis in the Past Five Years (Note 1)									
			2011	2012	2013	2014	2015	2011	2012	2013	2014	2015					
Financial Structure (%)	Debt Ratio	45.99	38.85	The financial statements have been prepared in accordance with IFRSs starting 2013.			45.97	38.84	The financial statements have been prepared in accordance with IFRSs starting 2013.								
	Long-term Funds to Fixed Assets	137.83	151.07				137.83	151.07									
Solvency (%)	Current Ratio	181.55	247.18				176.15	240.56									
	Quick Ratio	103.80	176.20				98.36	169.53									
	Times Interest Earned Ratio	11.51	16.51				11.51	16.51									
Operating Ability	Accounts Receivable Turnover (turns)	15.70	13.20				17.23	14.55									
	Days to Collect Accounts Receivable (day)	23	28				21	25									
	Average Inventory Turnover (turns)	3.74	3.80				3.74	3.80									
	Accounts Payable Turnover (turns)	6.22	6.87				6.22	6.87									
	Average Days to Sell Inventory	98	96				98	96									
	Fixed Assets Turnover (turns)	0.89	0.92				0.88	0.90									
	Total Assets Turnover (turns)	0.53	0.53				0.52	0.52									
	Profitability	Return on Total Assets (%)	7.93				8.22	7.93				8.22					
Return on Stockholders' Equity (%)		13.52	13.47				13.52	13.47									
Ratio of Operating Income to Issued Capital (%)		27.40	32.58				25.73	31.86									
Ratio of Pre-tax Income to Issued Capital (%)		18.03	25.57				18.03	25.57									
Net Income to Sales (%)		14.36	14.66				14.65	14.89									
Earnings Per Share (\$)		2.04	2.45				2.04	2.45									
Cash Flow		Cash Flow Ratio (%)	60.58				80.59	62.29				77.08					
		Cash Flow Adequacy Ratio (%)	48.04				54.87	48.03				54.08					
	Cash Flow Reinvestment Ratio (%)	7.21	9.68				7.42	9.15									
Leverage	Operating Leverage	2.45	2.26				2.53	2.26									
	Financial Leverage	1.03	1.04				1.04	1.04									
Analysis of financial ratio change in the last two fiscal years: (If the difference does not exceed 20%, the analysis is not required)																	
Not Applicable																	

Note 1: The financial information has been 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 Fixed Assets = (Total Stockholders' Equity + Long-term 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 = Income 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 Goods Sold / Average Inventories

(4) Accounts Payable Turnover = Cost of Goods Sold / Average Accounts Payable

(5) Average Days to Sell Inventory = 365 / Average Inventory Turnover

(6) Fixed Assets Turnover = Sales / Property, Plant and Equipment, Net

(7) Total Assets Turnover = Sales / Total Assets

### 4. Profitability

(1) Return on Total Assets = [Net Income after Tax + Interest Expense X (1 - Tax Rate)] / Average Assets

(2) Return on Stockholders' Equity = Net Income after Tax / Average Stockholders' Equity

(3) Ratio of Operating Income to Issued Capital = Operating Income / Issued Capital

(4) Ratio of Pre-tax Income to Issued Capital = Pre-tax Income / Issued Capital

(5) Net Income to Sales = Net Income after Tax / Sales

(6) Earnings Per Share = (Net Income after Tax - Dividend-preferred stock) / Weighted Average Outstanding Shares

### 5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liability

(2) Cash Flow Adequacy Ratio = 5-year Net Cash Provided by Operating Activities / 5-year (Capital Expense + Increase in Inventories + Cash Dividend)

(3) Cash Flow Reinvestment Ratio = (Net Cash Provided by Operating Activities - Cash Dividend) - (Property, Plant and Equipment, Net + Long-term Investments + Other 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. Supervisors' Report for the Most Recent Year

#### 2015 Supervisors' Report

The Board of Directors has prepared and submitted to us the Company's 2014 Business Report, Parent-company-only Financial Statements, Consolidated Financial Statements and proposal for allocation of profits. The CPA firm of KPMG was retained to audit WIN's Parent-company-only Financial Statements and Consolidated Financial Statements and has issued an audit report relating to the Parent-company-only Financial Statements and Consolidated Financial Statements. The Business Report, Parent-company-only Financial Statements, Consolidated Financial Statements, and proposal for allocation of profits have been reviewed and determined to be correct and accurate by us, supervisors of WIN Semiconductors Corp. According to article 219 of the Company Law, we hereby submit this report.

#### 2016 Shareholders' Meeting

**WIN Semiconductors Corp.  
Supervisors**

*Mei-Lan Wang*

*Cheng-Li Huang*

*International Fiber Technology Co., Ltd.  
Representative: Shih-Chuan Hsieh*

March 17, 2016

#### 6.4. Parent-company-only Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

Please refer to page 79-146 of this annual report.

#### 6.5. Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

Please refer to page 147-207 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

#### 7.1.1. Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2014	2015	Difference	
			Amount	%
Current assets	7,124,744	6,984,103	(140,641)	- 2%
Property, Plant and Equipment	11,652,510	11,623,190	(29,320)	- 0.3%
Intangible assets	54,422	62,370	7,948	15%
Other assets	2,984,232	5,441,810	2,457,578	82%
Total assets	21,815,908	24,111,473	2,295,565	11%
Current liabilities	2,748,606	4,605,604	1,856,998	68%
Non-current liabilities	3,127,652	2,296,769	(830,883)	- 27%
Total liabilities	5,876,258	6,902,373	1,026,115	17%
Equity attributable to owners of parent	15,939,650	17,209,100	1,269,450	8%
Share capital	7,422,377	5,965,641	(1,456,736)	- 20%
Capital surplus	3,768,620	3,815,017	46,397	1%
Retained earnings	4,527,782	7,045,498	2,517,716	56%
Other equity interest	220,871	382,944	162,073	73%
Non-controlling Interests	0	0	0	N/A
Total equity	15,939,650	17,209,100	1,269,450	8%

#### 7.1.2. Effect of Change on the Company's Financial Condition

1. Other assets: The increase in other assets was mainly due to an increase in prepayments for business facilities for capacity expansion in 2015.
2. Current liabilities: The increase in current liabilities was mainly due to the increase in accounts payable, accounts payable for business facilities and tax liabilities from growth in capex and revenues, and profit before tax.
3. Non-current liabilities: The decrease in non-current liabilities was mainly due to repayments of long-term debt.
4. Share capital: The decrease in share capital was due to the 20% capital reduction by distributing cash to shareholders in 2015 in order to improve the capital structure.
5. Retained earnings: The increase in retained earnings mainly came from profit growth in 2015.
6. 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 2015.

#### 7.1.3. Future Response Actions

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

## 7.2. Finance Performance

### 7.2.1. Analysis of Finance Performance

Unit: NT\$ thousands

Item \ Year	2014	2015	Difference	
			Amount	%
Operating revenue	9,910,010	12,015,747	2,105,737	21%
Operating costs	6,400,414	7,254,716	854,302	13%
Gross profit from operations	3,509,596	4,761,031	1,251,435	36%
Operating expenses	1,194,904	1,250,667	55,763	5%
Net operating income	2,314,692	3,510,364	1,195,672	52%
Non-operating income and expenses	114,262	(76,726)	(190,988)	-167%
Profit before tax	2,428,954	3,433,638	1,004,684	41%
Tax expense	465,485	762,011	296,526	64%
Profit	1,963,469	2,671,627	708,158	36%
Other comprehensive income, net	124,517	156,841	32,324	26%
Comprehensive income	2,087,986	2,828,468	740,482	35%

### 7.2.2. Effect of Change on the Company's Financial Condition

1. Operating revenue: The increase in operating revenue was mainly due to more 4G bands and WiFi spec upgrade.
2. Non-operating income and expenses: The decrease in non-operating income and expenses came from the decrease in market price of fair value of available-for-sale financial assets and the increase in investment loss from share of loss of associates and joint ventures accounted for using equity method.
3. Tax expense: The increase in tax expense due to the increase in profit before tax in 2015.
4. 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 2015.

### 7.2.3. 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

### 7.3.1. Cash Flow Analysis for the Current Year

Item \ Year	2014	2015	Variance (%)
Cash Flow Ratio (%)	139.34%	106.23%	-23.76%
Cash Flow Adequacy Ratio (%)	102.97%	117.83%	+14.43%
Cash Flow Reinvestment Ratio (%)	10.07%	16.19%	+60.77%
Analysis of financial ratio change:			
1. The lower cash flow ratio in 2015 was mainly due to the increase in current liabilities, such as accounts payable and tax liabilities from growth capex and revenues, and profit before tax.			
2. The higher cash flow reinvestment ratio in 2015 was mainly due to the increased operating cash inflow from revenue growth and lower cash dividends resulting from execution of capital reduction.			

### 7.3.2. Remedy for Cash Deficit and Liquidity Analysis

None

### 7.3.3. Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

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
1,869,657	6,274,665	(6,319,665)	1,824,657	—	—
<ul style="list-style-type: none"><li>• Analysis of change in cash flow in the coming year:<ul style="list-style-type: none"><li>(1) Operating Activities: The cash inflow will be generating from operating profit.</li><li>(2) Cash Outflow:<ul style="list-style-type: none"><li>Investment Activities: The cash outflow will be mainly due to the acquisition of fixed assets.</li><li>Financing Activities: The cash outflow will be mainly due to repayments of long-term debt and capital reduction by distributing cash to shareholders and cash dividends payment.</li></ul></li></ul></li><li>• Remedy for Cash Deficit and Liquidity Analysis: None</li></ul>					

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

The 2015 capital expenditures was NT\$3,493,121 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

#### 7.5.1. 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 and biotechnology in addition to the existing field of compound semiconductors.

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

The Company's investment loss, totaling NT\$109,979 thousand, mainly due to the growth in business and less loss in solar cell investment.

#### 7.5.3. The Investment Plans for the Coming Year

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

### 7.6. Risk Management

#### 7.6.1. 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 \$12,226 thousand and \$14,164 thousand for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 would have increased (decreased) the net profit after tax by \$64,919 and \$59,468, respectively, and other comprehensive income would not be affected. 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.

### **7.6.2. 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".

### **7.6.3. 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 2015 R&D expenses was NT\$ 572,485 thousand and expect to increase to 616,515 thousand in 2016, which will be adjusted from time to time.

### **7.6.4. 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.

### **7.6.5. 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.

### **7.6.6. 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.

### **7.6.7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans**

The Company has no ongoing merger and acquisition activities.

### **7.6.8. 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.

**7.6.9. 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.

**7.6.10. 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.

**7.6.11. 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.

**7.6.12. 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.

**7.6.13. Other Major Risks**

None

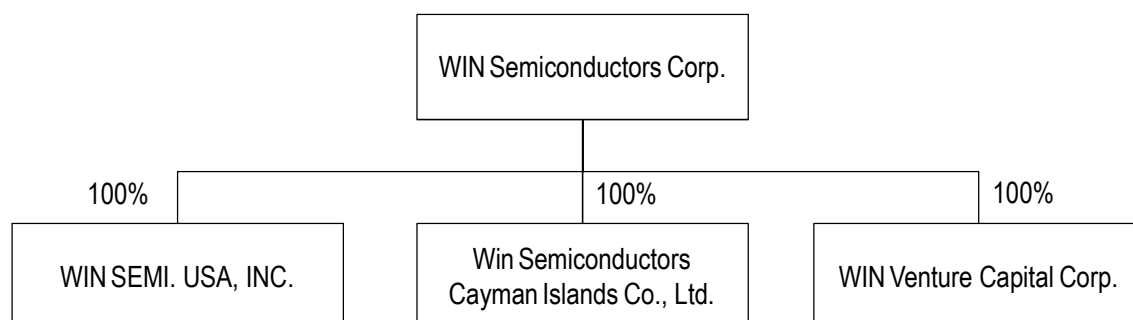
## VIII. SPECIAL DISCLOSURE

### 8.1. Information Regarding Affiliates

#### 8.1.1. Summary of Affiliates

##### A. Affiliates Overview

(1) Organization of Affiliates: Dec. 31, 2015



(2) Basic Information on Affiliates

Name of Affiliate	Date of Incorporation	Registered Office	Paid-in Capital	Main Business
WIN SEMI. USA, INC.	October 3, 2000	22889 Hilton Head Drive, Diamond Bar, California, USA	US\$ 312 thousand	Market research
Win Semiconductors Cayman Islands Co., Ltd.	September 14, 2007	Marquee Place, Suite 300, 430 West Bay Road, P.O. Box 30691, Grant Cayman KY1-1203, Cayman Islands	US\$7,000 thousand	Selling GaAs wafers
WIN Venture Capital Corp.	April 25, 2014	No.358, Hwaya 2nd Rd., Guishan District, Taoyuan City, Taiwan 333	NT\$200,000 thousand	Investment

(3) Controlling and Subsidiary Shareholder Information: None

(4) The Industries Covered by the Business Operated by the Affiliates Overall. Where Connections Exist among the Businesses Operated by Individual Affiliates, a Description of the Mutual Dealings and Division of Work among Such Affiliates Should be Provided

Name of Affiliate	Main Business	Division of Work
WIN SEMI. USA, INC.	Market Research	Marketing office
Win Semiconductors Cayman Islands Co., Ltd.	Receive retail and customer orders for the European, North America and Australian regions	Sales office
WIN Venture Capital Corp.	Investment	Investment

(5) Directors, Supervisors, Presidents of Affiliates

Unit: Shares in thousands; %

Name of Affiliate	Position	Name or Representative	Shareholding	
			Shares	%
WIN SEMI. USA, INC.	Director	Chin-Tsai Chen	0	0
	Director	Yu-Chi Wang		
Win Semiconductors Cayman Islands Co., Ltd.	Director	Chin-Tsai Chen	0	0
WIN Venture Capital Corp.	Director	Representatives of WIN Semiconductors Corp.: Chin-Tsai Chen, Shun-Ping Chen, Mei-Jiuan Chen	0	0
	Supervisor	Representative of WIN Semiconductors Corp.: Joe Tsen	0	0

**B. Operation Status of Affiliates**

Fiscal Year 2015; Unit: NT\$ thousands

Name of Affiliate	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	WIN Venture Capital Corp.
Capital	8,203	227,636	200,000
Total Assets	12,872	1,129,107	114,413
Total Liabilities	5,416	410,603	315
Net Equity	7,456	718,504	114,098
Sales	56,627	4,790,019	1,030
Operating Income (Losses)	810	8,278	(65,819)
Net Profit (Loss)	993	12,742	(66,041)
EPS after Income Tax (NT dollars)	0.99 (Note1)	1.82 (Note2)	(3.30) (Note3)

Note1: Imputed based on 1,000 thousand shares of WIN SEMI. USA, INC.

Note2: Imputed based on 7,000 thousand shares of Win Semiconductors Cayman Islands Co., Ltd.

Note3: Imputed based on 20,000 thousand shares of WIN Venture Capital Corp.

**8.1.2. Report on Affiliations**

Not applicable

**8.1.3. 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**

- A. To improve the capital structure and enhance return on equity, the Board of Directors approved a proposal for a 20% capital reduction by distributing cash to shareholders on April 22, 2015. The proposal was approved as proposed at the annual general meeting on June 3, 2015. The Board of Directors decided to set the record date of capital reduction for July 9, 2015, record date of the replacement of share certificates, August 24, 2015, and payment date of the returned cash capital and listing date for new shares, August 28, 2015.
- B. To improve the capital structure and enhance return on equity, the Board of Directors has approved a proposal for 30% capital reduction by distributing cash to shareholders on March 17, 2016. This resolution is subject to the approval of shareholders at the annual general meeting scheduled to be held June 24, 2016.

## Independent Auditors' Report

The Board of Directors  
WIN Semiconductors Corp.

We have audited the accompanying balance sheets of WIN Semiconductors Corp. (the "Company") as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the parent-company-only financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the parent-company-only financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the parent-company-only financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)  
March 17, 2016

### 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, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31		2015.12.31	2014.12.31
<b>Assets</b>			<b>Liabilities and Equity</b>		
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash and cash equivalents (note 6(a))	\$ 1,742,988	2,536,853	Short-term borrowings (notes 6(j))	\$ 23,656	-
Current financial assets at fair value through profit or loss (note 6(b))	948,291	1,197,247	Accounts payable	1,309,867	929,773
Current available-for-sale financial assets (note 6(b))	629,823	677,271	Other payables	1,789,058	1,151,526
Notes and accounts receivable, net (note 6(c))	300,134	306,879	Long-term liabilities, current portion (notes 6(k) and 8)	841,507	545,444
Accounts receivable due from related parties, net (note 7)	375,716	110,530	Other current liabilities	<u>606,806</u>	<u>97,267</u>
Inventories (note 6(d))	2,471,370	1,499,917	<b>Total current liabilities</b>	<u>4,570,894</u>	<u>2,724,010</u>
Other current assets (note 6(i))	<u>294,091</u>	<u>258,757</u>	<b>Non-current liabilities:</b>		
<b>Total current assets</b>	<u>6,762,413</u>	<u>6,587,454</u>	Long-term borrowings (notes 6(k) and 8)	2,098,796	2,938,331
<b>Non-current assets:</b>			Deferred tax liabilities (note 6(n))	28,159	30,362
Non-current available-for-sale financial assets (note 6(b))	865,828	797,168	Other non-current liabilities (note 6(m))	<u>169,814</u>	<u>158,959</u>
Non-current investments in debt instrument without active market (note 6(b))	159,600	159,600	<b>Total non-current liabilities</b>	<u>2,296,769</u>	<u>3,127,652</u>
Investments accounted for using equity method (note 6(e))	1,248,153	1,159,029	<b>Total liabilities</b>	<u>6,867,663</u>	<u>5,851,662</u>
Property, plant and equipment (notes 6(f) and 8)	11,622,870	11,652,290	<b>Equity (notes 6(n), 6(o) and 6(p)):</b>		
Investment property (notes 6(g) and 8)	1,085,846	1,091,162	Ordinary share	5,965,641	7,422,377
Intangible assets (note 6(h))	62,370	54,422	Capital surplus	3,815,017	3,768,620
Deferred tax assets (note 6(n))	85,104	66,135	Retained earnings	7,045,498	4,527,782
Prepayments for business facilities (note 6(f))	2,135,838	178,911	Other equity interest	<u>382,944</u>	<u>220,871</u>
Other non-current assets (notes 6(i) and 8)	<u>48,741</u>	<u>45,141</u>	<b>Total equity</b>	17,209,100	15,939,650
<b>Total non-current assets</b>	<u>17,314,350</u>	<u>15,203,858</u>			
<b>Total assets</b>	<u>\$ 24,076,763</u>	<u>21,791,312</u>	<b>Total liabilities and equity</b>	<u>\$ 24,076,763</u>	<u>21,791,312</u>

See accompanying notes to financial statements.

**WIN Semiconductors Corp.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2015 and 2014**

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

	2015	2014
<b>Operating revenue (note 7)</b>	\$ 11,904,017	9,776,226
<b>Operating costs (notes 6(d) 、 6(h) 、 6(l) 、 6(m) 、 6(o) 、 6(p) 、 6(r) 、 7 and 12)</b>	<u>(7,191,668)</u>	<u>(6,391,337)</u>
<b>Gross profit from operations</b>	<u>4,712,349</u>	<u>3,384,889</u>
<b>Operating expenses (notes 6(h) 、 6(l) 、 6(m) 、 6(o) 、 6(p) 、 6(r) 、 7 and 12):</b>		
Selling expenses	(69,803)	(84,529)
Administrative expenses	(514,021)	(461,044)
Research and development expenses	<u>(572,485)</u>	<u>(561,783)</u>
<b>Total operating expenses</b>	<u>(1,156,309)</u>	<u>(1,107,356)</u>
<b>Net operating income</b>	<u>3,556,040</u>	<u>2,277,533</u>
<b>Non-operating income and expenses:</b>		
Other income (notes 6(l) and 6(s))	98,413	92,587
Other gains and losses (notes 6(e) and 6(s))	(48,306)	87,505
Finance costs (note 6(s))	(13,852)	(48,304)
Share of income (loss) of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	<u>(158,912)</u>	<u>19,573</u>
<b>Total non-operating income and expenses</b>	<u>(122,657)</u>	<u>151,361</u>
<b>Profit before tax</b>	3,433,383	2,428,894
Total tax expense (note 6(n))	<u>(761,756)</u>	<u>(465,425)</u>
<b>Profit</b>	<u>2,671,627</u>	<u>1,963,469</u>
<b>Other comprehensive income (loss):</b>		
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss:</b>		
Remeasurements of defined benefit plans (note 6(m))	(6,304)	3,166
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(n))	<u>1,072</u>	<u>(538)</u>
<b>Total components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>	<u>(5,232)</u>	<u>2,628</u>
<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss:</b>		
Exchange differences on translation of foreign financial statements	15,177	22,322
Unrealized gains (losses) on valuation of available-for-sale financial assets	43,012	(11,687)
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	103,884	111,254
Income tax related to comprehensive of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>
<b>Total components of the components that will be reclassified to profit or loss</b>	<u>162,073</u>	<u>121,889</u>
<b>Other comprehensive income, net</b>	<u>156,841</u>	<u>124,517</u>
<b>Comprehensive income</b>	<u>\$ 2,828,468</u>	<u>2,087,986</u>
<b>Earnings per common share (expressed in dollars) (note 6(q))</b>		
<b>Basic earnings per share</b>	<u>\$ 3.97</u>	<u>2.65</u>
<b>Diluted earnings per share</b>	<u>\$ 3.94</u>	<u>2.62</u>

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest			
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	3,671,483	(17,413)	116,395	98,982	14,891,577
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014 (Note 1)										
Legal reserve	-	-	181,151	-	(181,151)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,109,798)	(1,109,798)	-	-	-	(1,109,798)
Reversal of special reserve	-	-	-	(34,015)	34,015	-	-	-	-	-
	-	-	181,151	(34,015)	(1,256,934)	(1,109,798)	-	-	-	(1,109,798)
Net income for the year ended December 31, 2014	-	-	-	-	1,963,469	1,963,469	-	-	-	1,963,469
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	2,628	2,628	22,322	99,567	121,889	124,517
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,966,097	1,966,097	22,322	99,567	121,889	2,087,986
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,576	-	-	-	-	-	-	-	1,576
Exercise of employee stock options	29,623	34,383	-	-	-	-	-	-	-	64,006
Compensation cost arising from employee stock options	-	4,303	-	-	-	-	-	-	-	4,303
Balance on December 31, 2014	7,422,377	3,768,620	604,607	-	3,923,175	4,527,782	4,909	215,962	220,871	15,939,650
Appropriation of 2014 earnings approved by stockholders during their meeting in 2015 (Note 2)										
Legal reserve	-	-	196,347	-	(196,347)	-	-	-	-	-
Cash dividends	-	-	-	-	(148,679)	(148,679)	-	-	-	(148,679)
	-	-	196,347	-	(345,026)	(148,679)	-	-	-	(148,679)
Net income 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 on 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

Note 1: The appropriations for 2013 employee's bonus, directors' and supervisors' remuneration amounting to NT\$166,400 and NT\$49,900, respectively, were recognized and accrued in the 2013 earnings.

Note 2: The appropriations for 2014 employee's bonus, directors' and supervisors' remuneration amounting to NT\$176,700 and NT\$53,000, respectively, were recognized and accrued in the 2014 earnings.

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 3,433,383	2,428,894
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,899,244	1,852,199
Amortization expense	23,781	29,498
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,356	(130,285)
Interest expense	13,852	48,304
Interest income	(20,188)	(16,934)
Dividend income	(32,938)	(43,654)
Share-based payments	-	4,303
Share of loss (income) of subsidiaries, associates and joint ventures accounted for using equity method	158,912	(19,573)
Gain on disposal of property, plant and equipment	(1,824)	-
Loss on disposal of investments	13,285	64,501
Impairment loss on financial assets	53,341	-
Prepayments for business facilities transferred to other losses	-	7,936
Total adjustments to reconcile profit	2,109,821	1,796,295
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes and accounts receivable, net	6,745	16,349
Accounts receivable due from related parties, net	(265,186)	(11,489)
Inventories	(1,023,336)	(294,386)
Other current assets	(104,752)	(72,429)
Total changes in operating assets	(1,386,529)	(361,955)
Changes in operating liabilities:		
Accounts payable	380,094	294,654
Other payables	88,878	112,702
Other current liabilities	509,539	(20,338)
Other non-current liabilities	1,248	1,754
Total changes in operating liabilities	979,759	388,772
Total changes in operating assets and liabilities	(406,770)	26,817
Cash inflow generated from operations	5,136,434	4,252,006
Income taxes paid	(514,611)	(289,376)
<b>Net cash flows from operating activities</b>	<b>4,621,823</b>	<b>3,962,630</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of current financial assets at fair value through profit or loss	(5,127,443)	(4,329,787)
Proceeds from disposal of current financial assets at fair value through profit or loss	5,447,999	4,291,586
Acquisition of current available-for-sale financial assets	-	(282,148)
Proceeds from disposal of current available-for-sale financial assets	-	7,679
Acquisition of non-current available-for-sale financial assets	(25,000)	(312,000)
Proceeds from disposal of non-current available-for-sale financial assets	29,711	5,170
Proceeds from capital reduction of non-current available-for-sale financial assets	-	43,200
Proceeds from disposal of non-current investments in debt instrument without active market	-	30,400
Acquisition of investments accounted for using equity method	(180,400)	(200,000)
Acquisition of property, plant and equipment	(1,522,594)	(610,999)
Proceeds from disposal of property, plant and equipment	7,560	-
Acquisition of intangible assets	(32,403)	(16,323)
Increase in other non-current assets	(3,600)	(1,884)
Increase in prepayments for business facilities	(1,970,361)	(126,386)
Interest received	19,454	15,645
Dividends received	32,938	43,654
<b>Net cash flows used in investing activities</b>	<b>(3,324,139)</b>	<b>(1,442,193)</b>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	23,656	-
Proceeds from long-term borrowings	-	529,000
Repayments of long-term borrowings	(545,444)	(1,316,444)
Increase in other non-current liabilities	3,303	10,000
Cash dividends paid	(148,679)	(1,109,798)
Capital reduction payments to shareholders	(1,486,790)	-
Exercise of employee share options	74,535	64,006
Interest paid	(12,130)	(44,205)
<b>Net cash flows used in financing activities</b>	<b>(2,091,549)</b>	<b>(1,867,441)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(793,865)</b>	<b>652,996</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>2,536,853</b>	<b>1,883,857</b>
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 1,742,988</b>	<b>2,536,853</b>

See accompanying notes to financial statements.

**WIN Semiconductors Corp.**  
**Notes to Parent-company-only Financial Statements**  
**December 31, 2015 and 2014**  
**(Expressed in Thousands of New Taiwan Dollars**  
**Except for Earnings Per Share Information**  
**and Unless Otherwise Specified)**

**(1) Organization and business scope**

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, Technology 7th Rd., Hwaya Technology Park, Kueishan Hsiang, Taoyuan Shien, Taiwan. The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers. Please see note 14.

**(2) Approval date and procedures of the parent-company-only financial statements**

The parent-company-only financial statements for the years ended December 31, 2015 and 2014 was authorized for issued by the Board of Directors as of March 17, 2016.

**(3) Application of new and revised standards and interpretations**

- (a) (a) The impact of the International Financial Reporting Standards ("IFRSs") 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. ("FSC").

The Company prepared the parent-company-only financial reports using the IFRSs 2013 (which does not include IFRS 9 Financial Instruments) with fully adoption starting 2015. Relevant new releases, modifications and amendments to standards and interpretations are as following:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date prescribed by Interna- tional Accounting Standards Board</b>
Amendment to IFRS 1 "Limited Exemption from Compara- tive IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosures—Transfers of Financial Assets"	July 1, 2011
Amendment to IFRS 7 "Disclosures—derecognition of fi- nancial assets and financial liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (effective date for in- vestment entity will be January 1, 2014)

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date prescribed by Interna- tional Accounting Standards Board</b>
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2012
Amendment to IAS 19 "Employee Benefits"	January 1, 2013
Amendment to IAS 27 "Separate financial statement"	January 1, 2013
Amendment to IAS 32 "Financial assets and liabilities off-setting"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

After the evaluation, the Company believes that applying the IFRSs 2013 will not cause any significant changes in the parent-company-only financial statements, except for the following:

1. IAS 1 "Presentation of Financial Statements"

The standard amended the presentation of other comprehensive income. To classify other comprehensive income items as "Components of other comprehensive income that will not be reclassified to profit or loss," or "Components of other comprehensive income that will be reclassified to profit or loss." The items should be presented before tax to be shown separately for each of the two groups of other comprehensive income ("OCI") items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Company has changed the presentation of OCI according to that standard and comparative period have been made a retrospective restatement.

2. IFRS 12 "Disclosure of Interests in Other Entities"

The Company disclosed the information about subsidiaries and associates as the standard required. Please refer to note 6(e).

3. IFRS 13 "Fair Value Measurement "

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Company disclosure fair value measurements as the guidance. Please refer to note 6(t). The Company has applied the new fair value measurement guidance prospectively. According to the new measurement requirements, comparative information is not required. Notwithstanding the above, the change has no significant

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

impact on the fair value measurements of Company's assets and liabilities.

- (b) (b)The new standards and amendments issued by the International Accounting Standards Board ("IASB") but not endorsed by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet approved by the FSC are as following:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective Date Prescribed by IASB</b>
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"	Depend on IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Lease"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
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 IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

**(4) Summary of significant accounting policies**

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

The significant 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”.

**(b) Basis of preparation**

**1. 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 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) (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 disclosed in note 6(m) less plan assets.

**2. 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

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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 currency**

##### **1. 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.

##### **2. 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 foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the reporting currency of the Company's parent-company-only financial statements at average rate.

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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 or 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 :

1. It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. 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:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

##### **1. 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.

##### **a. 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.

##### **b. Available-for sale financial assets**

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **c. 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.

#### **d. 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 Company on terms that the Company 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.

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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 Company 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.

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

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

accounts receivables are recognised in profit or loss, and it is included in other gains and losses.

#### **e. 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.

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.

#### **2. Financial liabilities**

##### **a. 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 interest expense, respectively.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

b. 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.

c. 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.

d. 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.

3. 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

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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 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.

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **(k) Property, plant and equipment**

##### **1. 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

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **2. 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.

#### **3. 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.

#### **4. 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

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

- (4) Other equipment: 2 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**

##### **1. 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.

##### **2. 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.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

**(m) Intangible assets**

Subsequent to the initial recognition, an intangible asset is measured at cost, plus, the revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

Depreciable amount is the cost of an asset, or other amount substituted for cost, 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: 2 to 5 years
- (3) Others: 1.5 years

**(n) Impairment of non financial assets**

To ensure the following assets are carried at no more than their recoverable amount, and to define how recoverable amount is determined, they applied to the following assets:

- i) Inventories
- ii) Deferred tax assets
- iii) Assets arising from employee benefits

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.

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **(o) Revenue**

##### **1. 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.

##### **2. 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)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **(p) Employee benefits**

##### **1. 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.

##### **2. 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.

When 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.

The remeasurements of the net defined benefit liability (asset) comprise the following:

- (1) actuarial gains and losses;
- (2) return on plan assets, excluding amounts included in net interest on the net defined benefit lia-

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## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

bility (asset); and

- (3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

The amount recognised in other comprehensive income can be recorded under either retained earnings or other equity interest. If it is recorded under other equity interest, further reclassifications into profit or loss or retained earnings are forbidden. It should be recorded consistently thereafter. The Company recognised its remeasurements of the net defined benefit liability (asset) under retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

#### 3. 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.

#### (q) 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

(Continued)

## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

#### (r) 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:

1. 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.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. 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:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
  - (1) levied by the same taxing authority; or

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

- (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.

(s) 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.

(t) 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.

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## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

#### **(5) Major sources of accounting assumptions, judgments and estimation uncertain**

The preparation of the parent-company-only financial statements based on “Regulations Governing the Preparation of Financial Reports by Securities Issuers” 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.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

There was no information involving critical judgments in applying the accounting policies in the parent-company-only financial statements.

There was no information about assumptions and estimation uncertainties with a significant risk resulting in a material adjustment within the next year.

The accounting policy and disclosure of the Company include that measuring the financial assets and financial liabilities at fair value. The accounting department of 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 accounting department of the Company regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results are reasonable. The accounting department of 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).
- 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.

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# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

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

1. Note 6(g)-Investment property.
2. Note 6(t)-Financial instruments.

### (6) Significant account disclosure

#### (a) Cash and cash equivalents

	2015.12.31	2014.12.31
Cash on hand	\$ 200	431
Cash in bank	524,117	34,917
Time deposits	1,218,671	2,501,505
	<u>\$ 1,742,988</u>	<u>2,536,853</u>

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

#### (b) Financial instruments

1. Current financial assets at fair value through profit or loss:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 59,500	-
Money market funds, future funds, equity funds and bond funds	888,791	1,197,247
	<u>\$ 948,291</u>	<u>1,197,247</u>

2. Current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	<u>\$ 629,823</u>	<u>677,271</u>

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

3. Non-current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 20,560	17,825
Non-public stocks	504,318	479,943
Private fund (Note)	<u>340,950</u>	<u>299,400</u>
	<b><u>\$ 865,828</u></b>	<b><u>797,168</u></b>

Note: As of December 31, 2015, the private fund is during the lock-up period.

4. Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	2015.12.31	2014.12.31
Preferred stock B	2012.11.23~2019.11.22	-	<u>159,600</u>	<u>159,600</u>

5. Sensitivity analysis in the equity price risk:

For the years ended 2015 and 2014, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2015		2014	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 3%	\$ <u>44,870</u>	<u>28,449</u>	<u>44,233</u>	<u>35,917</u>
Decreasing 3%	\$ <u>(44,870)</u>	<u>(28,449)</u>	<u>(44,233)</u>	<u>(35,917)</u>

6. As of December 31, 2015 and 2014, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(t).

(c) Notes and accounts receivable, net

	2015.12.31	2014.12.31
Notes receivable	\$ 100	405
Accounts receivable	303,405	309,845
Less: allowance for doubtful accounts	<u>(3,371)</u>	<u>(3,371)</u>
	<b><u>\$ 300,134</u></b>	<b><u>306,879</u></b>

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Past due 1~60 days	\$ 10,368	12,801
Past due 61~180 days	1,882	-
Past due more than 181days	-	-
	<b>\$ <u>12,250</u></b>	<b><u>12,801</u></b>

The movement of allowance for notes and accounts receivable for the years ended December 31, 2015 and 2014, were as follows:

	<b>2015</b>	<b>2014</b>
Beginning balance	\$ 3,371	3,371
Impairment loss recognized	-	-
End balance	<b>\$ <u>3,371</u></b>	<b><u>3,371</u></b>

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

Assessment method:

1. At the balance sheet date, the Company evaluates the probability of collection regarding the receivable in accordance with each customer.
2. 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 recognized 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, 2015 and 2014, the notes and accounts receivable, net were not pledged.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

(d) Inventories

	<b>2015.12.31</b>	<b>2014.12.31</b>
Raw materials, supplies and spare parts	\$ 1,505,390	888,130
Work in process	732,353	333,856
Finished goods	<u>233,627</u>	<u>277,931</u>
	<b><u>\$ 2,471,370</u></b>	<b><u>1,499,917</u></b>

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:

	<b>2015</b>	<b>2014</b>
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	<b><u>\$ 27,454</u></b>	<b><u>(29,918)</u></b>
Revenue from sale of scraps	<b><u>\$ (21,445)</u></b>	<b><u>(21,071)</u></b>

The inventories were not pledged.

(e) Investments accounted for using equity method

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Subsidiaries	\$ 840,058	777,463
Associates	<u>408,095</u>	<u>381,566</u>
	<b><u>\$ 1,248,153</u></b>	<b><u>1,159,029</u></b>

1. Subsidiaries:

For the related information, please refer to consolidated financial statements for the year ended December 31, 2015.

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# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### 2. Associates:

On January 28, 2015, the Company 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.

	2015.12.31	2014.12.31
Total equity of the individually insignificant investments in associates	\$ <u>408,095</u>	<u>381,566</u>
	2015	2014
Attributable to the Company:		
Net loss	\$ (106,605)	(4,919)
Other comprehensive income	28	-
Total comprehensive income	\$ <u>(106,577)</u>	<u>(4,919)</u>

For the year ended December 31, 2015, the Company accrued impairment loss amounting to \$53,341 thousand due to the impaired securities. The impairment loss was recorded under other gains and losses.

### 3. As of December 31, 2015 and 2014, the investments accounted for using equity method were not pledged.

### (f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2015 and 2014 were as follows:

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# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
<b>Cost:</b>							
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)	-	-	145,879	3,247	-	(3,247)	145,879
Disposals	-	-	(9,432)	-	(37,364)	-	(46,796)
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>1,000,117</u>	<u>12,551,818</u>	<u>2,820,770</u>	<u>227,998</u>	<u>2,257,410</u>	<u>21,404,647</u>
Balance as of January 1, 2014	\$ 2,546,534	982,847	11,319,066	2,642,422	359,307	1,046,925	18,897,101
Additions	-	3,617	165,229	36,611	12,232	322,346	540,035
Reclassification (Note)	-	11,647	240,157	94,833	-	(23,687)	322,950
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>998,111</u>	<u>11,724,452</u>	<u>2,773,866</u>	<u>192,652</u>	<u>1,345,584</u>	<u>19,581,199</u>
<b>Accumulated depreciation:</b>							
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	<u>\$ -</u>	<u>429,291</u>	<u>7,514,001</u>	<u>1,681,770</u>	<u>156,715</u>	<u>-</u>	<u>9,781,777</u>
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	332,585	-	6,260,914
Depreciation	-	58,505	1,535,531	232,653	20,193	-	1,846,882
Disposals	-	-	-	-	(178,887)	-	(178,887)
Balance as of December 31, 2014	<u>\$ -</u>	<u>370,746</u>	<u>5,934,630</u>	<u>1,449,642</u>	<u>173,891</u>	<u>-</u>	<u>7,928,909</u>
<b>Carrying value:</b>							
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>570,826</u>	<u>5,037,817</u>	<u>1,139,000</u>	<u>71,283</u>	<u>2,257,410</u>	<u>11,622,870</u>
Balance as of January 1, 2014	<u>\$ 2,546,534</u>	<u>670,606</u>	<u>6,919,967</u>	<u>1,425,433</u>	<u>26,722</u>	<u>1,046,925</u>	<u>12,636,187</u>
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>627,365</u>	<u>5,789,822</u>	<u>1,324,224</u>	<u>18,761</u>	<u>1,345,584</u>	<u>11,652,290</u>

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

### 1. Pledge to secure:

As of December 31, 2015 and 2014, 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.

### 2. Property, plant and equipment under construction

In 2012, the Company acquired land, buildings and structures for the construction a new factory in Kueishan Dist., Taoyuan City. As of December 31, 2015, the Company recognized related construction in progress and prepayments for business facilities amounted to \$2,502,900 thousand (which included the borrowing costs of the capitalized interest expense).

### 3. For the years ended December 31, 2015 and 2014, capitalized interest expenses amounted to \$40,623 thousand and \$23,833 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.55%~1.79% and 1.58%~2.27%, respectively.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

(g) Investment property

	Land	Buildings and structures	Total
<b>Cost:</b>			
Balance as of January 1, 2015	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
<b>Accumulated depreciation:</b>			
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	-	5,316	5,316
Balance as of December 31, 2015	<u>\$ -</u>	<u>15,506</u>	<u>15,506</u>
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	-	5,317	5,317
Balance as of December 31, 2014	<u>\$ -</u>	<u>10,190</u>	<u>10,190</u>
<b>Carrying value:</b>			
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>122,719</u>	<u>1,085,846</u>
Balance as of January 1, 2014	<u>\$ 963,127</u>	<u>133,352</u>	<u>1,096,479</u>
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
<b>Fair value:</b>			
Balance as of December 31, 2015		\$	<u>1,232,437</u>
Balance as of December 31, 2014		\$	<u>1,321,067</u>

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

The yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>For the year ended December 31, 2015</u>
Hsinchu	0.31%

As of December 31, 2015 and 2014, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### (h) Intangible assets

- The movement in intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	Technical know-how	Computer software and information systems	Others	Total
<b>Costs:</b>				
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	<u>\$ 46,005</u>	<u>57,702</u>	<u>1,843</u>	<u>105,550</u>
Balance as of January 1, 2014	\$ 46,005	82,770	6,122	134,897
Additions	-	18,109	-	18,109
Disposals	-	(54,398)	(6,122)	(60,520)
Other (Note)	-	1,563	-	1,563
Balance as of December 31, 2014	<u>\$ 46,005</u>	<u>48,044</u>	<u>-</u>	<u>94,049</u>
<b>Amortisation:</b>				
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	<u>\$ 19,808</u>	<u>22,767</u>	<u>605</u>	<u>43,180</u>
Balance as of January 1, 2014	\$ 12,140	56,128	2,381	70,649
Amortisation	3,834	21,923	3,741	29,498
Disposals	-	(54,398)	(6,122)	(60,520)
Balance as of December 31, 2014	<u>\$ 15,974</u>	<u>23,653</u>	<u>-</u>	<u>39,627</u>
<b>Carrying value:</b>				
Balance as of December 31, 2015	<u>\$ 26,197</u>	<u>34,935</u>	<u>1,238</u>	<u>62,370</u>
Balance as of January 1, 2014	<u>\$ 33,865</u>	<u>26,642</u>	<u>3,741</u>	<u>64,248</u>
Balance as of December 31, 2014	<u>\$ 30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>

Note: Other current assets consisting of prepayments for computer software and information systems were reclassified as intangible assets.

- Amortization expense recognized in profit or loss

For the years ended December 31, 2015 and 2014, the amortization expenses of intangible assets were as follows:

	2015	2014
Operating costs	\$ 7,686	9,731
Operating expenses	16,095	19,767
	<u>\$ 23,781</u>	<u>29,498</u>

- As of December 31, 2015 and 2014, the intangible assets were not pledged.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Other receivable from metal recycling	\$ 123,648	112,622
Tax refund receivable	116,165	22,369
Prepaid expenses	39,154	36,552
Refundable deposits	23,260	21,480
Restricted assets	25,481	23,661
Others	15,124	87,214
	<b><u>\$ 342,832</u></b>	<b><u>303,898</u></b>

(j) Short-term borrowings

	<b>2015.12.31</b>	<b>2014.12.31</b>
Unsecured short-term borrowings	\$ <u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>3,402,960</u>	<u>3,297,997</u>
Annual interest rate	<u>0.79%</u>	<u>-</u>
Unused bank credit lines for short-term and long-term borrowings	\$ <u>1,694,367</u>	<u>350,000</u>

(k) Long-term borrowings

	<b>2015.12.31</b>	<b>2014.12.31</b>
Secured long-term borrowings	\$ 2,940,303	3,483,775
Less: long-term liabilities, current portion	<u>(841,507)</u>	<u>(545,444)</u>
Total	<b><u>2,098,796</u></b>	<b><u>2,938,331</u></b>
Unused bank credit lines for long-term borrowings	\$ <u>1,458,000</u>	<u>908,000</u>
Annual interest rate	<u>1.54%~1.64%</u>	<u>1.63%~1.68%</u>

As of December 31, 2015, the remaining balances of the borrowing due were as follows:

<b>Year due</b>	<b>Amount</b>
January 1, 2016~December 31, 2016	\$ 841,507
January 1, 2017~December 31, 2017	940,194
January 1, 2018~December 31, 2018	667,472
January 1, 2019~December 31, 2019	394,750
And after	96,380
	<b><u>\$ 2,940,303</u></b>

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

1. The collateral for these long-term borrowings was disclosed in note 8.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

2. 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.

As of December 31, 2015 and 2014, the Company was in compliance with the above financial covenants and restrictions.

(l) Operating lease

1. Lease-lessor

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

For the years ended December 31, 2015 and 2014, the rental income recognised in other income both amounted to \$27,625 thousand.

2. Lease-lessee

The Company leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 4 years.

For the years ended December 31, 2015 and 2014, the rent expense amounted to \$25,905 thousand and \$23,754 thousand, respectively, which were recorded as operating costs and operating expenses.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

(m) Employee benefits

1. Defined benefit plans

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

	2015.12.31	2014.12.31
Total present value of obligations	\$ 84,407	75,211
Fair value of plan assets	<u>(37,896)</u>	<u>(36,252)</u>
Recognised liabilities for defined benefit obligations (Note)	<u>\$ 46,511</u>	<u>38,959</u>

(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 Funds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to \$37,896 thousand as of December 31, 2015. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Funds, Ministry of Labor.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

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

For the years ended December 31, 2015 and 2014, movements in the present value of the defined benefit obligations for the Company were as follows:

	<b>2015</b>	<b>2014</b>
Defined benefit obligation as of January 1	\$ 75,211	75,118
Current service costs and interest	2,795	3,135
Net remeasurements of the defined benefit liability (asset)		
— Actuarial (gains) losses-Actuarial assumption	1,436	-
— Experience gain and loss	5,105	(3,042)
(Gains) losses from prior service costs and interest	(140)	-
Defined benefit obligation as of December 31	<u><u>\$ 84,407</u></u>	<u><u>75,211</u></u>

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

For the years ended December 31, 2015 and 2014, movements in the fair value of the plan assets were as follows:

	<b>2015</b>	<b>2014</b>
Fair value of plan assets as of January 1	\$ 36,252	34,747
Interest revenue	727	697
Net remeasurements of the defined benefit liability (asset)		
— Return on plan assets (excluding the interest expense)	237	124
Amounts contributed to plan	680	684
Fair value of plan assets as of December 31	<u><u>\$ 37,896</u></u>	<u><u>36,252</u></u>

(4) The movement in effect of plan asset ceiling

For the years ended December 31, 2015 and 2014, there were no changes in the effect of plan asset ceiling.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

- (5) The expenses recognised in profit or losses

For the years ended December 31, 2015 and 2014, the expenses recognised in profit or losses for the Company were as follows:

	<b>2015</b>	<b>2014</b>
Current Service cost	\$ 1,330	1,731
Net interest expense of defined benefit plan	738	707
Prior service cost and settlement of defined benefit plan	(140)	-
	<b><u>\$ 1,928</u></b>	<b><u>2,438</u></b>
	<b>2015</b>	<b>2014</b>
Operating expenses	<b><u>\$ 1,928</u></b>	<b><u>2,438</u></b>

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

For the years ended December 31, 2015 and 2014, the remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income were as follows:

	<b>2015</b>	<b>2014</b>
Balance as of January 1	\$ 11,291	14,457
Recongised in the current period	<u>6,304</u>	<u>(3,166)</u>
Balance as of December 31	<b><u>\$ 17,595</u></b>	<b><u>11,291</u></b>

- (7) Actuarial assumptions

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

As of December 31, 2015 and 2014, the rate applied in calculating the present value of the defined benefit obligation:

	<b>2015.12.31</b>	<b>2014.12.31</b>
Discount rate	1.875%	2.000%
Future salary rate increases	3.000%	3.000%

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

For the years ended December 31, 2015 and 2014, the rate applied in calculating the defined benefit pension costs:

	2015	2014
Discount rate	2.00%	2.00%
Future salary rate increases	3.00%	3.00%

The Company expects to make contributions of \$231 thousand to the defined benefit plans in the next year starting from December 31, 2015. The weighted average duration of the defined benefit obligation is 18.54 years.

### (8) Sensitivity analysis

The Company analyses and estimates the discount rate of its employee turnover and future salary increase rate to determine the actuarial assumptions as the reporting date to calculate the present value of the defined benefit obligation.

As of December 31, 2015 and 2014, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	<b>Effects to the defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
Balance as of December 31, 2015		
Discount rate	(2,834)	2,960
Future salary rate increases	2,870	(2,778)
Balance as of December 31, 2014		
Discount rate	(2,482)	2,599
Future salary rate increases	2,537	(2,441)

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 current sensitivity analysis is the same as those of the prior year.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

2. 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 \$48,959 thousand and \$46,554 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2015 and 2014.

(n) Income tax

1. Income tax expense

The amount of income tax expenses for the years ended December 31, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Current tax expense	\$ 766,034	362,314
Current period	<u>15,822</u>	<u>27,639</u>
Adjustment for prior periods	<u>781,856</u>	<u>389,953</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(20,100)</u>	<u>75,472</u>
Income tax expense	<u><u>\$ 761,756</u></u>	<u><u>465,425</u></u>

The amount of income tax (expenses) benefit recognised in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	<b>2015</b>	<b>2014</b>
Components of other comprehensive income that will not be reclassified to profit or loss:		
The remeasurements of defined benefit plans	<u><u>\$ 1,072</u></u>	<u><u>(538)</u></u>

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

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

	2015	2014
Profit before tax	\$ <u>3,433,383</u>	<u>2,428,894</u>
Income tax using the Company's domestic tax rate	\$ 583,675	412,912
Tax-exempt income	(3,341)	3,834
10% surtax on unappropriated earnings	162,107	56,434
Others	19,315	(7,755)
	\$ <u>761,756</u>	<u>465,425</u>

### 2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Investment tax credit	Others	Total
Deferred tax assets:					
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	\$ <u>30,379</u>	<u>12,841</u>	<u>-</u>	<u>41,884</u>	<u>85,104</u>
Balance as of January 1, 2014	\$ 38,143	8,714	62,352	23,216	132,425
Recognised in profit or loss	(10,127)	1,967	(62,352)	4,760	(65,752)
Recognised in other comprehensive income	-	-	-	(538)	(538)
Balance as of December 31, 2014	\$ <u>28,016</u>	<u>10,681</u>	<u>-</u>	<u>27,438</u>	<u>66,135</u>
	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total	
Deferred tax liabilities:					
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	\$ <u>28,159</u>	<u>-</u>	<u>-</u>	<u>28,159</u>	
Balance as of January 1, 2014	\$ 19,907	735	1,096	20,642	
Recognised in profit or loss	6,086	3,634	-	9,720	
Balance as of December 31, 2014	\$ <u>25,993</u>	<u>4,369</u>	<u>-</u>	<u>30,362</u>	

### 3. Examination and approval

The Company's corporate income tax returns for the years through 2013 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

However, there was controversy over the expiration of the loss carryforwards for the year 2012. Therefore, the Company had applied for an administrative appeal to the tax authorities.

4. The Company's integrated income tax information at the reporting date were as follows:

	2015.12.31	2014.12.31
Unappropriated earnings after 1997	\$ <u>6,244,544</u>	<u>3,923,175</u>
Balance of imputation credit account (ICA)	\$ <u>786,268</u>	<u>325,493</u>
	2015 (Estimated)	2014 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings	<u>21.74%</u>	<u>16.45%</u>

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.

### (o) Capital and other equity

#### 1. Ordinary share

As of December 31, 2015 and 2014, 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 596,564 thousand shares, and 742,238 thousand shares, respectively, were issued and outstanding. The Company has reserved \$1,000,000 thousand for employee stock options.

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

Reconciliations of shares outstanding for the years ended December 31, 2015 and 2014:

	<b>Ordinary share (in thousands)</b>	
	<b>2015</b>	<b>2014</b>
Balance as of January 1	742,238	739,276
Exercise of employee stock options	3,005	2,962
Capital reduction	(148,679)	-
Balance as of December 31	<u><b>596,564</b></u>	<u><b>742,238</b></u>

For the years ended December 31, 2015 and 2014, the Company had issued 3,005 thousand shares and 2,962 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 \$1,486,790 thousand, representing 148,679 thousand shares of outstanding shares as proposed in the Board of Directors' meeting held on April 22, 2015 and approved in the shareholders' meeting on June 3, 2015. On July 2, 2015, the authority had already approved the application and the Company's Board of Directors resolved the record date as July 9, 2015. The related registration process had been completed on July 24, 2015.

As of December 31, 2015, the Company issued 16,004 thousand units of Global Depositary Receipts (GDRs), representing 80,020 thousand ordinary shares of stock of the Company. These GDRs were offered for trading on the MTF Market of the Luxembourg Stock Exchange.

## 2. Capital surplus

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

	<b>2015.12.31</b>	<b>2014.12.31</b>
Additional paid-in capital	\$ 3,797,820	3,727,909
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	15,614	13,698
Employee stock options	1,583	27,013
	<u><b>\$ 3,815,017</b></u>	<u><b>3,768,620</b></u>

(Continued)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **3. 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 remaining balance of the earnings is further appropriated as follows:

- A. 5% to 10% as employees bonuses;
- B. 1% to 3% as directors' and supervisors' remuneration;
- 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.

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.

According to the amended Company Act which was announced in May 2015, employee bonuses, and directors' and supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its articles of incorporation before the deadline specified by the authorities.

#### **(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.

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

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

(3) Appropriations of earnings

The appropriations of earning for 2014 and 2013 had been approved in a shareholders' meeting held on June 3, 2015 and June 20, 2014, respectively. The appropriations and dividends were as follows:

	<b>2014</b>	<b>2013</b>
Cash dividends	\$ 148,679	1,109,798
Bonuses to employees	176,700	166,400
Remuneration to directors and supervisors	53,000	49,900

The above-mentioned appropriations of earning for 2014 and 2013 were consistent with the resolutions of the meeting of the Board of Directors. The related information can be found on websites such as the Market Observation Post System.

For the year ended December 31, 2014 the Company's accrued and recognised employee bonuses and directors' and supervisors' remuneration amounted to \$176,700 thousand and \$53,000 thousand, respectively. The employee bonuses and directors' remuneration were estimated based on the net income for the difference between the actual appropriation of earnings for employee bonuses and directors' emoluments as been approved in the meeting of the Board of Directors, and those recognised in the financial statements, if any, is accounted for as a change in accounting estimates and recognised in profit or loss of the following year when the shareholders approved the appropriations of those earnings. In addition, the number of shares distributed to employees as employee bonuses is calculated based on the closing

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

price of the Company's shares of stock being traded in the listed market on the day before the approval of shareholders' meeting.

### (4) Other equity interest, net of tax

Changes in other equity interest were as follows:

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale finan- cial 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	<u>\$ 19,783</u>	<u>363,161</u>
Balance as of January 1, 2014	\$ (17,413)	116,395
Foreign currency differences (net of tax)-Subsidiary	22,322	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	(13,042)
Subsidiaries	-	111,254
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	1,355
Balance as of December 31, 2014	<u>\$ 4,909</u>	<u>215,962</u>

### (p) 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)
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	\$ 9.0
2010	2010.07.05	2010.09.28	2011.01.26	"	10,000,000	10,000,000	28.4

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

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

	<b>Issued in 2009</b>	<b>Issued in 2010</b>
Over one year	-	-
Over two years	60%	60%
Over three years	100%	100%
Over four years	100%	100%
Over five years	100%	100%

1. 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:

	<b>2010 employee stock options exercise in the 2<sup>nd</sup> year</b>	<b>2010 employee stock options exercise in the 3<sup>rd</sup> year</b>
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.

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

2. For the years ended December 31, 2015 and 2014, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2015		2014	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ 22.70	3,147	22.94	6,154
Granted	-	-	-	-
Exercised	24.80	(3,005)	21.61	(2,962)
Expired	-	-	-	(45)
Outstanding at the end	28.40	<u>142</u>	22.70	<u>3,147</u>
Exercisable as of December 31		<u>142</u>		<u>3,147</u>

As of December 31, 2015 and 2014, the Company's compensatory outstanding employee stock options were as follows:

2015.12.31					
Issue date	Outstanding			Exercisable	
	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

2014.12.31					
Issue date	Outstanding			Exercisable	
	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	\$ 22.7	3,147	1.07	3,147	\$ 22.7

(Continued)

**WIN Semiconductors Corp.**

**Notes to Parent-company-only Financial Statements**

3. Compensation cost for employee stock options

For the years ended December 31, 2015 and 2014, the compensation cost for employee stock options amounted to \$0 thousand and \$4,303 thousand, respectively, which had been recorded under operating costs and operating expenses.

(q) Earnings per share ("EPS")

For the years ended December 31, 2015 and 2014, the Company's earnings per share were calculated as follows:

<b>2015</b>			
		<b>Weighted- average number of outstanding shares of common stock (in thousands)</b>	
	<b>Profit</b>		<b>EPS (in dollars)</b>
Basic EPS—retroactively adjusted :			
Profit belonging to common shareholders	\$ 2,671,627	672,148	\$ <u>3.97</u>
Diluted EPS :			
Effect of potentially dilutive common stock :			
Employees' bonuses	-	6,213	
Employee stock options	-	<u>502</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<b>\$ <u>2,671,627</u></b>	<b><u>678,863</u></b>	<b>\$ <u>3.94</u></b>
<b>2014</b>			
		<b>Weighted- average average number of outstanding shares of common stock (in thousands)</b>	
	<b>Profit</b>		<b>EPS (in dollars)</b>
Basic EPS—retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,963,469	741,095	\$ <u>2.65</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employees' bonuses	-	8,665	
Employee stock options	-	<u>938</u>	
Common shareholders' profit plus the effect of potentially dilutive common stock	<b>\$ <u>1,963,469</u></b>	<b><u>750,698</u></b>	<b>\$ <u>2.62</u></b>

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### (r) Employee bonuses, directors' and supervisors' remuneration

According to the Company's Article of Incorporation adopted by the Board but has not resolved at the meeting of the shareholders, once the Company has annual profit, it should appropriate 5%~10% of the profit to its employees and 3% or less as directors' and supervisors' remuneration. The pervading target given via shares includes dependent employees of the Company's subsidiaries under certain requirements.

For the year ended December 31, 2015, the Company accrued and recognised its employee bonuses amounting to \$231,300 thousand, and directors' and supervisors' remuneration amounting \$67,100 thousand. The 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 2015. The differences between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognised in profit or loss in the following year.

### (s) Non-operating income and expenses

#### 1. Other income

For the years ended December 31, 2015 and 2014, the details of other income were as follows:

	2015	2014
Interest income	\$ 20,188	16,934
Dividend income	32,938	43,654
Rent income	45,287	31,999
	<u>\$ 98,413</u>	<u>92,587</u>

#### 2. Other gains and losses

For the years ended December 31, 2015 and 2014, the details of other gains and losses were as follows:

	2015	2014
Foreign exchange gains	\$ 77,363	83,718
Impairment loss on financial assets	(53,341)	-
Losses on disposals of investments	(13,285)	(64,501)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(2,356)	130,285
Gains on disposal of property, plant and equipment	1,824	-
Other	(58,511)	(61,997)
	<u>\$ (48,306)</u>	<u>87,505</u>

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### 3. Finance cost

For the years ended December 31, 2015 and 2014, the details of finance costs were as follows:

	2015	2014
Interest expense on bank borrowings	\$ 53,445	71,536
Other interest expenses	1,030	601
Less: capitalized interest expense	<u>(40,623)</u>	<u>(23,833)</u>
	<b><u>\$ 13,852</u></b>	<b><u>48,304</u></b>

### (t) Financial instruments

#### 1. Credit risk

##### (1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2015 and 2014, the maximum exposure to credit risk amounted to \$5,209,893 thousand and \$6,030,525 thousand, respectively.

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 etc 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, 2015 and 2014, the Company's notes and account receivables (included the related parties) were concentrated on 3 and 6 customers, whose accounts represented 72% and 73% 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 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)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### 2. Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
<b>As of December 31, 2015</b>						
<b>Non-derivative financial liabilities</b>						
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	1,215,254	1,215,254	1,215,254	-	-	-
	<u>\$ 5,489,080</u>	<u>5,568,116</u>	<u>3,429,265</u>	<u>962,248</u>	<u>1,176,603</u>	<u>-</u>
<b>As of December 31, 2014</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 3,483,775	3,616,213	596,897	880,952	2,039,575	98,789
Accounts payable	929,773	929,773	929,773	-	-	-
Other payables	844,967	844,967	844,967	-	-	-
	<u>\$ 5,258,515</u>	<u>5,390,953</u>	<u>2,371,637</u>	<u>880,952</u>	<u>2,039,575</u>	<u>98,789</u>

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

### 3. Currency risk

#### (1) Exposure to currency risk

The Company's significant exposure to foreign currency risk was as follows:

	2015.12.31			2014.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<b>Financial assets</b>						
Monetary items						
USD	\$ 71,251	32.83	2,339,164	55,918	31.65	1,769,801
EUR	1	35.88	19	1	38.47	20
JPY	130,957	0.2727	35,712	49,487	0.2646	13,094
GBP	-	48.67	-	1	49.27	29
RMB	9	5.00	47	-	-	-
			<u>\$ 2,374,942</u>			<u>1,782,944</u>
Non-monetary items						
USD	21,968	32.83	721,215	18,684	31.65	591,359
RMB	-	-	-	29,779	5.09	151,577
			<u>\$ 721,215</u>			<u>742,936</u>
<b>Financial liabilities</b>						
Monetary items						
USD	19,503	32.83	640,276	13,125	31.65	415,407
EUR	112	35.88	4,022	191	38.47	7,341
JPY	653,154	0.2727	178,115	450,741	0.2646	119,266
			<u>\$ 822,413</u>			<u>542,014</u>

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### (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, 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, 2015 and 2014 would have increased (decreased) the net profit after tax by \$64,566 thousand and \$59,215 thousand, respectively, and other comprehensive income by \$35,925 thousand and \$29,431 thousand, respectively. The analysis assumes that all other variables remain constant.

The Company's exchange gain or loss, including realized and unrealized of monetary items convert to amount of functional currency, information about exchange rate is as below:

		Years ended December 31, 2015		Years ended December 31, 2014	
		Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
NTD	\$	<u>77,363</u>	<u>-</u>	<u>83,718</u>	<u>-</u>

### 4. 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 \$12,226 thousand and \$14,164 thousand for the years ended December 31, 2015 and 2014, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

5. Fair value

(i) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have quotation in active market and which fair value cannot be reasonably measured.

		2015.12.31				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss						
Stocks listed on domestic markets	\$	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
Loans and receivables						
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)		254,937	-	-	-	-
Subtotal		2,833,375	-	-	-	-
Amortized cost of financial liability						
Bank loan (Note)		2,963,959	-	-	-	-
Accounts payable (Note)		1,309,867	-	-	-	-
Other payables (Note)		1,215,254	-	-	-	-
Subtotal		5,489,080	-	-	-	-

		2014.12.31				
		Carrying value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss						
Stocks listed on domestic markets	\$	-	-	-	-	-
Founds and investment		1,197,247	1,197,247	-	-	1,197,247
Subtotal		1,197,247	1,197,247	-	-	1,197,247
Available-for-sale financial assets						
Stocks listed on domestic markets		695,096	695,096	-	-	695,096
Non-public stocks		479,943	-	479,943	-	479,943
Private fund		299,400	-	299,400	-	299,400
Subtotal		1,474,439	695,096	779,343	-	1,474,439
Loans and receivables						
Cash and cash equivalents (Note)		2,536,853	-	-	-	-
Investments in debt instrument without active market (Note)		159,600	-	-	-	-

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

	2014.12.31				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Notes and accounts receivable (Note)	417,409	-	-	-	-
Other receivables (Note)	222,205	-	-	-	-
Subtotal	3,336,067	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	3,483,775	-	-	-	-
Accounts payable (Note)	929,773	-	-	-	-
Other payables (Note)	844,967	-	-	-	-
Subtotal	5,258,515	-	-	-	-

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

### (ii) 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, 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.

(Continued)

## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

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.

#### (iii) Transfer between level 2 and level 1

For the years ended December 31, 2015 and 2014, there was no significant change on the fair value hierarchy of level 2 and level 1 financial asset.

#### (iv) Movement of level 3

The movement in fair value measurements of financial assets in Level 3 was as follows:

	<b>Available-for-sale financial assets</b>
	<b><u>Unquoted equity instruments</u></b>
Balance as of January 1, 2014	\$ 35,000
Transfers out of Level 3	<u>(35,000)</u>
Balance as of December 31, 2014	<u><u>\$ -</u></u>

For the year ended December 31, 2014, available-for-sale financial assets with a carrying amount of \$35,000 thousand were transferred from Level 3 to Level 2 because the Company can acquire evaluation report of the assets periodically in which all significant inputs were based on observable market data.

There were no changes in financial assets with fair value hierarchy level 3 transfers for the year ended December 31, 2015.

#### (u) Management of financial risk

1. 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)

## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

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.

#### **2. 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 Supervisor 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 Supervisor 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 Supervisors.

#### **3. Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its 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.

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## **WIN Semiconductors Corp.**

### **Notes to Parent-company-only Financial Statements**

#### **(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, 2015 and 2014, the Company did not provide guarantee.

#### **4. 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, 2015, 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 \$3,402,960 thousand, \$1,694,367 thousand and \$1,458,000 thousand, respectively..

#### **5. 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.

(Continued)

## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

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).

The policy of response to currency risk:

- i) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.
- ii) 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.
- iii) 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.

#### (v) 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, 2015 and 2014, the Company's return on common equity was 16.12% and 12.74%, respectively. The Company's debt ratio at the reporting date was as follows:

	2015.12.31	2014.12.31
Debt ratio	<u>28.52%</u>	<u>26.85%</u>

As of December 31, 2015, there were no changes in the Company's approach to capital management.

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### (7) Related-parties transactions

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

	Area	Owners (Shareholding %)	
		2015.12.31	2014.12.31
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 Corp.	Taiwan	100.00%	-

(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

1. Operating revenue

The amounts of significant transaction with related - parties for the years ended December 31, 2015 and 2014 were as follow:

	2015	2014
Subsidiary	\$ <u>4,679,319</u>	<u>4,561,837</u>

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

2. Receivable from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follow:

Account	Categories	2015.12.31	2014.12.31
Accounts receivable	Subsidiary	\$ <u>357,716</u>	<u>110,530</u>

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

### 3. Leases

For the year ended December 31 2014, the Company rented the staff dormitory from the related parties. A lease contract was signed in which the rental fee is determined based on the nearby dormitory rental rates, which were billed monthly. The amounts of rental expense \$28 thousand was paid.

There were no such transactions for the year ended December 31, 2015.

### (d) Transactions with key management personnel

For the years ended December 31, 2015 and 2014, key management personnel compensation were comprised as below:

	2015	2014
Short-term employee benefits	\$ 303,334	187,361
Post-employment benefits	709	709
Share-based payments	-	504
	<u>\$ 304,043</u>	<u>188,574</u>

### (8) Pledged assets

The carrying amount of pledged assets was as follows:

Pledged assets	Pledged to secure	2015.12.31	2014.12.31
Other non-current assets	Gas deposits	\$ 4,700	3,000
Other non-current assets	Customs guarantee	20,781	20,661
Property, plant and equipment	Long-term borrowings	3,985,080	4,628,927
Investment property	Long-term borrowings	1,085,846	1,091,162
		<u>\$ 5,096,407</u>	<u>5,743,750</u>

### (9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

1. 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 mate-

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

rials from the main shareholders of CSDC Private Limited between 2014 to 2017. Moreover, the Company acquired 250 shares of CSDC Private Limited without consideration.

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

	2015.12.31	2014.12.31
The unrecognized amount	\$ <u>2,100,360</u>	<u>849,166</u>

	2015.12.31	2014.12.31
3. The unused letters of credit	\$ <u>105,610</u>	<u>203,684</u>

(10) Important damage losses: None.

(11) Important subsequent events: None.

(12) Others

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2015 and 2014:

	Classified as operating costs	2015 Classified as operating expenses	Total	Classified as operating costs	2014 Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 1,152,890	478,539	1,631,429	959,353	434,397	1,393,750
Labor and health insurance	83,012	25,706	108,718	76,253	22,929	99,182
Pension	37,750	13,137	50,887	36,099	12,893	48,992
Others	43,370	8,494	51,864	40,262	9,785	50,047
Depreciation	1,767,223	132,021	1,899,244	1,740,315	111,884	1,852,199
Amortization	7,686	16,095	23,781	9,731	19,767	29,498

As of December 31, 2015 and 2014, the Company had 1,801 and 1,521 employees, respectively.

(13) Other disclosure items

(a) Information on significant transaction:

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

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held at the reporting date ( subsidiaries, associates and joint ventures not included):

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value ( or net value)	
The Company	Capital Money Market Fund	None	Current financial assets at fair value through profit or loss	4,820	76,806	-	76,806	
"	Yuanta De-Bao Money Market Fund	"	"	7,538	89,500	-	89,500	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	19,868	245,761	-	245,761	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	10,480	149,587	-	149,587	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	149,684	-	149,684	
"	Mega Diamond Money Market Fund	"	"	8,816	109,120	-	109,120	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,711	-	2,711	
"	Nomura Taiwan Money Market Fund	"	"	4,072	65,622	-	65,622	
"	Green Seal Holding Limited/Stock	"	"	500	59,500	0.34	59,500	
					<u>948,291</u>		<u>948,291</u>	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	66,283	0.38	66,283	
"	Mega Diamond Money Market Fund	"	"	9	114	-	114	
					<u>66,397</u>		<u>66,397</u>	
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	25,032	553,201	8.13	553,201	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	74,367	2.49	74,367	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	2,255	0.03	2,255	
					<u>629,823</u>		<u>629,823</u>	
The Company	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	363,022	10.51	363,022	
"	Tainergy Tech Co., Ltd./Stock	None	Non-current available-for-sale financial assets	943	20,560	0.30	20,560	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	92,206	3.33	92,206	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	340,950	-	340,950	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	None	Non-current available-for-sale financial assets	1,000	49,090	1.08	49,090	
					<u>865,828</u>		<u>865,828</u>	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	"	75	357,396	0.03	357,396	
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	23,392	14.37	23,392	
					<u>380,788</u>		<u>380,788</u>	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	<u>22,105</u>	7.33	<u>22,105</u>	

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current investments in debt instrument without active market	15,960	<u>159,600</u>	17.20	Note	

Note: The redeemable preferred stock was the nature of bond, which was recognised as non-current investments in debt instrument without active market.

### 4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				End (Note)	
					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	-	-	8,021	126,929	69,204	1,099,989	72,405	1,150,868	1,150,118	750	4,820	76,806
"	Yuanta De-Bao Money Market Fund	"	-	-	12,965	152,995	127,977	1,515,164	133,404	1,579,353	1,578,659	694	7,538	89,500
"	Allianz Global Investors Taiwan Money Market Fund	"	-	-	28,972	355,853	130,141	1,606,935	139,245	1,718,914	1,717,050	1,864	19,868	245,761

Note: End amount including unrealized gain (loss) on financial instruments.

### 5. Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.

### 6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.

### 7. Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Remark
			Item	Amount	Percentage of the purchases (sales) (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(4,679,319)	(39) %	1-2 Month	-	-	375,716	56%	
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	4,679,319	100 %	1-2 Month	-	-	(375,716)	(100%)	

(Continued)

# WIN Semiconductors Corp.

## Notes to Parent-company-only Financial Statements

8. Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Balance as December 31, 2015	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	375,716	19.25	-	-	375,716	-

9. Information regarding trading in derivative financial instruments: None.

- (b) Information on investments:

1. The followings are the information on investees:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2015			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				December 31, 2015	December 31, 2014	Shares (in thousands)	Percentage	Carrying value			
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	8,203	8,203	1,000	100.00%	7,456	993	993	
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	718,504	12,742	12,742	
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	291,794	(258,847)	(89,366)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	200,000	200,000	20,000	100.00%	114,098	(66,041)	(66,041)	
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	-	16,400	31.06%	116,301	(59,170)	(17,240)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	(111,081)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	-	3,600	6.82%	25,529	(59,170)	(3,784)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	-	20	40.00%	32,589	(583)	(241)	
"	Merit Biotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	195,540	-	3,000	28.63%	191,747	17,616	652	

- (c) Information on investment in Mainland China:

1. Information of investment in Mainland China:

(Amounts in thousands of dollars)

Investee company	Main businesses and products	Total amount of Paid-in Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income (losses) of the investee Company (Note 2)	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2015 (Note 3)	Accumulated inward remittance of earnings as of December 31, 2015
					Outflow	Inflow						
JIANGSU KANG YUAN MERIT AGRICULTURAL DEVELOPMENT CO., LTD.	Hog farming and technology development	223,108 (RMB 42,943)	(Note 1)	-	-	-	-	27,854 (USD 878)	28.63%	571 (USD 18)	170,732 (USD 5,200)	-
YURUN MERIT BIOTECH (LIANYUNGANG) CO., LTD.	Produce, import and export trade, and whole sale of animal feed additives	102,220 (RMB 22,222)	(Note 1)	-	-	-	-	(11,258) (USD (355))	-	(363) (USD (11))	-	-

(Continued)

## WIN Semiconductors Corp.

### Notes to Parent-company-only Financial Statements

#### 2. Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of December 31, 2015	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
-	196,980 (USD 6,000)	10,325,460

Note 1: The Company invested in Mainland China companies through Merit Biotech (Cayman Islands) Co., 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, 2015 was with reference to the amount recognized by the associates of the 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, 2015. 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.

#### 3. Significant transactions: None.

#### (14) Segment financial information

Please refer to the consolidated financial statements for the year ended December 31, 2015.

### **Letter of Representation**

The Companies represented in the consolidated financial statements of "WIN Semiconductors Corp. and its Affiliated Enterprises" for the year ended December 31, 2015 made in accordance with "The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report" are the identical companies represented in the consolidated financial statements of WIN Semiconductors Corp. and Subsidiaries made in accordance with in conformity with the International Financial Reporting Standards 10 ("IFRS 10") approved by the Financial Supervisory Commissions R.O.C. The disclosures to the consolidated financial statements of affiliated enterprises are fully presented in the consolidated financial statements of "WIN Semiconductors Corp. and Subsidiaries". Accordingly, we will not present separately consolidated financial statements of affiliated enterprises".

#### **WIN Semiconductors Corp.**

*Chairman: Chin-Tsai Chen*

Date: March 17, 2016

## Independent Auditors' Report

The Board of Directors  
WIN Semiconductors Corp.

We have audited the accompanying consolidated balance sheets of WIN Semiconductors Corp. (the "Company") and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the generally accepted auditing standards and the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" in the Republic of China. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of WIN Semiconductors Corp. and subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, R.O.C.

We have audited the parent-company-only financial statements as of and for the years ended December 31, 2015 and 2014 on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)  
March 17, 2016

### **Note to Readers**

The accompanying consolidated 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" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations approved by the Financial Supervisory Commission, R.O.C. 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. and Subsidiaries

Consolidated Balance Sheets

December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	2015.12.31	2014.12.31		2015.12.31	2014.12.31
<b>Assets</b>			<b>Liabilities and Equity</b>		
<b>Current assets :</b>			<b>Current liabilities :</b>		
Cash and cash equivalents (note 6(a))	\$ 1,869,657	2,677,199	Short-term borrowings (note 6(j))	\$ 23,656	-
Current financial assets at fair value through profit or loss (note 6(b))	1,014,688	1,321,271	Accounts payable	1,309,867	929,773
Current available-for-sale financial assets (note 6(b))	629,823	677,271	Other payables	1,810,125	1,173,860
Notes and accounts receivable, net (note 6(c))	700,028	690,051	Long-term liabilities, current portion (notes 6(k) and 8)	841,507	545,444
Inventories (note 6(d))	2,471,370	1,499,917	Other current liabilities	<u>620,449</u>	<u>99,529</u>
Other current assets (note 6(i))	<u>298,537</u>	<u>259,035</u>	<b>Total current liabilities</b>	<u>4,605,604</u>	<u>2,748,606</u>
<b>Total current assets</b>	<u>6,984,103</u>	<u>7,124,744</u>	<b>Non-current liabilities :</b>		
<b>Non-current assets :</b>			Long-term borrowings (notes 6(k) and 8)	2,098,796	2,938,331
Non-current available-for-sale financial assets (note 6(b))	1,268,721	1,061,717	Deferred tax liabilities (note (n))	28,159	30,362
Non-current investments in debt instrument without active market (note 6(b))	159,600	159,600	Other non-current liabilities (note 6(m))	<u>169,814</u>	<u>158,959</u>
Investments accounted for using equity method (note 6(e))	657,960	381,566	<b>Total non-current liabilities</b>	<u>2,296,769</u>	<u>3,127,652</u>
Property, plant and equipment (notes 6(f) and 8)	11,623,190	11,652,510	<b>Total liabilities</b>	<u>6,902,373</u>	<u>5,876,258</u>
Investment property (notes 6(g) and 8)	1,085,846	1,091,162	<b>Equity (notes 6(n), 6(o) and 6(p)) :</b>		
Intangible assets (note 6(h))	62,370	54,422	Ordinary share	5,965,641	7,422,377
Deferred tax assets (note 6(n))	85,104	66,135	Capital surplus	3,815,017	3,768,620
Prepayments for business facilities (note 6(f))	2,135,838	178,911	Retained earnings	7,045,498	4,527,782
Other non-current assets (notes 6(i) and 8)	<u>48,741</u>	<u>45,141</u>	Other equity interest	<u>382,944</u>	<u>220,871</u>
<b>Total non-current assets</b>	<u>17,127,370</u>	<u>14,691,164</u>	<b>Total equity</b>	<u>17,209,100</u>	<u>15,939,650</u>
<b>Total assets</b>	<u>\$ 24,111,473</u>	<u>21,815,908</u>	<b>Total liabilities and equity</b>	<u>\$ 24,111,473</u>	<u>21,815,908</u>

See accompanying notes to financial statements.

# WIN Semiconductors Corp. and Subsidiaries

## Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

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

	2015	2014
Operating revenue	\$ 12,015,747	9,910,010
Operating costs (notes 6(d) 、6(e) 、6(h) 、6(l) 、6(m) 、6(o) 、6(p) 、6(r) 、7 and 12)	<u>(7,254,716)</u>	<u>(6,400,414)</u>
Gross profit from operations	<u>4,761,031</u>	<u>3,509,596</u>
Operating expenses (notes 6(h) 、6(l) 、6(m) 、6(o) 、6(p) 、6(r) 、7 and 12) :		
Selling expenses	(131,408)	(135,698)
Administrative expenses	(546,774)	(497,423)
Research and development expenses	<u>(572,485)</u>	<u>(561,783)</u>
Total operating expenses	<u>(1,250,667)</u>	<u>(1,194,904)</u>
Net operating income	<u>3,510,364</u>	<u>2,314,692</u>
Non-operating income and expenses :		
Other income (notes 6(l) and 6(s))	102,438	95,628
Other gains and losses (notes 6(e) and 6(s))	(59,117)	71,857
Finance costs (note 6(s))	(13,852)	(48,304)
Share of loss of associates and joint ventures accounted for using equity method (note 6(e))	<u>(106,195)</u>	<u>(4,919)</u>
Total non-operating income and expenses	<u>(76,726)</u>	<u>114,262</u>
Profit before tax	3,433,638	2,428,954
Total tax expense (note 6(n))	<u>(762,011)</u>	<u>(465,485)</u>
Profit	<u>2,671,627</u>	<u>1,963,469</u>
Other comprehensive income (loss):		
Components of other comprehensive income (loss) that will not be reclassified to profit loss:		
Remeasurements of defined benefit plans (note 6(m))	(6,304)	3,166
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(n))	<u>1,072</u>	<u>(538)</u>
Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	<u>(5,232)</u>	<u>2,628</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	15,177	22,322
Unrealized gains on valuation of available-for-sale financial assets	147,199	99,567
Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(e))	(303)	-
Income tax related to comprehensive of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>
Total components of other comprehensive income hat will be reclassified to profit or loss	<u>162,073</u>	<u>121,889</u>
Other comprehensive income, net	<u>156,841</u>	<u>124,517</u>
Comprehensive income	<u>\$ 2,828,468</u>	<u>2,087,986</u>
Profit , attributable to :		
Profit, attributable to owners of parent	<u>\$ 2,671,627</u>	<u>1,963,469</u>
Comprehensive income attributable to :		
Comprehensive income, attributable to owners of parent	<u>\$ 2,828,468</u>	<u>2,087,986</u>
Earnings per common share (expressed in dollars) (note 6(q))		

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and 2014  
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest					
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity attributable to owners of parent	Non - controlling interests	Total equity
Balance on January 1, 2014	\$ 7,392,754	3,728,358	423,456	34,015	3,214,012	3,671,483	(17,413)	116,395	98,982	14,891,577	-	14,891,577
Appropriation of 2013 earnings approved by stockholders during their meeting in 2014:												
Legal reserve	-	-	181,151	-	(181,151)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,109,798)	(1,109,798)	-	-	-	(1,109,798)	-	(1,109,798)
Reversal of special reserve	-	-	-	(34,015)	34,015	-	-	-	-	-	-	-
	-	-	181,151	(34,015)	(1,256,934)	(1,109,798)	-	-	-	(1,109,798)	-	(1,109,798)
Net income for the year ended December 31, 2014	-	-	-	-	1,963,469	1,963,469	-	-	-	1,963,469	-	1,963,469
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	2,628	2,628	22,322	99,567	121,889	124,517	-	124,517
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	1,966,097	1,966,097	22,322	99,567	121,889	2,087,986	-	2,087,986
Changes in equity of associated and joint ventures accounted for using equity method	-	256	-	-	-	-	-	-	-	256	-	256
Exercise of employee stock options	29,623	34,383	-	-	-	-	-	-	-	64,006	-	64,006
Compensation cost arising from employee stock options	-	5,623	-	-	-	-	-	-	-	5,623	-	5,623
Balance on December 31, 2014	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 of 2014 earnings approved by stockholders during their meeting in 2015:												
Legal reserve	-	-	196,347	-	(196,347)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(148,679)	(148,679)	-	-	-	(148,679)	-	(148,679)
	-	-	196,347	-	(345,026)	(148,679)	-	-	-	(148,679)	-	(148,679)
Net income 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
Changes in equity of associates and joint ventures accounted for using equity method	-	1,916	-	-	-	-	-	-	-	1,916	-	1,916
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	-	(1,486,790)	-	(1,486,790)
Exercise of employee stock options	30,054	44,481	-	-	-	-	-	-	-	74,535	-	74,535
Balance on 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

See accompanying notes to financial statements.

**WIN Semiconductors Corp. and Subsidiaries**

**Consolidated Statements of Cash Flows**

**For the years ended December 31, 2015 and 2014**  
(Expressed in Thousands of New Taiwan Dollars)

	2015	2014
<b>Cash flows from (used in) operating activities :</b>		
Profit before tax	\$ 3,433,638	2,428,954
Adjustments :		
Adjustments to reconcile profit (loss) :		
Depreciation expense	1,899,310	1,852,273
Amortization expense	23,781	29,498
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,108	(121,208)
Interest expense	13,852	48,304
Interest income	(20,280)	(17,159)
Dividend income	(37,901)	(46,845)
Share-based payments	-	5,623
Share of loss of associates and joint ventures accounted for using equity method	109,979	4,919
Loss (gain) on disposal of property, plant and equipment	(1,824)	19
Loss on disposal of investments	47,087	64,325
Impairment loss on financial assets	65,050	-
Prepayments for business facilities transferred to other losses	-	7,936
Total adjustments to reconcile profit	<u>2,115,162</u>	<u>1,827,685</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Current financial assets at fair value through profit or loss	10,073	(132,925)
Notes and accounts receivable, net	(9,977)	(39,613)
Inventories	(1,023,336)	(294,386)
Other current assets	(108,938)	(72,287)
Total changes in operating assets	<u>(1,132,178)</u>	<u>(539,211)</u>
Changes in operating liabilities :		
Accounts payable	380,094	294,654
Other payables	87,511	124,210
Other current liabilities	520,920	(19,127)
Other non-current liabilities	1,248	1,754
Total changes in operating liabilities	<u>989,773</u>	<u>401,491</u>
Total changes in operating assets and liabilities	<u>(142,405)</u>	<u>(137,720)</u>
Cash inflow generated from operations	5,406,395	4,118,919
Dividends received	1,030	375
Income taxes paid	(514,766)	(289,420)
<b>Net cash flows from operating activities</b>	<u>4,892,659</u>	<u>3,829,874</u>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of current financial assets at fair value through profit or loss	(5,127,443)	(4,329,787)
Proceeds from disposal of current financial assets at fair value through profit or loss	5,447,999	4,291,586
Acquisition of current available-for-sale financial assets	-	(282,148)
Disposal of current available-for-sale financial assets	-	7,679
Acquisition of non-current available-for-sale financial assets	(55,620)	(345,000)
Proceeds from disposal of non-current available-for-sale financial assets	29,711	5,170
Proceeds from capital reduction of non-current available-for-sale financial assets	-	43,200
Proceeds from disposal of non-current investments in debt instrument without active market	-	30,400
Acquisition of investments accounted for using equity method	(448,130)	-
Acquisition of property, plant and equipment	(1,522,760)	(611,195)
Proceeds from disposal of property, plant and equipment	7,560	-
Acquisition of intangible assets	(32,403)	(16,323)
Increase in other non-current assets	(3,600)	(1,884)
Increase in prepayments for business facilities	(1,970,361)	(126,386)
Interest received	19,564	15,852
Dividends received	36,871	46,470
<b>Net cash flows used in investing activities</b>	<u>(3,618,612)</u>	<u>(1,272,366)</u>
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term borrowings	23,656	-
Proceeds from long-term borrowings	-	529,000
Repayments of long-term borrowings	(545,444)	(1,316,444)
Increase in other non-current liabilities	3,303	10,000
Cash dividends paid	(148,679)	(1,109,798)
Capital reduction payments to shareholders	(1,486,790)	-
Exercise of employee share options	74,535	64,006
Interest paid	(12,130)	(44,205)
<b>Net cash flows used in financing activities</b>	<u>(2,091,549)</u>	<u>(1,867,441)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>9,960</u>	<u>20,251</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(807,542)</u>	<u>710,318</u>
<b>Cash and cash equivalents at the beginning of year</b>	<u>2,677,199</u>	<u>1,966,881</u>
<b>Cash and cash equivalents at the end of year</b>	<u>\$ 1,869,657</u>	<u>2,677,199</u>

See accompanying notes to financial statements.

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars  
Except for Earnings Per Share Information  
and Unless Otherwise Specified)

### (1) Organization and business scope

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, Technology 7th Rd., Hwaya Technology Park, Kueishan Dist., Taoyuan City, Taiwan. The Company and its subsidiaries (together referred to as "the Group") engage in the researching, developing, manufacturing, and selling of GaAs wafers. Please see note 14.

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

The consolidated financial statements for the years ended December 31, 2015 and 2014 was authorized for issued by the Board of Directors as of March 17, 2016.

### (3) Application of new and revised standards and interpretations

- (a) The impact of the International Financial Reporting Standards ("IFRSs") 2013 issued and endorsed by the Financial Supervisory Commissions R.O.C. ("FSC").

The Group prepared the financial reports using the IFRSs 2013 (which does not include IFRS 9 Financial Instruments) with fully adoption starting 2015. Relevant new releases, modifications and amendments to standards and interpretations are as following:

New, Revised or Amended Standards and Interpretations	Effective date prescribed by International Accounting Standards Board
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosures—Transfers of Financial Assets"	July 1, 2011
Amendment to IFRS 7 "Disclosures—derecognition of financial assets and financial liabilities"	January 1, 2013
IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (effective date for investment entity will be January 1, 2014)

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date prescribed by International Accounting Standards Board
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2012
Amendment to IAS 19 "Employee Benefits"	January 1, 2013
Amendment to IAS 27 "Separate financial statement"	January 1, 2013
Amendment to IAS 32 "Financial assets and liabilities off-setting"	January 1, 2014
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

After the evaluation, the Group believes that applying the IFRSs 2013 will not cause any significant changes in the consolidated financial statements, except for the following:

### 1. IAS 1 "Presentation of Financial Statements"

The standard amended the presentation of other comprehensive income. To classify other comprehensive income items as "Components of other comprehensive income that will not be reclassified to profit or loss," or "Components of other comprehensive income that will be reclassified to profit or loss." The items should be presented before tax to be shown separately for each of the two groups of other comprehensive income ("OCI") items. The amendments also require tax associated with items of OCI which presented before tax to be shown separately. The Group has changed the presentation of OCI according to that standard and comparative period have been made a retrospective restatement.

### 2. IFRS 12 "Disclosure of Interests in Other Entities"

The Group disclosure the information about associates as the standard required please refer to note 6(e).

### 3. IFRS 13 "Fair Value Measurement "

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group discloses fair value measurements as the guidance. Please refer to note 6(t). The Group has applied the new fair value measurement guidance prospectively. According to the new measurement requirements, comparative information is not required. Notwithstanding the above, the change has no significant impact on the fair value measurements of Group's assets and liabilities.

- (b) The new standards and amendments issued by the International Accounting Standards Board ("IASB") but not endorsed by the FSC.

A summary of the new standards and amendments to IFRSs 2013 issued by the IASB that has not yet endorsed and issued by the FSC are as following:

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date prescribed by 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"	Depend on IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Account"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Lease"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
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 IAS16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS16 and IAS 41 "Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

The Group is evaluating the impact on its financial position and financial performance of the initial adoption of above mentioned 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 Govern-

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

ing 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).

#### (b) Basis of preparation

##### 1. 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 6(m) less plan assets.

##### 2. 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

##### 1. 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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

of the Company.

#### 2. List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Note
			2015.12.31	2014.12.31	
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	-
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	-
The Company	WIN Venture Capital Corp.	Investment activities	100%	100%	-

#### 3. List of subsidiaries which are not included in the consolidated financial statements: None.

#### (d) Foreign currency

##### 1. 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
- qualifying cash flow hedges to the extent the hedge is effective.

##### 2. 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, excluding foreign operations in hyperinflationary economies, 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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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 or 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:

1. It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;
2. It holds the asset primarily for the purpose of trading;
3. It expects to realize the asset within twelve months after the reporting period; or
4. 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:

1. It expects to settle the liability in its normal operating cycle;
2. It holds the liability primarily for the purpose of trading;
3. The liability is due to be settled within twelve months after the reporting period; or
4. 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.

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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **(g) Financial instruments**

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

##### **1. 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.

##### **a. 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.

##### **b. 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.

##### **c. 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.

##### **d. 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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.

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.

#### **e. 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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.

#### **2. Financial liabilities**

##### **a. 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.

##### **b. 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.

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

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **d. 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.

#### **3. 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) 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 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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

#### **(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.

#### **(k) Property, plant and equipment**

##### **1. 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.

##### **2. 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **3. Subsequent cost**

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.

#### **4. 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 : 2 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.

#### **(I) Leases**

##### **1. 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.

##### **2. 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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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, plus, the revaluation increment revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

Depreciable amount is the cost of an asset, or other amount substituted for cost, 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: 2 to 5 years
- (3) Others: 1.5 years

#### (n) Impairment of non financial assets

To ensure the following assets are carried at no more than their recoverable amount, and to define how recoverable amount is determined, they applied to the following assets:

- i) Inventories
- ii) Deferred tax assets
- iii) Assets arising from employee benefits

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 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

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.

#### **(o) Revenue**

##### **1. 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.

##### **2. 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 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.

#### **(p) Employee benefits**

##### **1. 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.

##### **2. 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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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.

When 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.

The remeasurements of the net defined benefit liability (asset) comprise the following:

- (1) actuarial gains and losses;
- (2) return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- (3) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

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

The amount recognised in other comprehensive income can be recorded under either retained earnings or other equity interest. If it is recorded under other equity interest, further reclassifications into profit or loss or retained earnings are forbidden. It should be recorded consistently thereafter. The Group recognised its remeasurements of the net defined benefit liability (asset) under retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and change in the present value of defined benefit obligation.

#### 3. 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.

#### (q) 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.

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## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### (r) 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:

1. 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.
2. Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
3. 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:

1. The entity has the legal right to settle tax assets and liabilities on a net basis; and
2. 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.

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## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

(s) 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.

(t) 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) Major sources of accounting assumptions, judgments and estimation uncertain**

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

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

There was no information involving critical judgments in applying the accounting policies in the consolidated financial statements.

There was no information about assumptions and estimation uncertainties with a significant risk resulting in a material adjustment within the next year.

The accounting policy and disclosure of the Group include that measuring the financial assets and financial liabilities at fair value. The accounting department of 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 accounting department of the Group regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results is reasonable. The accounting department of 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.

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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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:

1. Note 6(g)-Investment property.
2. Note 6(t)-Financial instruments.

#### (6) Significant account disclosure

##### (a) Cash and cash equivalents

	2015.12.31	2014.12.31
Cash on hand	\$ 200	431
Cash in bank	650,406	143,216
Time deposits	1,219,051	2,533,552
	<u>\$ 1,869,657</u>	<u>2,677,199</u>

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

##### (b) Financial instruments

1. Current financial assets at fair value through profit or loss:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 125,783	74,620
Money market funds, future funds, equity funds and bond funds	888,905	1,246,651
	<u>\$ 1,014,688</u>	<u>1,321,271</u>

2. Current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	<u>\$ 629,823</u>	<u>677,271</u>

3. Non-current available-for-sale financial assets:

	2015.12.31	2014.12.31
Stocks listed on domestic markets	\$ 20,560	17,825
Stocks listed on foreign markets	357,396	238,776
Non-public stocks	549,815	505,716
Private fund (Note)	340,950	299,400
	<u>\$ 1,268,721</u>	<u>1,061,717</u>

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

Note: As of December 31, 2015, the private fund is during the lock-up period.

4. Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	2015.12.31	2014.12.31
Preferred stock B	2012.11.23~2019.11.22	-	\$ <u>159,600</u>	<u>159,600</u>

5. Sensitivity analysis in the equity price risk:

For the years ended December 31, 2015 and 2014, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	2015		2014	
Prices of securities at the reporting date	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Increasing 3%	\$ <u>56,956</u>	<u>30,441</u>	<u>52,170</u>	<u>39,638</u>
Decreasing 3%	\$ <u>(56,956)</u>	<u>(30,441)</u>	<u>(52,170)</u>	<u>(39,638)</u>

6. As of December 31, 2015 and 2014, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(t).

- (c) Notes and accounts receivable, net

	2015.12.31	2014.12.31
Notes receivable	\$ 100	405
Accounts receivable	705,601	695,236
Less : allowance for doubtful accounts	<u>(5,673)</u>	<u>(5,590)</u>
	<u>\$ 700,028</u>	<u>690,051</u>

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

	2015.12.31	2014.12.31
Past due 1~60 days	\$ 26,304	52,944
Past due 61~180 days	1,882	-
Past due more than 181 days	-	-
	<u>\$ 28,186</u>	<u>52,944</u>

The movement of allowance for notes and accounts receivable for the years ended December 31, 2015 and 2014, were as follows:

2015	2014
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(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

Beginning balance	\$ 5,590	5,461
Foreign currency differences	<u>83</u>	<u>129</u>
Ending balance	<u><u>\$ 5,673</u></u>	<u><u>5,590</u></u>

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

Assessment method:

1. At the balance sheet date, the Group evaluates the probability of collection regarding the receivable in accordance with each customer.
2. 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, 2015 and 2014, the notes and accounts receivable, net were not pledged.

#### (d) Inventories

	<b>2015.12.31</b>	<b>2014.12.31</b>
Raw materials, supplies and spare parts	\$ 1,505,390	888,130
Work in process	732,353	333,856
Finished goods	<u>233,627</u>	<u>277,931</u>
	<u><u>\$ 2,471,370</u></u>	<u><u>1,499,917</u></u>

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:

	<b>2015</b>	<b>2014</b>
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	\$ <u>27,454</u>	<u>(29,918)</u>
Revenue from sale of scraps	<u><u>\$ (21,445)</u></u>	<u><u>(21,071)</u></u>

As of December 31, 2015 and 2014, the inventories were not pledged.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

(e) Investments accounted for using equity method

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

	2015.12.31	2014.12.31
Associates	\$ <u>657,960</u>	<u>381,566</u>

1. 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 November 18, 2015, the Group acquired 28.63% of the shares of Merit Biotech (Cayman Islands) Co., Ltd. for \$195,540 thousand in cash, and has significant influence on it.

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.

	2015.12.31	2014.12.31
Total equity of the individually insignificant investments in associates	\$ <u>657,960</u>	<u>381,566</u>
	2015	2014
Attributable to the Group:		
Net loss	\$ (109,979)	(4,919)
Other comprehensive income	(303)	-
Total comprehensive income	\$ <u>(110,282)</u>	<u>(4,919)</u>

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 other gains or losses.

2. As of December 31, 2015 and 2014, the investments accounted for using equity method were not pledged.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2015 and 2014 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
<b>Cost :</b>							
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)	-	-	145,879	3,247	-	(3,247)	145,879
Disposals	-	-	(9,432)	-	(37,364)	-	(46,796)
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>1,000,117</u>	<u>12,551,818</u>	<u>2,820,770</u>	<u>228,809</u>	<u>2,257,410</u>	<u>21,405,458</u>
Balance as of January 1, 2014	\$ 2,546,534	982,847	11,319,066	2,642,422	359,898	1,046,925	18,897,692
Additions	-	3,617	165,229	36,611	12,428	322,346	540,231
Reclassification (Note)	-	11,647	240,157	94,833	-	(23,687)	322,950
Disposals	-	-	-	-	(179,029)	-	(179,029)
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>998,111</u>	<u>11,724,452</u>	<u>2,773,866</u>	<u>193,297</u>	<u>1,345,584</u>	<u>19,581,844</u>
<b>Accumulated depreciation :</b>							
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	<u>\$ -</u>	<u>429,291</u>	<u>7,514,001</u>	<u>1,681,770</u>	<u>157,206</u>	<u>-</u>	<u>9,782,268</u>
Balance as of January 1, 2014	\$ -	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Depreciation	-	58,505	1,535,531	232,653	20,267	-	1,846,956
Disposals	-	-	-	-	(179,010)	-	(179,010)
Balance as of December 31, 2014	<u>\$ -</u>	<u>370,746</u>	<u>5,934,630</u>	<u>1,449,642</u>	<u>174,316</u>	<u>-</u>	<u>7,929,334</u>
<b>Carrying value :</b>							
Balance as of December 31, 2015	<u>\$ 2,546,534</u>	<u>570,826</u>	<u>5,037,817</u>	<u>1,139,000</u>	<u>71,603</u>	<u>2,257,410</u>	<u>11,623,190</u>
Balance as of January 1, 2014	<u>\$ 2,546,534</u>	<u>670,606</u>	<u>6,919,967</u>	<u>1,425,433</u>	<u>26,839</u>	<u>1,046,925</u>	<u>12,636,304</u>
Balance as of December 31, 2014	<u>\$ 2,546,534</u>	<u>627,365</u>	<u>5,789,822</u>	<u>1,324,224</u>	<u>18,981</u>	<u>1,345,584</u>	<u>11,652,510</u>

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

#### 1. Pledge to secure:

As of December 31, 2015 and 2014, 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.

#### 2. Property, plant and equipment under construction

In 2012, the Group acquired land, buildings and structures for the construction a new factory in Kueishan Dist., Taoyuan City. As of December 31, 2015, the Group recognized related construction in progress and prepayments for business facilities amounted to \$2,502,900 thousand (which included the borrowing costs of the capitalized interest expense).

#### 3. For the years ended December 31, 2015 and 2014, capitalized interest expenses amounted to \$40,623 thousand and \$23,833 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.55%~1.79% and 1.58%~2.27%, respectively.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (g) Investment property

	Land	Buildings and structures	Total
<b>Cost :</b>			
Balance as of January 1, 2015	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
Balance as of January 1, 2014	\$ 963,127	138,225	1,101,352
Additions	-	-	-
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>138,225</u>	<u>1,101,352</u>
<b>Accumulated depreciation :</b>			
Balance as of January 1, 2015	\$ -	10,190	10,190
Depreciation	-	5,316	5,316
Balance as of December 31, 2015	<u>\$ -</u>	<u>15,506</u>	<u>15,506</u>
Balance as of January 1, 2014	\$ -	4,873	4,873
Depreciation	-	5,317	5,317
Balance as of December 31, 2014	<u>\$ -</u>	<u>10,190</u>	<u>10,190</u>
<b>Carrying value :</b>			
Balance as of December 31, 2015	<u>\$ 963,127</u>	<u>122,719</u>	<u>1,085,846</u>
Balance as of January 1, 2014	<u>\$ 963,127</u>	<u>133,352</u>	<u>1,096,479</u>
Balance as of December 31, 2014	<u>\$ 963,127</u>	<u>128,035</u>	<u>1,091,162</u>
<b>Fair value :</b>			
Balance as of December 31, 2015			\$ <u>1,232,437</u>
Balance as of December 31, 2014			\$ <u>1,321,067</u>

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

The yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

<u>Location</u>	<u>For the year ended December 31, 2015</u>
Hsinchu	0.31%

As of December 31, 2015 and 2014, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (h) Intangible assets

1. The movement in intangible assets for the years ended December 31, 2015 and 2014 were as follows:

	Technical know-how	Computer software and information systems	Others	Total
<b>Costs :</b>				
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	<u>\$ 46,005</u>	<u>57,702</u>	<u>1,843</u>	<u>105,550</u>
Balance as of January 1, 2014	\$ 46,005	82,770	6,122	134,897
Additions	-	18,109	-	18,109
Disposals	-	(54,398)	(6,122)	(60,520)
Other (Note)	-	1,563	-	1,563
Balance as of December 31, 2014	<u>\$ 46,005</u>	<u>48,044</u>	<u>-</u>	<u>94,049</u>
<b>Amortisation :</b>				
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	<u>\$ 19,808</u>	<u>22,767</u>	<u>605</u>	<u>43,180</u>
Balance as of January 1, 2014	\$ 12,140	56,128	2,381	70,649
Amortisation	3,834	21,923	3,741	29,498
Disposals	-	(54,398)	(6,122)	(60,520)
Balance as of December 31, 2014	<u>\$ 15,974</u>	<u>23,653</u>	<u>-</u>	<u>39,627</u>
<b>Carrying value :</b>				
Balance as of December 31, 2015	<u>\$ 26,197</u>	<u>34,935</u>	<u>1,238</u>	<u>62,370</u>
Balance as of January 1, 2014	<u>\$ 33,865</u>	<u>26,642</u>	<u>3,741</u>	<u>64,248</u>
Balance as of December 31, 2014	<u>\$ 30,031</u>	<u>24,391</u>	<u>-</u>	<u>54,422</u>

Note : Other current assets consisting of prepayments for computer software and information systems were reclassified as intangible assets.

2. Amortization expense recognized in profit or loss

For the years ended December 31, 2015 and 2014, the amortization expenses of intangible assets were as follows:

	2015	2014
Operating costs	\$ 7,686	9,731
Operating expenses	<u>16,095</u>	<u>19,767</u>
	<u>\$ 23,781</u>	<u>29,498</u>

3. As of December 31, 2015 and 2014, the intangible assets were not pledged.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (i) Other current assets and other non-current assets

	2015.12.31	2014.12.31
Other receivable from metal recycling	\$ 123,648	112,622
Tax refund receivable	116,165	22,369
Prepaid expenses	39,784	36,811
Refundable deposits	23,260	21,480
Restricted assets	25,481	23,661
Others	18,940	87,233
	<u>\$ 347,278</u>	<u>304,176</u>

### (j) Short-term borrowings

	2015.12.31	2014.12.31
Unsecured short-term borrowings	\$ <u>23,656</u>	<u>-</u>
Unused bank credit lines for short-term borrowings	\$ <u>3,402,960</u>	<u>3,297,997</u>
Annual interest rate	<u>0.79%</u>	<u>-</u>
Unused bank credit lines for short-term and long-term borrowings	\$ <u>1,694,367</u>	<u>350,000</u>

### (k) Long-term borrowings

	2015.12.31	2014.12.31
Secured long-term borrowings	\$ 2,940,303	3,483,775
Less : long-term liabilities, current portion	(841,507)	(545,444)
Total	<u>\$ 2,098,796</u>	<u>2,938,331</u>
Unused bank credit lines for long-term borrowings	\$ <u>1,458,000</u>	<u>908,000</u>
Annual interest rate	<u>1.54%~1.64%</u>	<u>1.63%~1.68%</u>

As of December 31, 2015, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2016~December 31, 2016	\$ 841,507
January 1, 2017~December 31, 2017	940,194
January 1, 2018~December 31, 2018	667,472
January 1, 2019~December 31, 2019	394,750
And after	96,380
	<u>\$ 2,940,303</u>

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

1. The collateral for these long-term borrowings was disclosed in note 8.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

2. 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.

As of December 31, 2015 and 2014, the Company was in compliance with the above financial covenants and restrictions.

#### (l) Operating lease

##### 1. Lease-lessor

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

For the years ended December 31, 2015 and 2014, the rental income recognised in other income both amounted to \$27,625 thousand.

##### 2. Lease-lessee

The Group leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 4 years.

For the years ended December 31, 2015 and 2014, the rent expense amounted to \$25,975 thousand and \$23,754 thousand, respectively, which were recorded as operating costs and operating expenses.

#### (m) Employee benefits

##### 1. Defined benefit plans

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

	2015.12.31	2014.12.31
Total present value of obligations	\$ 84,407	75,211
Fair value of plan assets	(37,896)	(36,252)
Recognised liabilities for defined benefit obligations (Note)	<u>\$ 46,511</u>	<u>38,959</u>

(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) enti-

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to \$37,896 thousand as of December 31, 2015. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Funds, Ministry of Labor.

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

For the years ended December 31, 2015 and 2014, movements in the present value of the defined benefit obligations for the Group were as follows:

	2015	2014
Defined benefit obligation as of January 1	\$ 75,211	75,118
Current service costs and interest	2,795	3,135
Net remeasurements of defined benefit liability (asset)		
— Actuarial (gains) losses-Actuarial assumption	1,436	-
— Experience gain and loss	5,105	(3,042)
(Gains) losses from prior service costs and interest	(140)	-
Defined benefit obligation as of December 31	<u>\$ 84,407</u>	<u>75,211</u>

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

For the years ended December 31, 2015 and 2014, movement in the fair value of the plan assets were as follows:

	2015	2014
Fair value of plan assets as of January 1	\$ 36,252	34,747
Interest revenue	727	697
Net remeasurements of the defined benefit liability (asset)		
— Return on plan assets (excluding the interest expense)	237	124
Amounts contributed to plan	680	684
Fair value of plan assets as of December 31	<u>\$ 37,896</u>	<u>36,252</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

- (4) The movement in effect of plan asset ceiling

For the years ended December 31, 2015 and 2014, 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, 2015 and 2014, the expenses recognised in profit or losses for the Group were as follows:

	2015	2014
Current Service cost	\$ 1,330	1,731
Net interest expense of defined benefit plan	738	707
Prior service cost and settlement of defined benefit plan	(140)	-
	<u>\$ 1,928</u>	<u>2,438</u>
	2015	2014
Operating expenses	\$ <u>1,928</u>	<u>2,438</u>

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

For the years ended December 31, 2015 and 2014, the remeasurements of the net defined benefit liability (asset) recognised in other comprehensive income were as follows:

	2015	2014
Balance as of January 1	\$ 11,291	14,457
Recongised in the current period	6,304	(3,166)
Balance as of December 31	<u>\$ 17,595</u>	<u>11,291</u>

- (7) Actuarial assumptions

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

As of December 31, 2015 and 2014, the rate applied in calculating the present value of the defined benefit obligation:

	2015.12.31	2014.12.31
Discount rate	1.875%	2.000%
Future salary rate increases	3.000%	3.000%

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014, the rate applied in calculating the defined benefit pension costs:

	2015	2014
Discount rate	2.00%	2.00%
Future salary rate increases	3.00%	3.00%

The Group expects to make contributions of \$231 thousand to the defined benefit plans in the next year starting from December 31, 2015. The weighted average duration of the defined benefit obligation is 18.54 years.

#### (8) Sensitivity analysis

The Group analyses and estimates the discount rate of its employee turnover and future salary increase rate to determine the actuarial assumptions as the reporting date to calculate the present value of the defined benefit obligation.

As of December 31, 2015 and 2014, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	<b>Effects to the defined benefit obligation</b>	
	<b>Increase by 0.25%</b>	<b>Decrease by 0.25%</b>
Balance as of December 31, 2015		
Discount rate	(2,834)	2,960
Future salary rate increases	2,870	(2,778)
Balance as of December 31, 2014		
Discount rate	(2,482)	2,599
Future salary rate increases	2,537	(2,441)

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 current sensitivity analysis is the same as those of the prior year.

#### 2. 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 \$48,959 thousand and \$46,554 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2015 and 2014.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (n) Income tax

#### 1. Income tax expense

The amount of income tax expenses for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Current tax expense	\$ 766,227	362,374
Current period	<u>15,884</u>	<u>27,639</u>
Adjustment for prior periods	<u>782,111</u>	<u>390,013</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(20,100)</u>	<u>75,472</u>
Income tax expense	<u>\$ 762,011</u>	<u>465,485</u>

The amount of income tax (expenses) benefit recognised in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Components of other comprehensive income that will not be classified to profit or loss:		
The remeasurements of defined benefit plans	\$ <u>1,072</u>	<u>(538)</u>

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

	2015	2014
Profit before tax	\$ <u>3,433,638</u>	<u>2,428,954</u>
Tax rate according to the Company's location	\$ 583,718	412,922
Effect of tax rates in foreign jurisdiction	22	20
Non-taxable income	(3,151)	3,864
10% surtax on unappropriated earnings	162,107	56,434
Others	<u>19,315</u>	<u>(7,755)</u>
	<u>\$ 762,011</u>	<u>465,485</u>

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### 2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2015 and 2014 were as follows:

	Allowance for ob- solete inventories	Difference in depreciation expense be- tween financial and tax method	Investment tax credit	Others	Total
Deferred tax assets:					
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	<u>\$ 30,379</u>	<u>12,841</u>	<u>-</u>	<u>41,884</u>	<u>85,104</u>
Balance as of January 1, 2014	\$ 38,143	8,714	62,352	23,216	132,425
Recognised in profit or loss	(10,127)	1,967	(62,352)	4,760	(65,752)
Recognised in other comprehensive income	-	-	-	(538)	(538)
Balance as of December 31, 2014	<u>\$ 28,016</u>	<u>10,681</u>	<u>-</u>	<u>27,438</u>	<u>66,135</u>
	Unrealized invest- ment income recog- nized under equity method	Unrealized ex- change rate	Others	Total	
Deferred tax liabilities:					
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	<u>28,159</u>	<u>-</u>	<u>-</u>	<u>28,159</u>	
Balance as of January 1, 2014	19,907	735	-	20,642	
Recognised in profit or loss	6,086	3,634	-	9,720	
Balance as of December 31, 2014	<u>25,993</u>	<u>4,369</u>	<u>-</u>	<u>30,362</u>	

### 3. Examination and approval

The Company's corporate income tax returns for the years through 2013 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 carryforwards for the year 2012. Therefore, the Group had applied for an administrative appeal to the tax authorities.

### 4. The Company's integrated income tax information at the reporting date were as follows :

	2015.12.31	2014.12.31
Unappropriated earnings after 1997	<u>\$ 6,244,544</u>	<u>3,923,175</u>
Balance of imputation credit account (ICA)	<u>\$ 786,268</u>	<u>325,493</u>
	2015 (Estimated)	2014 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings	<u>21.74%</u>	<u>16.45%</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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.

#### (o) Capital and other equity

##### 1. Ordinary share

As of December 31, 2015 and 2014, 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 596,564 thousand shares, and 742,238 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, 2015 and 2014:

	<b>Ordinary share (in thousands)</b>	
	<b>2015</b>	<b>2014</b>
Balance as of January 1	742,238	739,276
Exercise of employee stock options	3,005	2,962
Capital reduction	(148,679)	-
Balance as of December 31	<u><b>596,564</b></u>	<u><b>742,238</b></u>

For the years ended December 31, 2015 and 2014, the Company had issued 3,005 thousand shares and 2,962 thousand shares resulting from the exercise of employee stock options, respectively. The record dates were agreed on the end of cash 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 \$1,486,790 thousand, representing 148,679 thousand shares of outstanding shares as proposed in the Board of Directors' meeting held on April 22, 2015 and approved in the shareholders' meeting on June 3, 2015. On July 2, 2015, the authority had already approved the application and the Company's Board of Directors resolved the record date as July 9, 2015. The related registration process had been completed on July 24, 2015.

As of December 31, 2015, the Company issued 16,004 thousand units of Global Depositary Receipts (GDRs), representing 80,020 thousand ordinary shares of stock of the Company. These GDRs were offered for trading on the MTF Market of the Luxembourg Stock Exchange.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### 2. Capital surplus

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

	2015.12.31	2014.12.31
Additional paid-in capital	\$ 3,797,820	3,727,909
Changes in equity of associates and joint ventures accounted for using equity method	15,614	13,698
Employee stock options	1,583	27,013
	<u>\$ 3,815,017</u>	<u>3,768,620</u>

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.

#### 3. 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 remaining balance of the earnings is further appropriated as follows:

- A. 5% to 10% as employees bonuses;
- B. 1% to 3% as directors' and supervisors' remuneration;
- 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.

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.

According to the amended Company Act which was announced in May 2015, employee bonuses, and directors' and supervisors' remuneration are no longer subject to earnings distribution. The Company will amend its articles of incorporation before the deadline specified by the authorities.

##### (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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

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

#### (3) Appropriations of earnings

The appropriations of earning for 2014 and 2013 had been approved in a shareholders' meeting held on June 3, 2015 and June 20, 2014, respectively. The appropriations and dividends were as follows:

	2015	2014
Cash dividends	\$ 148,679	1,109,798
Bonuses to employees	176,700	166,400
Remuneration to directors and supervisors	53,000	49,900

The above-mentioned appropriations of earning for 2014 and 2013 were consistent with the resolutions of the meeting of the Board of Directors. The related information can be found on websites such as the Market Observation Post System.

For the year ended December 31, 2014 the Company's accrued and recognized employee bonuses and directors' and supervisors' remuneration amounted to \$176,700 thousand and \$53,000 thousand, respectively. The employee bonuses and directors' remuneration were estimated based on the net income for the difference between the actual appropriation of earnings for employee bonuses and directors' emoluments as been approved in the meeting of the Board of Directors, and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized in profit or loss of the following year when the shareholders approved the appropriations of those earnings. In addition, the number of shares distributed to employees as employee bonuses is calculated based on the closing price of the Company's shares of stock being traded in the listed market on the day before the approval of shareholders' meeting.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (4) Other equity interest, net of tax

Changes in other equity interest were as follows:

		Exchange differences on translation of for- eign financial state- ments	Unrealized gains (losses) on available - for-sale financial as- sets
Balance as of January 1, 2015	\$	4,909	215,962
Foreign currency differences (net of tax):			
Subsidiaries		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 up- on disposal of available-for-sale financial assets (net of tax)		-	8,858
Balance as of December 31, 2015	\$	<u>19,783</u>	<u>363,161</u>
Balance as of January 1, 2014	\$	(17,413)	116,395
Foreign currency differences (net of tax)		22,322	-
Changes in fair value of available-for-sale financial assets (net of tax)		-	98,212
Cumulative gains (losses) reclassified to profit or loss up- on disposal of available-for-sale financial assets (net of tax)		-	1,355
Balance as of December 31, 2014	\$	<u>4,909</u>	<u>215,962</u>

### (p) Share-based payment

The details of share-based payment were as follows:

Item	Date of ap- proval by Board of Directors	Date of ap- proval by authority	Issue date	Duration	Estimated issued shares	Actual issue shares	Price of each share (expressed in dollars)
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	\$ 9.0
2010	2010.07.05	2010.09.28	2011.01.26	"	10,000,000	10,000,000	28.4

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

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

	Issued in 2009	Issued in 2010
Over one year	-	-
Over two years	60%	60%
Over three years	100%	100%
Over four years	100%	100%
Over five years	100%	100%

1. Fair value of those options at the measurement date and information on how that fair value was 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 2 <sup>nd</sup> year	2010 employee stock options exercise in the 3 <sup>rd</sup> 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.

2. For the years ended December 31, 2015 and 2014, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2015		2014	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	\$ 22.70	3,147	22.94	6,154
Granted	-	-	-	-
Exercised	24.80	(3,005)	21.61	(2,962)
Expired	-	-	-	(45)
Outstanding at the end	28.40	<u>142</u>	22.70	<u>3,147</u>
Exercisable as of December 31		<u>142</u>		<u>3,147</u>

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

As of December 31, 2015 and 2014, the Group's compensatory outstanding employee stock options were as follows:

2015.12.31					
Issue date	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of re- maining dura- tion (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2011.01.26	\$ 28.4	142	0.07	142	\$ 28.4

2014.12.31					
Issue date	Outstanding			Exercisable	
	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of re- maining dura- tion (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2011.01.26	\$ 22.7	3,147	1.07	3,147	\$ 22.7

### 3. Compensation cost for employee stock options

For the years ended December 31, 2015 and 2014, the compensation cost for employee stock options amounted to \$0 thousand and \$5,623 thousand, respectively, which had been recorded under operating costs and operating expenses.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (q) Earnings per share ("EPS")

For the years ended December 31, 2015 and 2014, the Company's earnings per share were calculated as follows:

	2015		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS — retroactively adjusted:			
Profit belonging to common shareholders	\$ 2,671,627	672,148	\$ <u>3.97</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	6,213	
Employee stock options	-	502	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>2,671,627</u>	<u>678,863</u>	\$ <u>3.94</u>
	2014		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS — retroactively adjusted:			
Profit belonging to common shareholders	\$ 1,963,469	741,095	\$ <u>2.65</u>
Diluted EPS:			
Effect of potentially dilutive common stock:			
Employee bonuses	-	8,665	
Employee stock options	-	938	
Common shareholders' profit plus the effect of potentially dilutive common stock	\$ <u>1,963,469</u>	<u>750,698</u>	\$ <u>2.62</u>

### (r) Employee bonuses, directors' and supervisors' remuneration

According to the Company's Article of Incorporation adopted by the Board but has not resolved at the meeting of the shareholders, once the Company has annual profit, it should appropriate 5%~10% of the profit to its employees and 3% or less as directors' and supervisor's remuneration. The pervading target given via shares includes dependent employees of the Company's subsidiaries under certain requirements.

For the year ended December 31, 2015, the Company accrued and recognised its employee bonuses amounting to \$231,300 thousand, and directors' and supervisors' remuneration amounting to \$67,100 thousand. The 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 2015. The differences between the actual distributed amounts as determined by the

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

Board of Directors and those recognised in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognised in profit or loss in the following year.

(s) Non-operating income and expenses

1. Other income

For the years ended December 31, 2015 and 2014, the details of other income were as follows:

	<b>2015</b>	<b>2014</b>
Interest income	\$ 20,280	17,159
Dividend income	36,871	46,470
Rent income	45,287	31,999
	<u>\$ 102,438</u>	<u>95,628</u>

2. Other gains and losses

For the years ended December 31, 2015 and 2014, the details of other gains and losses were as follows:

	<b>2015</b>	<b>2014</b>
Foreign exchange gains	\$ 66,552	68,088
Impairment loss on financial asstes	(53,341)	-
Losses on disposals of investments	(13,285)	(64,501)
Gains (losses) on financial assets or liabilities at fair value through profit or loss	(2,356)	130,285
Gains (losses) on disposal of property, plant and equipment	1,824	(19)
Other	(58,511)	(61,996)
	<u>\$ (59,117)</u>	<u>71,857</u>

3. Finance costs

For the years ended December 31, 2015 and 2014, the details of finance costs were as follows:

	<b>2015</b>	<b>2014</b>
Interest expense on bank borrowings	\$ 53,445	71,536
Other interest expenses	1,030	601
Less: capitalized interest expense	(40,623)	(23,833)
	<u>\$ 13,852</u>	<u>48,304</u>

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### (t) Financial instruments

##### 1. Credit risk

###### (1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2015 and 2014, the maximum exposure to credit risk amounted to \$5,833,846 thousand and \$6,832,105 thousand, respectively.

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, 2015 and 2014, the Group's notes and account receivables were both concentrated on 4 customers, whose accounts represented 59% and 56% 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.

##### 2. Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	Over 5 years
<b>As of December 31, 2015</b>						
<b>Non-derivative financial liabilities</b>						
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	1,236,205	1,236,205	1,236,205	-	-	-
	<u>\$ 5,510,031</u>	<u>5,589,067</u>	<u>3,450,216</u>	<u>962,248</u>	<u>1,176,603</u>	<u>-</u>
<b>As of December 31, 2014</b>						
<b>Non-derivative financial liabilities</b>						
Secured bank loans	\$ 3,483,775	3,616,213	596,897	880,952	2,039,575	98,789
Accounts payable	929,773	929,773	929,773	-	-	-
Other payables	867,285	867,285	867,285	-	-	-
	<u>\$ 5,280,833</u>	<u>5,413,271</u>	<u>2,393,955</u>	<u>880,952</u>	<u>2,039,575</u>	<u>98,789</u>

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

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### 3. Currency risk

#### (1) Exposure to currency risk

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

	2015.12.31			2014.12.31		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
Financial assets						
Monetary items						
USD	\$ 71,622	32.83	2,351,365	56,243	31.65	1,780,088
EUR	1	35.88	19	1	38.47	20
JPY	133,307	0.2727	36,352	52,965	0.2646	14,019
GBP	33	48.67	1,600	5	49.27	248
HKD	63	4.24	268	64	4.08	259
RMB	9	5.00	47	-	-	-
			<u>\$ 2,389,651</u>			<u>1,794,634</u>
Non-monetary items						
USD	83	32.83	2,711	87	31.65	2,744
RMB	-	-	-	29,779	5.09	151,577
			<u>\$ 2,711</u>			<u>154,321</u>
Financial liabilities						
Monetary items						
USD	19,668	32.83	645,693	13,253	31.65	419,451
EUR	112	35.88	4,022	191	38.47	7,341
JPY	645,578	0.2727	178,503	454,888	0.2646	120,369
GBP	8	48.67	383	9	49.27	464
			<u>\$ 828,601</u>			<u>547,625</u>

#### (2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, 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, 2015 and 2014 would have increased (decreased) the net profit after tax by \$64,919 thousand and \$59,468 thousand, respectively, and other comprehensive income would not be affected. The analysis assumes that all other variables remain constant.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

The Group's exchange gain or loss, inducing realized and unrealized of monetary items convert to amount of functional currency, and the Company's function currency (also, the Group's function currency), information about exchange rate is as below:

	Years ended December 31, 2015		Years ended December 31, 2014	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
NTD	\$ <u>77,571</u>	<u>-</u>	<u>84,112</u>	<u>-</u>
USD	US\$ <u>(347)</u>	<u>31.74</u>	<u>(529)</u>	<u>30.31</u>

#### 4. Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have (decreased) increased by \$12,226 thousand and \$14,164 thousand for the years ended December 31, 2015 and 2014, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

#### 5. Fair value

##### (i) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have quotation in active market and which fair value cannot be reasonably measured.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

2015.12.31					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 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)	258,753	-	-	-	-
Subtotal	2,988,038	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	2,963,959	-	-	-	-
Accounts payable (Note)	1,309,867	-	-	-	-
Other payables (Note)	1,236,205	-	-	-	-
Subtotal	5,510,031	-	-	-	-
2014.12.31					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	\$ 74,620	74,620	-	-	74,620
Funds and investment	1,246,651	1,246,651	-	-	1,246,651
Subtotal	1,321,271	1,321,271	-	-	1,321,271
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	933,872	933,872	-	-	933,872
Non-public stocks	505,716	-	505,716	-	505,716
Private fund	299,400	-	299,400	-	299,400
Subtotal	1,738,988	933,872	805,116	-	1,738,988
Loans and receivables					
Cash and cash equivalents (Note)	2,677,199	-	-	-	-
Investments in debt instrument without active market (Note)	159,600	-	-	-	-
Notes and accounts receivable (Note)	690,051	-	-	-	-
Other receivables (Note)	222,224	-	-	-	-
Subtotal	3,749,074	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	3,483,775	-	-	-	-
Accounts payable (Note)	929,773	-	-	-	-
Other payables (Note)	867,285	-	-	-	-
Subtotal	5,280,833	-	-	-	-

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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### (ii) Valuation techniques of financial instruments valued at fair value

##### A. Non-derivative instruments

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

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

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

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

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

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

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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### B. Derivative instruments

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

#### (iii) Transfer between level 2 and level 1

For the years ended December 31, 2015 and 2014, there was no significant change on the fair value hierarchy of level 2 and level 1 financial asset.

#### (iv) Movement of level 3

The movement in fair value measurements of financial assets in Level 3 were as follows:

	<b>Available-for-sale financial assets</b>
	<b><u>Unquoted equity instruments</u></b>
Balance as of January 1, 2014	\$ 35,000
Transfers out of Level 3	<u>(35,000)</u>
Balance as of December 31, 2014	<u>\$ -</u>

For the year ended December 31, 2014, available-for-sale financial assets with a carrying amount of \$35,000 thousand were transferred from Level 3 to Level 2 because the Group can acquire evaluation report of the assets periodically in which all significant inputs were based on observable market data.

There were no changes in financial assets with fair value hierarchy level 3 transfers for the year ended December 31, 2015.

#### (u) Management of financial risk

##### 1. 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.

(Continued)

## **WIN Semiconductors Corp. and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **2. 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 Supervisor 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 Supervisor 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 Supervisors.

#### **3. Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to financial instruments fails to meet its 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 analyses 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**

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 compliance issues and therefore no significant credit risk.

##### **(3) Guarantees**

As of December 31, 2015 and 2014, the Group did not provide guarantee.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

#### 4. 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, 2015, 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 \$3,402,960 thousand, \$1,694,367 thousand and \$1,458,000 thousand, respectively.

#### 5. 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) and US Dollars (USD).

The policy of response to currency risk :

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

#### (b) 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 Group monitors the expansion plan as well as the level of dividends to ordinary shareholders.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014, the Group's return on common equity was 16.12% and 12.74%, respectively. The Group's debt ratio at the reporting date were as follows:

	2015.12.31	2014.12.31
Debt ratio	<u>28.63%</u>	<u>26.94%</u>

As of December 31, 2014, there were no any changes in the Group's approach to capital management.

#### (7) Related-parties transactions

##### (a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

##### (b) Significant transactions with related parties

###### 1. Leases

For years ended December 31, 2014, the Group rented the staff dormitory from the related parties. A lease contract was signed in which the rental fee is determined based on the nearby dormitory rental rates, which were billed monthly. The amounts of rental expense \$28 thousand was paid.

There were no such transaction for the year ended December 31, 2015.

##### (c) Transactions with key management personnel

For the years ended December 31, 2015 and 2014, key management personnel compensation were comprised as below:

	2015	2014
Short-term employee benefits	\$ 330,428	206,087
Post-employment benefits	709	709
Share-based payments	-	504
	<u>\$ 331,137</u>	<u>207,300</u>

#### (8) Pledged assets

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	2015.12.31	2014.12.31
Other non-current assets	Gas deposits	\$ 4,700	3,000
Other non-current assets	Customs guarantee	20,781	20,661
Property, plant and equipment	Long-term borrowings	3,985,080	4,628,927
Investment property	Long-term borrowings	<u>1,085,846</u>	<u>1,091,162</u>
		<u>\$ 5,096,407</u>	<u>5,743,750</u>

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (9) Commitments and contingencies

(a) Contingencies: None.

(b) Commitment:

1. 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.
2. 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:

	2015.12.31	2014.12.31
The unrecognized amount	\$ <u>2,100,360</u>	<u>849,166</u>

	2015.12.31	2014.12.31
3. The unused letters of credit	\$ <u>105,610</u>	<u>203,684</u>

(10) Important damage losses: None.

(11) Important subsequent events: None.

(12) Others

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2015 and 2014:

	2015			2014		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	\$ 1,152,890	548,601	1,701,491	959,353	501,077	1,460,430
Labor and health insurance	83,012	33,095	116,107	76,253	28,458	104,711
Pension	37,750	13,137	50,887	36,099	12,893	48,992
Others	43,370	8,494	51,864	40,262	11,104	51,366
Depreciation	1,767,223	132,087	1,899,310	1,740,315	111,958	1,852,273
Amortization	7,686	16,095	23,781	9,731	19,767	29,498

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (13) Other disclosure items

#### (a) Information on significant transaction:

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

1. Lending to other parties: None.
2. Guarantees and endorsements for other parties: None.
3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Maximum percentage of ownership in midterm (%)	Remark
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)		
The Company	Capital Money Market Fund	None	Current financial assets at fair value through profit or loss	4,820	76,806	-	76,806	-	
"	Yuanta De-Bao Money Market Fund	"	"	7,538	89,500	-	89,500	-	
"	Allianz Global Investors Taiwan Money Market Fund	"	"	19,868	245,761	-	245,761	-	
"	Allianz Global Investors All Seasons Return Fund of Bond Funds	"	"	10,480	149,587	-	149,587	-	
"	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	"	"	13,060	149,684	-	149,684	-	
"	Mega Diamond Money Market Fund	"	"	8,816	109,120	-	109,120	-	
"	Franklin Mutual European Fund-A-USD	"	"	3	2,711	-	2,711	-	
"	Nomura Taiwan Money Market Fund	"	"	4,072	65,622	-	65,622	-	
"	Green Seal Holding Limited/Stock	"	"	500	59,500	0.34	59,500	0.34	
WIN Venture Capital Corp.	Green Seal Holding Limited/Stock	"	"	557	66,283	0.38	66,283	0.38	
"	Mega Diamond Money Market Fund	"	"	9	114	-	114	-	
					<u>1,014,688</u>		<u>1,014,688</u>		
The Company	ITEQ CORPORATION/Stock	"	Current available-for-sale financial assets	25,032	553,201	8.13	553,201	8.13	
"	MAG. LAYERS Scientific-Technics Co., Ltd./Stock	"	"	2,125	74,367	2.49	74,367	2.49	
"	Solar Applied Materials Technology Corp./Stock	"	"	119	2,255	0.03	2,255	0.03	
					<u>629,823</u>		<u>629,823</u>		
"	Inventec Solar Energy Corporation /Stock	"	Non-current available-for-sale financial assets	34,000	363,022	10.51	363,022	10.51	
"	Tainergy Tech Co.; Ltd./Stock	"	"	943	20,560	0.30	20,560	0.34	
"	CDIB CME Fund Ltd. /Stock	"	"	5,000	92,206	3.33	92,206	3.33	
"	Fuh Hwa Tung-ta Fund	"	"	30,000	340,950	-	340,950	-	
"	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	"	"	1,000	49,090	1.08	49,090	1.08	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	Non-current available-for-sale financial assets	75	357,396	0.03	357,396	0.03	
"	Anokiwave Inc./ Series B Preferred Stock	Subsidiary's client	"	1,264	23,392	14.37	23,392	15.48	
WIN Venture Capital Corp.	Nisho Image Technology Inc. /Stock	The Company's client	"	3,300	22,105	7.33	22,105	9.17	
					<u>1,268,721</u>		<u>1,268,721</u>		
The Company	MagiCap Venture Capital Co., Ltd. /Preferred Stock B	None	Non-current investments in debt instrument without active market	15,960	<u>159,600</u>	17.20	Note	17.37	

Note: The redeemable preferred stock was the nature of bond, which was recognised as non-current investments in debt instrument without active market.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

4. Information regarding purchase or sale of securities for the period exceeding 300 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				End (Note)	
					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	-	-	8,021	126,929	69,204	1,099,989	72,405	1,150,868	1,150,118	750	4,820	76,806
"	Yuanta De-Bao Money Market Fund	"	-	-	12,965	152,995	127,977	1,515,164	133,404	1,579,353	1,578,659	694	7,538	89,500
"	Allianz Global Investors Taiwan Money Market Fund	"	-	-	28,972	355,853	130,141	1,606,935	139,245	1,718,914	1,717,050	1,864	19,868	245,761

Note: End amount including unrealized gain (loss) on financial instruments.

5. Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital: None.
6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital: None.
7. Information regarding related-parties purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Remark
			Item	Amount	Percentage of the purchases (sales) (%)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(4,679,319)	(39) %	1-2 Month	-	-	375,716	56%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	4,679,319	100 %	1-2 Month	-	-	(375,716)	(100)%	(Note)

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

8. Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital:

(Amounts in Thousands of New Taiwan Dollars)

Company name	Related party	Nature of relationships	Balance as December 31, 2015	Turnover	Overdue		Amounts received in subsequent	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	375,716	19.25	-	-	375,716	-	(Note)

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

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

9. Information regarding trading in derivative financial instruments: None.

10. Significant transactions and business relationship between the parent company and its subsidiaries for the year ended December 31, 2015:

(Amounts in Thousands of New Taiwan Dollars)

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	4,679,319	<b>Note 3</b>	38.94%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable—related parties	375,716	"	1.56%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable—related parties	375,716	"	1.56%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	4,679,319	"	38.94%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	56,327	"	0.47%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	56,327	"	0.47%

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)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

### (b) Information on investments:

The followings are the information on investees:

(Amounts in Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main business-	Original investment amount		Balance as of December 31, 2015			Maximum percentage of ownership in midterm	Net income (loss) of the investee	Investment income (loss) recognised by the Company	Remark
				December 31, 2015	December 31, 2014	Shares (in thousands)	Percentage	Carrying value				
The Company	WIN SEMI. USA, INC.	California, U.S.A.	Marketing	8,203	8,203	1,000	100.00%	7,456	100.00%	993	993	(Note)
"	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	718,504	100.00%	12,742	12,742	(Note)
"	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	789,455	43,770	34.52%	291,794	34.52%	(258,847)	(89,366)	
"	WIN Venture Capital Corp.	Taiwan	Investment activities	200,000	200,000	20,000	100.00%	114,098	100.00%	(66,041)	(66,041)	(Note)
"	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	-	16,400	31.06%	116,301	35.04%	(59,170)	(17,240)	
"	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	25.00%	(111,081)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	-	3,600	6.82%	25,529	7.69%	(59,170)	(3,784)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	-	20	40.00%	32,589	40.00%	(583)	(241)	
"	Merit Biotech (Cayman Islands) Co., Ltd.	Cayman Islands	Investment activities	195,540	-	3,000	28.63%	191,747	28.63%	17,616	652	

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

### (c) Information on investment in Mainland China:

(Amounts in thousands of dollars)

Investee company	Main businesses and products	Total amount of Paid-in Capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2015	Investment		Accumulated outflow of investment from Taiwan as of December 31, 2015	Net income (losses) of the investee company (Note 2)	Maximum percentage of ownership in midterm	Percentage of ownership	Investment income (loss) recognized	Carrying value as of December 31, 2015 (Note 3)	Accumulated inward remittance of earnings as of December 31, 2015
					Outflow	Inflow							
JIANGSU KANG YUAN MERIT AGRICULTURAL DEVELOPMENT CO., LTD.	Hog farming and technology development	223,108 (RMB 42,943)	(Note 1)	-	-	-	-	27,854 (USD 878)	28.63%	28.63%	571 (USD 18)	170,732 (USD 5,200)	-
YURUN MERIT BIOTECH (LIANYUNGANG) CO., LTD.	Produce, import and export trade, and wholesale of animal feed additives	102,220 (RMB 22,222)	(Note 1)	-	-	-	-	(11,258) (USD (355))	28.63%	-	(363) (USD (11))	-	-

### (d) Upper limit on investment in Mainland China:

(Amounts in thousands of dollars)

Accumulated investment in Mainland China as of December 31, 2015	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
-	196,980 (USD 6,000)	10,325,460

Note 1: The Group invested in Mainland China companies through Merit Biotech (Cayman Islands) Co., 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.

(Continued)

# WIN Semiconductors Corp. and Subsidiaries

## Notes to Consolidated Financial Statements

Note 3: Carrying value as of December 31, 2015 was with reference to the amount recognized by the associates of the 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, 2015. 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.

(e) Significant transactions: None.

### (14) Segment financial information

(a) The Group's only reportable segment is the foundry segment. The foundry segment engages mainly in re-searching, developing, manufacturing, and selling of GaAs wafers etc.

Other operating segment which was incorporated in April, 2014 is mainly engaged in investment activities. For the year ended December 31, 2015, the above segment does not exceed the quantitative thresholds to be reportable.

(b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the year ended December 31, 2015 and 2014, 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:

2015	Foundry	Other	Reconciliation and elimination	Total
<b>Revenue:</b>				
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
<b>Assets:</b>				
Capital expenditures in noncurrent assets	\$ 3,525,524	-	-	3,525,524
2014	Foundry	Other	Reconciliation and elimination	Total
<b>Revenue:</b>				
Revenue from external customers	\$ 9,909,459	551	-	9,910,010
Interest expense	\$ 48,304	-	-	48,304
Depreciation and amortization	\$ 1,881,771	-	-	1,881,771
Share of loss of associates and joint ventures accounted for using equity method	\$ (4,919)	-	-	(4,919)
Reportable segment profit or loss	\$ 2,325,256	(10,564)	-	2,314,692
<b>Assets:</b>				
Capital expenditures in noncurrent assets	\$ 753,904	-	-	753,904

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.

(Continued)

## WIN Semiconductors Corp. and Subsidiaries

### Notes to Consolidated Financial Statements

(c) Segment information by products and services

The Group is a single operation 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, 2015 and 2014 were as follows:

Area	2015	2014
External Customers:		
America	\$ 595,420	503,250
Asia	7,691,152	5,020,316
Africa	2,309,242	2,263,661
Taiwan	980,434	1,745,955
Europe	439,499	376,828
Total	<u>\$ 12,015,747</u>	<u>9,910,010</u>

Area	2015	2014
Non-current Assets:		
Taiwan	\$ 14,906,924	12,976,785
America	320	220
Total	<u>\$ 14,907,244</u>	<u>12,977,005</u>

Non-current assets include property, plant and equipment, investment property, and intangible assets; not including financial instruments, and deferred tax assets.

(e) Major customers

For the years ended December 31, 2015 and 2014, sales to customers greater than 10% of net revenue were as follows:

	2015		2014
	Net revenue amount	Percentage of net revenue (%)	Net revenue amount
Operating revenue of the Group-A company	\$ 4,434,213	37	1,756,319
Operating revenue of the Group-B company	2,309,242	19	2,263,661
Operating revenue of the Group-C company	901,064	8	1,067,405
	<u>\$ 7,644,519</u>	<u>64</u>	<u>5,087,385</u>

WIN Semiconductors Corp.

Chairman: Chin-Tsai Chen