Stock Code: 3105

Leading
Global Communications

WIN Semiconductors Corp.

2013 Annual Report

<u>Notice to readers</u>

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

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw
WIN's website: http://www.winfoundry.com
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Firm: KPMG

Auditors: Fion Chen and Grace Chen

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Overseas Securities Exchange

Luxembourg Stock Exchange

Disclosed information can be found at http://www.bourse.lu

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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

In 2013 the global economy continued moving away from the shadows of the financial crisis, however, the recovery remained somewhat slow and GDP has nearly returned to pre-crisis levels in developed countries such as the U.S., Japan and the Eurozone. Amidst continued accommodative monetary policy by many of the world's central banks, the U.S. Federal Reserve Board announced in mid 2013 a reduction in monthly bond purchases, known as Quantitative Easing, with the goal of exiting QE by the end of 2014. This policy shift sparked a rapid movement of global capital away from emerging market equities and bonds, leading to increased price volatility in commodity sectors such as oil and gold. This rapid movement of capital also impacted foreign exchange rates and capital markets in those regions. With these changes in central bank policy and the continued evolution of technology, global enterprises, including WIN, were faced with ever-greater challenges and business risks.

WIN has grown very fast over the past few years by enabling the proliferation and growth of 3G services and the increased popularity of high-end smartphones. For 2013 onwards, competition and market challenges were more severe than ever due to high-end smartphone saturation in developed countries and delayed deployment of 4G LTE services in many parts of the world. Fortunately, WIN can rely on its considerable technology advantages, manufacturing scale and close customer relationships to continually provide our markets with more cost-effective and value-added products, particularly in the high-frequency non-handset segment, to maintain our long-term competitiveness.

2013 operating results and 2014 outlook are reported as follows:

A. Operating Performance in 2013

1. Operating Performance

The Company's 2013 consolidated revenues totaled NT$10,481,303 thousand, representing a decrease of 6.73% compared to the year 2012. 2013 consolidated net income was NT$1,811,510 thousand, representing an increase of 16.55% compared to the prior year, and EPS for 2013 was NT$ 2.40.

2. Analysis of Receipts, Expenditures, and Profitability

Unit: NT$ thousands; %

Items		2013 (Consolidated)	2012 (Consolidated)
Interest Income & Interest Expense	Interest Income	16,813	4,594
	Interest Expense	80,678	102,946

Items			2013 (Consolidated)	2012 (Consolidated)
Profitability	Return on Total Assets (%)		8.40	7.74
	Return on Equity (%)		12.39	12.67
	Ratio to Issued Capital (%)	Operating Income	28.54	32.46
		Profit before Tax	29.93	24.36
	Profit Ratio (%)		17.28	13.83
	Earnings Per Share ($)		2.40	2.31

3. Budget Implementation

The Company is not required to make public its 2013 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

Since its inception, WIN has been at the forefront of GaAs manufacturing for RF, microwave and millimeter wave applications, providing our customers with monolithic microwave integrated circuit (MMIC) foundry services based on heterojunction bipolar transistor (HBT) and pseudomorphic high electron mobility transistor (pHEMT) processes. WIN's technology portfolio covers operating frequencies ranging from 0.1 to 100 GHz meeting the needs of virtually all wireless, optical and defense market segments, and provides a competitive advantage among our peers. For example, WIN's BiHEMT technology integrates both an HBT power amplifier and a pHEMT switch into one chip allowing the realization of both functionalities in one single piece of GaAs. The benefits of integrating the power amplifier and RF switch on a single chip not only reduces packaging costs but also improves product performance by eliminating the external connections required by separate functional modules. Additionally, BiHEMT can significantly enhance the our customers' ability to achieve competitive and highly differentiated RF products by integrating power amplifiers, low noise amplifiers, logic control and power switching in one single chip. Another example of WIN's technological breadth is our GaN HEMT platform, which has been developed to provide an excellent solution for high power base station applications, particularly in the fast-growing 4G LTE market.

Finally, WIN's copper back-metal process provides a low-cost alternative to the baseline gold process while providing the same product performance. This approach combined with WIN's unique backside process provides excellent thermal dissipation and design flexibility, and is especially important for high frequency, high performance components. In addition to use as a wafer backside metal, copper has also been employed to form bond-pad bump structures that are required for advanced flip chip assembly, which drastically reduces chip size and mitigates undesired parasitic effects at high frequency when compared to traditional wire bond assembly techniques. The reduction in die size achievable through the use of copper pillar bumps results in significant product cost advantages and provides our customers with a competitive advantage. These are just a few of the many R&D areas where WIN continues to invest for our long-term competitiveness.

B. Business Plan in 2014

Rapidly changing consumer preferences for handheld devices creates a fast evolving situation for the related supply chains, with intense competition amongst industry players and more challenging customer delivery schedules with diminished lead times. The key for survival is to keep abreast of market trends, customer needs and industry cycles, and continued diversification of our technologies, applications and markets. Through these actions WIN can maintain the role of market leader for many years.

The company's core operating principle is to adhere to industry trends and provide our global wireless communications customers with complete GaAs foundry solutions. The company sets the pursuit of excellence along with social responsibility as our mission. WIN adheres to the core values of integrity, accountability, a forward-looking perspective and innovation. To maintain and expand our market position, the company will continue to devote more resources to drive technology innovation, quality improvement, and manufacturing cost reduction. This intense focus provides significant added value for our customers, creating a differentiation in service instead of just price competition and maintains flexibility in operations. Concurrently, with the pursuit of revenue growth and production volume, WIN is tuning our business strategy with market trends to sustain the position of market leader.

C. Development Strategy

The global tech industry has been shifting focus away from PC and notebook related markets to mobile computing devices. Driving this shift is consumers' preference for slim mobile devices with fast connections accessing data-rich content and the ability to be connected anytime and anywhere. To reliably provide this user experience, future handheld device will come equipped with more computational power and seamless access to very high data rate wireless connections. These devices can be used to watch movies, search the Internet, and share or download cloud-based content from any location, without interruption or an unsatisfactory user experience due to insufficient bandwidth or low connection speed. A key element enabling constant access to these data intensive services is reliable RF technologies and components, especially those using GaAs, which provide wireless connectivity to the mobile device. Without these components this level of mobile access and user satisfaction will become impossible.

WIN's business strategy is to provide complete product solutions by offering access to leading edge GaAs technology and foundry services to meet customer demand. WIN has penetrated the handset market through strong partnerships with its customers. WIN is also very active in the "Blue Ocean Market" for non-handset products through its unique pHEMT and GaN technologies used in millimeter-wave and high power applications such as wireless base stations, fiber optic networks and satellite communications. Our expanding presence in these markets not only widens the performance gap with silicon-based solutions but also provides for higher margin and reduced operational volatility. In the long term, WIN is closely monitoring the evolution of new product applications, especially Internet of Things and 5G to be well-prepared for the next round of growth opportunities.

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

As market competition increases, the external economic environment rapidly changes. Although the overall economy appears to have stabilized, the business environment has not significantly improved. Therefore, WIN has to maintain its flexibility, under the laws and in line with the norms, continually innovating our technology and business model. No matter what the external changes are, WIN will maintain its footing in Taiwan with a global vision, and constantly challenge our employees to maintain long-term competitiveness.

Sincerely yours,

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

WIN Semiconductors Corp.

II. COMPANY PROFILE

2.1. Date of Incorporation

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

2.2. Company History

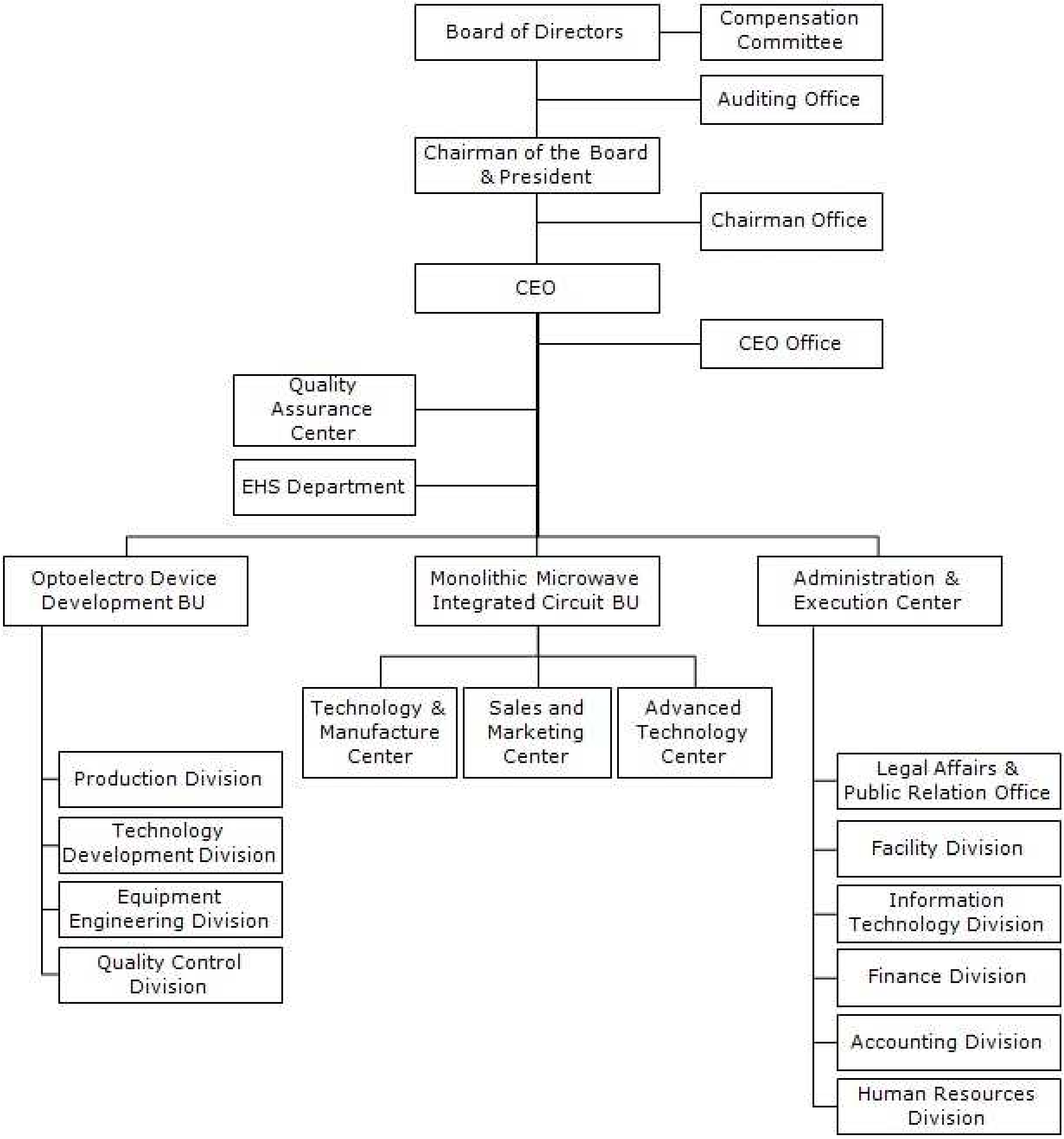
Year	Month	Milestones
1 9 9 9	Oct.	WIN Semiconductors Incorporates in Taiwan
2 0 0 0	July	Facility construction complete for Corporate Offices & Fab #1
	Nov.	Completes production of Asia's 1st,6-inch,GaAs HBT MMIC wafer Completes production of Asia's 1st,6-inch,GaAs pHEMT wafer
2 0 0 1	Mar.	Presents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

Year	Month	Milestones
2010	Apr.	Acquired Fab B second phase land and factory
	May	Start renovating Fab B second phase
	Nov.	Passed ISO/TS 16949 quality system certification
	Dec.	Developed high performance application for multiphase, multisystem cell phone switch process
	Dec.	Successfully developed world first 6” 0.1um MMIC wafer
2011	Jan.	Signed NTD4.8 Billion business loan contract with group of banks lead by International Mega Bank
	May.	Morgan Stanley Capital International enlists WIN Semiconductor Corp. in MSCI Index
	Oct.	GreTai Security Market (GTSM) 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 GTSM
2012	Oct.	WIN participates seasoned equity offering and offers Global Depositary Receipts
	Dec.	Granted 2012 Best Supplier Award by muRara, a public traded company in Japan
	Dec.	Awarded 2012 Best Technology Partner by Inphi, a public traded company in US
	Dec.	Become the only GaAs foundry in the world top12 foundries and overtake 62.4% of pure-play foundry service market share
2013	Oct.	Awarded Certificate of Corporate Governance System CG6008 General Assessment
	Dec.	Win 3rd National Industrial Innovation Award, Outstanding Enterprise Innovation Award category
2014	Feb.	Win 2nd Taiwan Mittelstand Award

III. CORPORATE GOVERNANCE REPORT

3.1. Organization System

3.1.1. Organization Chart



3.1.2. Major Corporate Functions

Department	Functions
Audit Office	• Regularly and irregularly implementing auditing activities to ensure the operation performance and progress of improvement in different business cycles.
EHS Department	• Planning, ensuring and administrating of environmental protection, fire and emergency control, employee safety and health in compliance with environmental and labor safety/health laws and regulations.
Monolithic Microwave Integrated Circuit BU	• Planning and executing GaAs MMIC's key materials, technologies, process, equipment improvement, manufacturing and selling.
Optoelectronic Device Development BU	• R&D and manufacturing for III-V optoelectronic materials and components.
Administration & Execution Center	• Legal Affairs & Public Relation Office: Drafting, reviewing, negotiating and managing of contracts and legal documents. Providing of legal advice and consultation to the management, intellectual property management, legal disputes and litigations. Public relation, corporate social responsibility and related projects. • Facility Division: Planning, set-up and maintenance of fab facility system. • Information Technology Division: Planning, implementation, managing and integration of IT systems, including application system fulfillment and infrastructure establishment in the company. • Finance Division: Fund raising, cash control and management analysis, maintaining credit facility and bank relationship, stock affairs and investor relations. • Accounting Division: Reviewing transaction documents and vouchers, conducting accounting close, tax filing, budgeting and book-keeping. • Human Resources Division: Ensuring human resources management to contribute to organization's accomplishment, based upon the company's business strategy, goals and objectives. Setting up, planning and executing the matters of employee recruitment, training, salary, compensation, welfare performance management and employee engagement. • Materials Management Department: Planning and administrating at the lowest cost of procurement of raw materials, materials and equipment, suppliers evaluation and management. • Logistics & Administration Department: Providing company general administration service, managing transportation, warehousing, and import & export.
Quality Assurance Center	• Coordination of product quality improvement and execution of quality control.

3.2. Directors, Supervisors and Management Team

3.2.1. Directors and Supervisors

A. Information Regarding Directors and Supervisors

Apr. 22, 2014

Title	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	Dennis Chen	06/10/2013	3	05/01/2003	21,737,971	2.87	22,305,571	3.01	1,880,000	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • General Manager, Namchow Chemical Industrial Co., Ltd.	• President, WIN Semiconductors Corp. • Vice Chairman of HIWIN Technologies Corp. • Director of Namchow Chemical Industrial Co., Ltd. • Independent Director of Kinsus Interconnect Technology Corp. • Independent Director of Tong Hsing Electronic Ind, Ltd. • Supervisor Representative of Taipei Financial Center Corp. • Director of ITEQ Corporation	Director	Steve Chen	Son
Director	Cheng-Huei Wang	06/10/2013	3	06/10/2013	1,563,000	0.21	1,563,000	0.21	0	0	0	0	• College graduated • Chairman, Inventec Multimedia & Telecom Corporation • Director Representative, Inventec Multimedia & Telecom Corporation (Cayman)	• Chairman, Inventec Multimedia & Telecom Corporation • Director Representative, Inventec Multimedia & Telecom Corporation (Cayman)	-	-	-
Director	Yu-Chi Wang	06/10/2013	3	06/19/2008	2,157,243	0.28	2,458,243	0.33	0	0	0	0	• PhD in Material Engineering, Rutgers, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA • Adjunct Assistant Professor, Yuan Ze University, Taiwan	• CEO, WIN Semiconductors Corp. • Director and CEO, WIN SEMI. USA, INC.	-	-	-
Director	William Chang	06/10/2013	3	06/19/2008	845,000	0.11	928,000	0.13	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• BU General Manager, WIN Semiconductors Corp.	-	-	-
Director	Steve Chen	06/10/2013	3	06/10/2013	3,544,368	0.47	3,458,368	0.47	0	0	0	0	• Master's Degree in Business Administration, Rutgers, USA • Manager, Protek (Shanghai) Limited	• Supervisor, Crystal Applied Technology Inc. • Supervisor Representative, CDIB CME Fund Ltd.	Chairman	Dennis Chen	Father
Independent Director	Chao-Shun Chang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	• Master Degree in Public Finance, National Chengchi University, Taiwan • Chairman of Franklin Templeton First Taiwan Securities Investment Trust Enterprise • Chairman of Bank of Overseas Chinese Chairman of Taiwan Business Bank • Chairman of First Financial Holding Co., Ltd. and First Commercial Bank • Supervisor of Taiwan Stock Exchange Corporation • Supervisor of Securities and Futures Institute, ROC	• CPA, Enrich CPAs & Co. • Chairman, ACE Venture Consulting Corporation • Independent Director, Formosa Laboratories, Inc. • Director, Taiwan Styrene Monomer Corporation	-	-	-
Independent Director	Wei-Lin Wang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	• Juris Science Doctor, Washington University in St. Louis, USA • Partner, New Hope Law Firm, Taiwan • Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA • Sr. Counselor, Lee and Li, Attorneys-at-Law • Associate Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan • Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan	• Assistant Professor, Graduate Institute of Financial and Economic Law, Feng Chia University • Independent Director, Young Fast Optoelectronics Co., Ltd. • Independent Director, Capital Futures Corporation • Independent Director, ANT Precision Industry Co. Ltd. • Member of Compensation Committee, Hold Key Electric Wire & Cable, Co. Ltd.	-	-	-

Title	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
Supervisor	International Fiber Technology Co., Ltd.-	06/10/2013	3	10/12/1999	6,300,000	0.83	6,300,000	0.85	0	0	0	0	None	None	-	-	-
	Representative: Shih-Chuan Hsieh				0	0	0	0	0	0	0	0	• Bachelor Degree in Agricultural Economics, National Taiwan University, Taiwan • Chairman, WIN Semiconductors Corp. • Director, Episil Technologies Inc.	• Chairman, International Fiber Technology Co., Ltd.	-	-	-
Supervisor	Mei-Lan Wang	06/10/2013	3	06/24/2010	0	0	0	0	0	0	0	0	• Master in Management Sciences, Tamkang University, Taiwan • Chairman, Department of Accounting, Tamkang University, Taiwan • Chairman, Institution of Accounting, Tamkang University, Taiwan • Dean, Finance Office, Tamkang University, Taiwan	• Supervisor, Tamkang University • Chief Supervisor, Accounting Education Foundation, Tamkang University	-	-	-
Supervisor	Cheng-Li Huang	06/10/2013	3	06/10/2011	0	0	0	0	0	0	0	0	• PhD in Accounting, University of Warwick, UK • Chairman, Department of Accounting, Tamkang University, Taiwan • Chairman, Institution of Accounting, Tamkang University, Taiwan • Dean, Finance Office, Tamkang University, Taiwan	• Professor, Department of Accounting, Tamkang University • Independent Director, UMC	-	-	-

B. Major Shareholders of the Institutional Shareholders

Apr. 22, 2014

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 Major Shareholders that Are Juridical Persons

Apr. 22, 2014

Name of Juridical Persons	Major Shareholders of the Juridical Persons
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. 22, 2014

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	
Dennis Chen	✓		✓					✓	✓	✓		✓	✓	2
Cheng-Huei Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Yu-Chi Wang	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
William Chang			✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Steve Chen			✓		✓			✓	✓	✓		✓	✓	0
Chao-Shun Chang	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Lin Wang	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	3
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 GTSM.
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. 22, 2014

Title	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	Dennis Chen	12/16/2011	22,305,571	3.01	1,880,000	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • General Manager, Namchow Chemical Industrial Co., Ltd.	• Vice Chairman of HIWIN Technologies Corp. • Director of Namchow Chemical Industrial Co., Ltd. • Independent Director of Kinsus Interconnect Technology Corp. • Independent Director of Tong Hsing Electronic Ind, Ltd. • Supervisor Representative of Taipei Financial Center Corp. • Director of ITEQ Corporation	Sr. Vice President	Steve Chen	Son
CEO	Yu-Chi Wang	09/28/2010	2,458,243	0.33	0	0	0	0	• PhD in Material Engineering, Rutgers, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA • Adjunct Assistant Professor, Yuan Ze University, Taiwan	• Director and CEO, WIN SEMI. USA, INC.	-	-	-
BU General Manager	William Chang	03/01/2007	928,000	0.13	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	-	-	-	-
Sr. Vice President	Chang-Hwang Hua	08/16/2004	994,000	0.13	0	0	0	0	• PhD in Material Science, Stanford University, USA • Engineering Director, Skyworks Solutions, Inc., USA • VP, Network Device, Inc., USA	-	-	-	-
Vice President	Joseph Liu	05/02/2000	577,999	0.08	23,700	0.0032	0	0	• PhD in Electrical Engineering, Pennsylvania State University, USA • Senior Principal Staff, Lockheed Martin Corp.	-	-	-	-
Vice President	Brian Lee	04/01/2010	898,000	0.12	0	0	0	0	• Master's Degree , University of Southern California, USA • Sales Manager, UMC, Taiwan	-	-	-	-
Sr. Vice President	Steve Chen	07/01/2010	3,548,368	0.47	0	0	0	0	• Master's Degree in Business Administration, Rutgers, USA • Manager, Protek (Shanghai) Limited	• Supervisor, Crystal Applied Technology Inc. • Supervisor Representative, CDIB CME Fund Ltd.	President	Dennis Chen	Father
Sr. Vice President	Kyle Chen	07/01/2010	0	0	0	0	0	0	• EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan • Fab Director, MXIC	-	-	-	-
Assistant Vice President	Annie Yu	03/15/2005	419,891	0.06	0	0	0	0	• Master's Degree in Law, Cornell University, USA • Supervisor, Huga Optotech Inc.	-	-	-	-
Assistant Vice President	S.Y. Wang	09/01/2005	857,000	0.12	0	0	0	0	• Master's Degree in Industrial Engineering and Engineering Management, Tsing Hua University, Taiwan • Manager, MXIC	-	-	-	-
Head of Accounting	Linna Su	11/01/2010	486,757	0.07	0	0	0	0	• Master's Degree in Accounting, Soochow University, Taiwan • Vice Manager of Accounting, Elitegroup Computer Systems Co., Ltd. • Audit Manager, Elitegroup Computer Systems Co., Ltd.	-	-	-	-
Head of Finance	Joe Tsen	11/01/2010	908,000	0.12	0	0	0	0	• MBA in Finance, Baruch College, USA • Account Manager, CIBC, Canada	• CFO, WIN SEMI. USA, INC.	-	-	-

3.2.3. Remuneration Paid to Directors, Supervisors, President and Vice President

A. Remuneration Paid to Directors and Independent Directors

Unit: NT$ thousands; Shares in thousands; %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%)</th><th colspan="14">Relevant Remuneration Received by Directors Who Are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 2)</th><th rowspan="4">Compensation Paid to Directors from an Invested Company other than the Company's Subsidiary</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonus to Directors (C)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F) (Note 3)</th><th colspan="4">Profit Sharing-Employee Bonus (G) (Note 1)</th><th colspan="2">Exercisable Employee Stock Options (H)</th><th colspan="2">New Restricted Employee Stock (I)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th colspan="2">The Company</th><th colspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Dennis Chen</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">41,779</td><td rowspan="9">41,779</td><td rowspan="9">289</td><td rowspan="9">289</td><td rowspan="9">2.32%</td><td rowspan="9">2.32%</td><td rowspan="9">55,520</td><td rowspan="9">70,912</td><td rowspan="9">324</td><td rowspan="9">324</td><td rowspan="9">35,249</td><td rowspan="9">0</td><td rowspan="9">35,249</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">7.35</td><td rowspan="9">8.20</td><td rowspan="9">2,514</td></tr>
<tr><td>Director</td><td>Kou-I Yeh (Note 3)</td></tr>
<tr><td>Director</td><td>Cheng-Huei Wang</td></tr>
<tr><td>Director</td><td>Shen-Yi Li (Note 3)</td></tr>
<tr><td>Director</td><td>Yu-Chi Wang</td></tr>
<tr><td>Director</td><td>William Chang</td></tr>
<tr><td>Director</td><td>Steve Chen</td></tr>
<tr><td>Independent Director</td><td>Chao-Shun Chang</td></tr>
<tr><td>Independent Director</td><td>Wei-Lin Wang</td></tr>
</table>

Note 1: The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on Mar. 07, 2014, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 166,400 thousand and NT$ 49,900 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 20, 2014.

Note 2: The net income is the net amount after deducting the expensing employee bonus.

Note 3: Tenure expired on June 10, 2013.

Levels of Amounts of Compensation

Bracket	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 (I)	The Company	All Reinvested Business (J)
Under NT$ 2,000,000	Kou-I Yeh Shen-Yi Li	Kou-I Yeh Shen-Yi Li	Kou-I Yeh Shen-Yi Li	Kou-I Yeh Shen-Yi Li
NT$ 2,000,000 ~ NT$ 5,000,000	Cheng-Huei Wang Yu-Chi Wang William Chang Steve Chen Chao-Shun Chang Wei-Lin Wang	Cheng-Huei Wang Yu-Chi Wang William Chang Steve 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			William Chang Steve Chen	William Chang Steve Chen
NT$15,000,000 ~ NT$ 30,000,000	Dennis Chen	Dennis Chen	Yu-Chi Wang	Yu-Chi Wang
NT$30,000,000 ~ NT$ 50,000,000				
NT$50,000,000 ~ NT$100,000,000			Dennis Chen	Dennis Chen
Over NT$100,000,000				
Total	9 persons	9 persons	9 persons	9 persons

B. Remuneration Paid to Supervisors

Unit: NT$ thousands; %

Title	Name	Remuneration						Ratio of Total Remuneration (A+B+C) to Net Income (%) (Note 2)		Compensation Paid to Supervisors from an Invested Company other than the Company's Subsidiary
		Base Compensation (A)		Bonus to Supervisors (B) (Note 1)		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	8,121	8,121	123	123	0.46	0.46	0
Supervisor	Mei-Lan Wang									
Supervisor	Cheng-Li Huang									

Note 1: The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on Mar. 07, 2014, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 166,400 thousand and NT$ 49,900 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 20, 2014.

Note 2: The net income is the net amount after deducting the expensing employee bonus.

Levels of Amounts of Compensation

Bracket	Name of Supervisors	
	Total of (A+B+C)	
	The Company	Companies in the Financial Reports (D)
Under NT$ 2,000,000		
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	3 persons	3 persons

C. Compensation Paid to President and Vice President

Unit: NT$ thousands; Shares in thousands; %

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Profit Sharing-Employee Bonus (D) (Note 1)</th><th colspan="2">Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 2)</th><th colspan="2">Exercisable Employee Stock Options</th><th colspan="2">New Restricted Employee Stock</th><th rowspan="3">Compensation paid to the President and Vice President from an Invested Company other than the Company's Subsidiary</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th colspan="2">The Company</th><th colspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th><th rowspan="2">The Company</th><th rowspan="2">Companies in the Financial Reports</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>President</td><td>Dennis Chen</td><td rowspan="8">30,282</td><td rowspan="8">37,963</td><td rowspan="8">717</td><td rowspan="8">717</td><td rowspan="8">48,012</td><td rowspan="8">55,722</td><td rowspan="8">45,214</td><td rowspan="8">0</td><td rowspan="8">45,214</td><td rowspan="8">0</td><td rowspan="8">6.86</td><td rowspan="8">7.71</td><td rowspan="8">360</td><td rowspan="8">360</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">2,514</td></tr>
<tr><td>CEO</td><td>Yu-Chi Wang</td></tr>
<tr><td>BU General Manager</td><td>William Chang</td></tr>
<tr><td>Sr. Vice President</td><td>Chang-Hwang Hua</td></tr>
<tr><td>Vice President</td><td>Joseph Liu</td></tr>
<tr><td>Vice President</td><td>Brian Lee</td></tr>
<tr><td>Sr. Vice President</td><td>Steve Chen</td></tr>
<tr><td>Sr. Vice President</td><td>Kyle Chen</td></tr>
</table>

Note 1: The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on Mar. 07, 2014, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 166,400 thousand and NT$ 49,900 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 20, 2014.

Note 2: Net income is the net amount after deducting the expensing employee bonus.

Levels of Amounts of Compensation

Bracket	Name of President and Vice President	
	The Company	Companies in the Financial Reports
Under NT$ 2,000,000		
NT$ 2,000,000 ~ NT$ 5,000,000		
NT$ 5,000,000 ~ NT$ 10,000,000	Chang-Hwang Hua Joseph Liu	Chang-Hwang Hua Joseph Liu
NT$10,000,000 ~ NT$ 15,000,000	William Chang Brian Lee Steve Chen Kyle Chen	William Chang Brian Lee Steve Chen Kyle Chen
NT$15,000,000 ~ NT$ 30,000,000	Yu-Chi Wang	Yu-Chi Wang
NT$30,000,000 ~ NT$ 50,000,000	Dennis Chen	
NT$50,000,000 ~ NT$100,000,000		Dennis Chen
Over NT$100,000,000		
Total	8 persons	8 persons

D. Employee Bonus Granted to Management Team

Year 2013; Unit: NT$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Managers	Chairman & President	Dennis Chen	0	50,000	50,000	2.76
	CEO	Yu-Chi Wang				
	BU General Manager	William Chang				
	Sr. Vice President	Chang-Hwang Hua				
	Vice President	Joseph Liu				
	Vice President	Brian Lee				
	Sr. Vice President	Steve 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 1: The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on Mar. 07, 2014, of which employee cash bonus were NT$ 166,400 thousand. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 20, 2014.

Note 2: Net income is the net amount after deducting the expensing employee bonus.

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; %

Year / Items	2012		2013 (Note 1)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Total Remuneration Paid to Directors	42,384	42,384	42,086	42,068
Ratio of Total Remuneration Paid to Directors to Net Income	2.72%	2.72%	2.32%	2.32%
Total Remuneration Paid to Supervisors	8,086	8,086	8,244	8,244
Ratio of Total Remuneration Paid to Supervisors to Net Income	0.52%	0.52%	0.46%	0.46%
Total Remuneration Paid to Presidents and Vice Presidents	130,281	137,245	124,225	139,616
Ratio of Total Remuneration Paid to Presidents and Vice Presidents to Net Income	8.38%	8.83%	6.86%	7.71%

Note 1: The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on Mar. 07, 2014, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 166,400 thousand and NT$ 49,900 thousand, respectively. The proposal is scheduled to be discussed and decided

at the Company's Annual General Meeting (AGM) on June 20, 2014.

Note 2: The net income for 2012 and 2013 were NT$ 1,554,253 thousand and 1,811,510 thousand respectively, after adopting IFRSs. And, the net income is the net amount after deducting the expensing employee bonus.

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

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.

According to the ROC laws and regulations, members of the Compensation Committee shall be appointed by the Board of Directors. The number of the Compensation Committee members shall not be less than three, one of which shall be an independent director. As of the date of the Annual Report, the Company's Compensation Committee is consisted of one independent director and two professionals with credentials in compliance with regulatory independence and professional qualification requirements.

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.

Presidents and vice presidents:
(1) 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.
(2) 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

The directors of the Board were re-elected by AGM on June 10, 2013.
A total of 3(A) meetings of the 5th session Board of Directors were held in 2013. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Dennis Chen	3	0	100%	Re-elected by AGM on June 24, 2010
Director	Kou-I Yeh	2	0	67%	
Director	Yu-Chi Wang	3	0	100%	
Director	William Chang	3	0	100%	
Director	Shen-Yi Li	2	0	67%	Newly elected by AGM on June 24, 2010
Independent Director	Chao-Shun Chang	3	0	100%	
Independent Director	Wei-Lin Wang	3	0	100%	

A total of 6(A) meetings of the 6th session Board of Directors were held in 2013. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Dennis Chen	6	0	100%	Re-elected by AGM on Jun. 10, 2013
Director	Cheng-Huei Wang	5	0	83%	Newly elected by AGM on June 10, 2013
Director	Yu-Chi Wang	6	0	100%	Re-elected by AGM on June 10, 2013
Director	William Chang	6	0	100%	
Director	Steve Chen	6	0	100%	Newly elected by AGM on June 10, 2013
Independent Director	Chao-Shun Chang	5	1	83%	Re-elected by AGM on June 10, 2013
Independent Director	Wei-Lin Wang	6	0	100%	

Other mentionable items:

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 government such as "Rules Governing the Scope of Powers of Independent Directors", "Corporate Social Responsibility Best Practice Principles", "Rules and Procedures of Broad of Directors Meetings", "Operating Procedures for Handling Material Information", "Rule of Management of the Prevention of Insider Trading", "Rules for Election of Directors and Supervisors", and "Guidelines for the Code of Ethical Conduct". To encourage the Directors to enrich and update their knowledge, the Company arranges lectures and training for directors every year. It is in line with the regulations and can get more interactions. The Company has established the Compensation Committee on September 19, 2011 and tracked the actions arising of the previous Board of the Directors meeting resolutions to fulfill the Board's functions.

3.3.2. Attendance of Supervisors for Board Meeting

The supervisors of the Board were re-elected by AGM on June 10, 2013.

A total of 3(A) meetings of the 5th session Board of Directors were held in 2013. 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	3	100%	Newly elected by AGM on June 24, 2010
Supervisor	Mei-Lan Wang	3	100%	
Supervisor	Cheng-Li Huang	3	100%	Newly elected by AGM on June 10, 2011

A total of 6(A) meetings of the 6th session Board of Directors were held in 2013. 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	6	100%	Re-elected by AGM on June 10, 2013
Supervisor	Mei-Lan Wang	6	100%	
Supervisor	Cheng-Li Huang	5	83%	

Other mentionable items:

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) Internal auditor reports internal auditing status to supervisors regularly.
   (4) Internal auditor reports internal auditing status in Board of Directors meetings regularly.
   (5) There are direct commutation channels between supervisors, Chief Internal Auditor and the CPA.

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

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

3.3.3. Corporate Governance Execution Status

Item	Implementation Status
1. Shareholding Structure & Shareholders' Rights	
(1) Method of handling shareholder suggestions or complaints	(1) The Company has designated the spokesman / deputy spokesman / and has set IR mailbox (ir@winfoundry.com) to handle shareholders' recommendations or issues.
(2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders	(2) The Company has assigned employee to be responsible for stock affairs. The stock transfer agent - Grand Fortune Securities Corporation Registrar Transfer Department 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.
(3) Risk management mechanism and "firewall" between the Company and its affiliates	(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.
2. Composition and Responsibilities of the Board of Directors	
(1) Independent Directors	(1) The Company has two independent directors elected by shareholders.
(2) Regular evaluation of CPAs' independence	(2) The CPAs excuse himself/herself when he/she handling the matters is related to the conflict-interested. The Board of Directors evaluates the independence and qualification of CPAs regularly to make sure it complies with the spirit of corporate governance.
3. Communication channel with stakeholders	The Company has sound communication channel with banks, suppliers and other stakeholders. The Company shall provide sufficient business information in good faith to protect the interest of the shareholders.

Item	Implementation Status
4. Information Disclosure (1) Establishment of a corporate website to disclose information regarding the Company’s financials, business and corporate governance status (2) Other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, appointing spokespersons, webcasting investors conference)	(1) The Company’s financials, business and corporate governance information have been disclosed on MOPS and the Company’s website – Investor Relations. (2)The Company has designated the spokesman and deputy spokesman in charge of making external statements. Also, the Company has designated appropriate departments to handle information collection, disclosure and update.
5. Operations of the Company’s Nomination Committee, Compensation Committee, or other committees of the Board of Directors	The Company has established the Compensation Committee and the “Compensation Committee Charter” of the Company on September 19, 2011. The duties and operations of this Committee is based on the applicable rules and regulations and the “Compensation Committee Charter” of the Company.
6. If the Company has established corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, please describe any discrepancy between the principles and their implementation: The Company meets the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”, and has promulgated related rules of corporate governance such as “Rules and Procedures of Board of Directors Meetings”, “Rules and Procedures of Shareholders’ Meeting”, “Internal Control Systems”, “Internal Audit Systems”, “Procedures for Acquisition or Disposal of Assets“, “Procedures for Lending Funds to Other Parties”, “Procedures for Endorsement & Guarantee”, “Operating Procedures for Handling Material Inside Information”, Rules Governing the Scope of Powers of Independent Directors”, “Corporate Social Responsibility Best Practice Principles”, “Rule of Management of the Prevention of Insider Trading”, “Rules for Election of Directors and Supervisors”, and “Guidelines for the Code of Ethical Conduct”. The Company joined corporate governance assessment conducted by Taiwan Corporate Governance Association (TCGA). TCGA evaluated the company's six key features of corporate governance, that is, function of the board, transparency of information, protection of shareholder’s rights, respect to interest of stakeholders and corporate social responsibility, discipline and communication of management and function of supervisors, followed by a due diligence review. Effectiveness of corporate governance of the company was certified by TCGA to pass CG6008 criteria. The Company was bestowed the certificate of “Corporate Governance System CG6008 General Assessment” in 2013.	

Item	Implementation Status
7. Other important information to facilitate better understanding of the Company's corporate governance practices (e.g., 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): (1) Employee rights: The Company pays attention to employee rights and benefits and set up employee welfare committee to handle the activities about employee welfare, the committee also set up several clubs such as badminton club, yoga club, X-club, body combat club, bowling club, hot MV club, biking club and running club. (2) Employee wellness: The Company respects human rights of all employees, and all employees and job applicants have equal opportunity. The Company does not discriminate employees based on ethnicity, faith, religion, partisan, gender, marital status, disability or people who are indigent to receive proper legal protections. The principals are applicable to recruitment, appointment, training, promotion, salary and benefits. (3) Investors: Investors can easily understand the Company's operation status from the spokesman, the Market Observation Post System (MOPS) and the Company's website. (4) Suppliers: The Company maintains close partnership with suppliers and deal with supplies based on the principal of good faith. (5) Rights with stakeholders: The Company upholds the spirits of corporate governance to have good communications and keep good relationships with customers, banks and stakeholders. (6) Directors' and supervisors' training records: The directors and supervisors of the Company have professional background and work in related fields. The Company encourages directors and supervisor to attend related training courses and get certifications. (7) Status of risk management policies and risk evaluation: Please refer to risk management section of this annual report. 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. Each risk management is divided into related department by its business nature. The risk management departments are described as below: a. CEO Office: responsible for business planning and analysis, integration of management system and business resources, management of business performance to lower the strategic risk. b. Legal Office: responsible for legal risk management to lower the legal risk. Including drafting, reviewing, negotiating and managing any contracts and legal documents, regulatory compliance, evaluation of decision legality of the Company, and the management of intellectual property rights, lawsuit and non-lawsuit cases. c. Finance Division: responsible for finance control and setting up hedging mechanisms to lower financial risk.	

<table>
<tr><th>Item</th><th>Implementation Status</th></tr>
<tr><td colspan="2">d. Accounting Division: compliance to related laws and regulations to ensure the reliability of financial reports to lower accounting risk.
e. IT Department: managing and maintaining the hardware and software information system, integrating and developing related automatic systems and software to lower the networks and information safety risk.
f. Sales & Marketing Center: responsible for strategy planning of products and marketing, appraise market trends and expanding the Company’s annual operational targets and execution plans. Also, this center manages the quotation, contacts, orders, shipments, money collection, complaints, products returns or changes, set up credit line for all customers to lower the sales risk.
g. Technology & Manufacture Center of MMIC BU and Production Division of ODD BU: responsible for manufacturing, testing, packing, quality engineering and production plans, and controlling of costs to lower the operational risk.
h. Advanced Technology Center of MMIC BU and Technology Development Division of ODD BU: responsible for risk evaluation of new products development and controlling of R&D progress to lower the technology risk.
i. Audit Office: responsible for amendment and implement of internal control systems to enhance the function of internal control and ensure effectiveness of the systems.
(8) Implementation of customer policy:
The Company has designated appropriate departments to handle and implement customer policy, respond inquires raised by customers regarding products and service and ensure sound communication with customer.
(9) Directors’ and officers’ insurance for company directors and supervisors:
The Company has purchased directors’ and officers’ liability and company indemnification insurance for all directors and supervisors.</td></tr>
<tr><td colspan="2">8. If the Company has implemented a self corporate governance evaluation or has authorized any other professional organization to conduct such an evaluation, the evaluation results, major deficiencies or suggestions, and improvements are stated as follows:
The Company has regularly published the Corporate Governance self-assessment report on MOPS and the Company’s website for investors’ reference, and the Company also pass the “Corporate Governance System CG6008 General Assessment” certification in 2013.</td></tr>
</table>

3.3.4. Composition, Responsibilities and Operations of Compensation Committee

A. Members of the Compensation Committee

Position	Criteria / Name	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	Remark (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	Shen-Yi Li (Note 3)	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	2	Not applicable
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Not applicable
Other	Ching-Hwei Chang (Note 3)			✓	✓	✓	✓	✓	✓	✓	✓	✓	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".

Note 3: Mr. Shen-Yi Li was Director of the Company during the 2 years before being appointed. According 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", his tenure expired on March 19, 2014. The Board of Director of the Company appointed Miss Ching-Hwei Chang as the new member on May 9, 2014.

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 1st session is from Sep. 19, 2011 to June 10, 2013. A total of 1(A) meeting of the compensation committee were held in 2013. Member attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Wei-Lin Wang	1	0	100%	Newly appointed on Sep. 19, 2011
Member	Chao-Shun Chang	1	0	100%	
Member	Hai-Ming Chen	1	0	100%	

2. The tenure of the 2nd session is from June 10, 2013 to June 9, 2016. A total of 2(A) meetings of the compensation committee were held in 2013. Member attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Wei-Lin Wang	2	0	100%	Re-appointed on June 10, 2013
Member	Shen-Yi Li	2	0	100%	Newly appointed on June 10, 2013. Tenure expired on Mar. 19, 2014.
Member	Hai-Ming Chen	2	0	100%	Re-appointed on June 10, 2013
Other mentionable items: 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.					

3.3.5. Social Responsibility

Item	Implementation Status
1. Exercising Corporate Governance (1) The Company declares its corporate social responsibility policy and examines the results of the implementation. (2) The Company establishes exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing the corporate social responsibility policies. (3) The Company organizes regular training on business ethics and promotion of matters prescribed in the preceding Article for directors, supervisors and employees, and should incorporate the foregoing into its employee performance appraisal system to establish a clear and effective reward and discipline system.	(1) The Company has established "Corporate Social Responsibility Best Practice Principles" and declared the social responsibility announcement. (2) The Management Service Division and Human Resource Division to exercise corporate social responsibility initiatives. (3) The Company organizes regular training on corporate governance, social responsibility and business ethics. The work rules are made to regulate the job behavior for employees and clear award and discipline system. Employees are aware of matters prescribed above in new employee training programs to incorporate the foregoing into its employee performance.
2. Fostering a Sustainable Environment (1) The Company endeavors to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment. (2) The Company establishes proper environmental management systems based on the characteristics of their industries. (3) The Company establishes dedicated units or assigns dedicated personnel for environment management to maintain the environment. (4) The Company monitors the impact of climate change on its operations and should establish company strategies for energy conservation and carbon and greenhouse gas reduction.	(1) The Company continues to utilize all resources more efficiently and uses recyclable materials. (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. (3) The Company has assigned dedicated environment protection personnel and declared related reports based on applicable laws and regulations to protect the environment. (4) Since 2013, the Company reports its consumption of Greenhouse Gas source material quarterly according to requirements of the Environmental Protection Administration and is evaluating feasibility of including energy saving and carbon reducing emission as one of its annual ESH index.

Item	Implementation Status
3. Preserving Public Welfare (1) The Company complies with relevant labor laws and regulations, and respect internationally recognized principles of the labor force's human rights, protects the legal rights and interests of employees and employment policies do not contain differential treatments, and has in place appropriate management methods and procedures. (2) The Company provides safe and healthy work environments for its employees, and organizes training on safety and health for its employees on a regular basis. (3) The Company has established regular communication channels for employees and a reasonable way to notify employees of changes that could have a significant effect on operations. (4) The Company establishes and discloses policies on consumer rights and interests and provides a clear and effective procedure for accepting consumer complaints. (5) The Company cooperates with its suppliers to jointly foster a stronger sense of corporate social responsibility. (6) The Company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	(1) The Company complies with relevant labor laws and regulations, and respect internationally recognized principles of the labor force's human rights to establish related system and process, in order to protect the legal rights and interests of employees and to make sure recruiting policy do not discriminate job applications. (2) 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 set the workplace and to implement ESH training and employees health examinations. (3) The Company holds labor-management meeting periodically and releases meeting memo to ensure employees rights and suggestions have been respected. (4) 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. (5) The Company cooperates with its suppliers to jointly develop reusable and recyclable materials to comply with environment protection rules and to decrease the impact on environment. (6) The Company participant in social community activities by cash sponsors to community and foundations.
4. Enhancing Information Disclosure (1) The measures of disclosing relevant and reliable information relating to their corporate social responsibility. (2) The Company produces corporate social responsibility reports disclosing the status of their implementation of the corporate social responsibility policy.	(1) The Company discloses the implement of social responsibility in the annual report and on the Company’s website. (2) The Company has not produced corporate social responsibility reports and will produce one when needed to enhance disclosing the status of implementation of the corporate social responsibility.

Item	Implementation Status
5. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM 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/GTSM Listed Companies".	
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, other corporate social responsibilities and activities, and the status of implementation.): (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 2013, WIN's effluents strictly met water quality standards required by the Park Administration (2) The Park Administration analyzes samples of air, water and underground water within and outside the Park quarterly to monitor quality of the same. The Environment Quality Supervision Committee of the Park, consisted of representatives of the firms in the Park, experts and academia, invites leaders of neighboring villiages to communicate and discussion agenda related to interaction between the Park and its community, including environmental protection issues such as air and river water quality, transportation. The Company keeps involved in the committee to enhance environment quality of neighboring community. (3) Since European Union's announcement of Restriction of Hazardous Substances (RoHS) directive, customers required the Company's products be hazardous substance free (HSF). The Company then investigated material components and established hazardous substance management system. Right after EU's Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) directive was issued at the end of 2010, the Company furnished testing items and reports according to SVHC List under REACH. The Company procures materials from socially responsible sources. A "HSF" webpage was set up on the Company's website to post information about hazardous substance free and conflict minerals: ✓ Certification for no use of hazardous substances ✓ EICC-GesI Conflict Minerals Reporting template ✓ Testing report made by a fair laboratory of a third party. ✓ Safety Data Sheet ✓ Introduction of the Company's Hazardous Substance Free Management Procedure	

Item	Implementation Status
(4) Launch “Employer Friendly Enterprise” Campaign 1. The Company is committed to creating job opportunities; local employees come first. 2. The Company allocates sufficient reserve or pay pension fund for employees according to Labor Standard Law and Employee Pension Fund Statute. 3. The Company fosters well-balanced life of employees, such as implementation of a fair employee leave program, elastic work hours, employee caring, employee assistance program, hobby clubs through Employee Welfare Commission and employee tours. (5) Human Rights 1. The Company conducts face-to-face employer and employee communication meeting regularly in compliance with labor regulations. 2. The Company enacted sexual harassment prevention and disciplinary procedures to protect employers’ right and privacy. 3. The Company sets up an employee opinion box and discussion platform; in-charge organizations will handle and respond to opinions raised by employees.	
7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below: To assure the sustainable operation and to fulfill responsibility of a good corporate citizen, the Company passed the following certifications after audits of third party organizations: (1) ISO9001 (2) ISO/TS 16949 (3) ISO14001 (4) OHSAS18001 (5) SA8000	

3.3.6. The State of the Company's Performance in the Area of Good Faith Management and the Adoption of Related Measures

Item	Implementation Status
1. Establish ethical corporate management policies and programs (1) Ethical corporate management policies are clearly specified in company rules and external documents and the Board of Directors and the management promise to rigorously enforce such policies. (2) Program for prevention of unethical conduct established by the Company including operational procedures, guidelines and training. (3) When the company establishes programs for the prevention of unethical conduct, the prevention program shall at least include measures directed at prevention of the offering and acceptance of bribes, illegal political donations for business activities within their business scope which may be at a higher risk of being involved in unethical conduct.	(1) The Company has established internal control systems, accounting policy and related management policy to achieve the ethical corporate management. The directors and supervisors have signed the ethical statement. (2) Employees of the Company engaged in business operation shall not get improper gains directly or indirectly, and the Company strengthens the importance of good faith in new staff training. (3) The Company reviews the the risk of unethical conduct from time to time and promulgates "Employee Reward and Discipline Rules". The unethical conduct is one of the factors of performance assessment to enhance the effectiveness of the Company's ethical corporate management.
2. Ethical corporate management enforcement (1) It is advisable not to have any dealings with persons who have any records of unethical conduct and include in contracts provisions concerning ethical conduct. (2) Operation status of dedicated unit formed by the Company in charge of ethical corporate management and Board of Directions oversight status. (3) Company promulgates policies for preventing conflict of interest and offer appropriate means to explain operation status.	(1) The Company upholds the principle of fair treatment of customers and suppliers and promulgates "Customer Satisfaction Investigation Management Procedure" and "Supplier Evaluation & Management O.I." to ensure that there are good communications and good faith of the partnerships between each other. (2) The Company upholds the principles of ethical corporate management. The Board shall use its reasonable and diligent efforts to urge the Company to prevent unethical conduct, and reviews and continuous improvement from time to time to ensure the implementation of ethical corporate management. (3) The Company requires directors, supervisors, managers and employees 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

Item	Implementation Status
(4) Operation conditions of the effective accounting system and internal control system established by the Company to practice ethical corporate management and the audit conditions of internal audit personnel.	(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.
3. Operation status of disciplinary and complaint system established by the handling violations of ethical corporate management rules.	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.
4. Information Disclosure (1) Status of ethical corporate governance and other related information disclosed on company websites set up by the Company. (2) Other information disclosure methods taken by the company (e.g. setting up English website, assignment of personnel to be responsible for the collection and disclosure of company information).	 (1) The Company website has not disclosed the information of ethical corporate management, but has implemented its ethical corporate management policies. (2) The Company has disclosed the ethical corporate management status in the annual report, and assigned organization to handle information collection, disclosure and update.
5. If the Company has established its own ethical corporate governance in accordance with Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, describe the operation status and difference with the best practice principles: The Company has not promulgated its own ethical corporate management best practice principles, but the Company has implemented its ethical corporate management policies based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.	
6. Other important information to facilitate better understanding of the Company’s ethical corporate management operations (e.g. announcement of company commitment to ethical corporate management practices and policies to business partners, requesting their participation in education and training, discussion of revisions to ethical corporate management rules set down by the Company): Suppliers: The Company requires factory construction contractors comply with the ethical corporate management before they enter into the plant. The contractors should participate in ESH training to be held by the Company, the Company helps contractors to understand the Company's management rules, and assist contractors to identify operating risks that may arise and take precautions to avoid accident in the process. Employees: The Company has defined in the work rules that the employee shall not engaged in malpractice, improper benefits or other illegal gains in his/her position. The Company disciplines violations of the above-mentioned rules in Employee Reward and Discipline Rules to ensure the Company’s compliance of the ethical corporate management.	

3.3.7. Internal Control System

A. Statement of Internal Control

WIN Semiconductors Corp.

Statement of Internal Control

March 07, 2014

The internal control self-assessment of WIN Semiconductors Corp. was conducted for the year ended December 31, 2012 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 Semi. has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. WIN Semi. 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 07, 2014, with none of the seven attending directors expressing dissenting opinions on the content of the Statement.

WIN Semiconductors Corp.

Chairman: Dennis 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

3.3.8. Major Resolutions of Shareholders' Meeting and Board Meetings

A. Action Arising of Shareholders' Meeting on June 10, 2013

Major Resolutions	Action Arising
Report items:	
1. 2012 business report.	-
2. 2012 supervisors' report.	-
3. The status report of investments.	-
4. The adjustments of retained earnings arisen from first-time adoption of IFRS and the appropriation of special reserves caused by optional exemption adopted under IFRS 1 "First-time Adoption of International Financial Reporting Standards".	-
5. Changing estimates of service life of M&E to 5 years from 2013.	-
6. Amendment to the Company's "Rules and Procedures of Board of Directors Meetings"	-
7. The status of the meeting proposals and nominations of independent director candidates by shareholders.	-
8. Other report items.	-
Proposed resolutions:	
1. Adoption of the 2012 business report and financial statements.	1. After the solicitation of opinions by the chairman, all attending shareholders unanimously agree to pass the proposal.
2. Adoption of the proposal for distribution of 2012 profits.	2. After the solicitation of opinions by the chairman, all attending shareholders unanimously agree to pass the proposal. The cash dividends were paid as the proposal.
Discussion and Election items:	
1. Amendment to the Company's "Procedures for Lending Funds to Other Parties".	1. Process by the amendment version.
2. Election of Board and Supervisors.	2. Seven directors (including two independent directors) and three supervisors were elected by the shareholders present. The tenure of the newly elected directors and supervisors commences on June 10, 2013 and shall expire on June 9, 2016.
3. Proposal for removal of "restriction on Board members over competing business involvement".	3. After the solicitation of opinions by the chairman, all attending shareholders unanimously agree to pass the proposal.

B. Major Resolutions of Board Meetings

Date	Major Resolutions
02/18/2013	1. Disposal by the Company of the land located at Fushing Third Road, Huaya Industrial Park, Taoyuan.
03/22/2013	1. Approval of the financial statements and consolidated financial statements for the year of 2012. 2. Approval of the business operation report for the year of 2012. 3. Recommendation of distribution of earnings for the year of 2012. 4. Amendment to the Company's "Procedures for Lending Funds to Other Parties". 5. Approval of re-electing directors of the Board and supervisors in the annual shareholders meeting. 6. Recommendation of releasing newly elected directors of the Board from non-competition obligations. 7. Discussion of the list of independent directors of the Board nominated by the Board of Directors. 8. Setting up time for the annual shareholders meeting of, and timeframe for submitting proposals and nominations of independent director candidates by shareholders of the Company for the shareholders meeting of 2013. 9. Appointment of the Internal Auditing Manager. 10. Change of the CPA of the Company beginning the year of 2013. 11. Evaluation of independence and qualification of the CPA to be engaged by the Company. 12. Approval of the professional service fee of the CPA for the year of 2013. 13. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2013. 14. Issuance of internal control statement. 15. Renewal of the agreements for short-term and mid-term facilities with seven financial institutions. 16. Payment adjustment, Employee Bonus Distribution, Quarterly Performance-based Bonus of year 2012, Year-end Special Bonus of the year of 2012 and Employee Stock Trust Program.
04/29/2013	1. Report of the consolidated financial statements for the first quarter of 2013. 2. Review of the list and qualifications of independent director candidates. 3. Application for short-term and mid-term facility with China Development Industrial Bank. 4. Revision the distribution of earnings for the year of 2012 and recommendation of the same to the annual shareholders meeting.
06/10/2013	1. Election of the Chairman of the Board of Directors. 2. Appointment the Compensation Committee members. 3. Proposal of acquisition by the Company of the land neighboring Kueishan facility.
07/03/2013	1. The issuance of new shares for exercise by employees of Employee Stock Options during the second quarter of 2013. 2. Applications of facilities with Far Eastern International Bank and Mega International Commercial Bank to meet operation requirement of the Company. 3. Approval of acquisition by the Company of the land and premises thereon neighboring Kueishan facility.
08/12/2013	1. Report of the consolidated financial statements for the second quarter of 2013. 2. Applications of short-term and mid-term facilities with five financial institutions.
10/03/2013	1. Repurchase of the Company's common stocks for the cancellation of shares. 2. The issuance of new shares for exercise by employees of Employee Stock Options during the third quarter of 2013. 3. Lending funds to Inventec Energy Corporation with ceiling of NT$250 millions. 4. Organization changes of the Company and promotion of two vice presidents.
11/13/2013	1. Report of the consolidated financial statements for the third quarter of 2013. 2. Approval of the auditing plan of the Company for the year of 2014.

Date	Major Resolutions
12/30/2013	1. Approval of the budget plan of the Company for the year of 2014. 2. Capital reduction due to cancellation of treasury shares. 3. The issuance of new shares for exercise by employees of Employee Stock Options during the fourth quarter of 2013. 4. Application for extension of short-term and mid-term facilities with five financial institutions.
03/07/2014	1. Approval of the business report for the year of 2013. 2. Approval of the financial statements and consolidated financial statements for the year of 2013. 3. Recommendation of the distribution of earnings for the year of 2013. 4. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets". 5. Amendment to the Company's "Rules and Procedures of Shareholders' Meeting". 6. Revision of the use of proceeds from the Company's 2012 GDR offering. 7. Evaluation of independence and qualification of the CPA to be engaged by the Company. 8. Change of the CPA of the Company beginning the first quarter of 2014. 9. Approval of the professional service fee of the CPA for the year of 2014. 10. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2014. 11. Issuance of Internal Control Statement of the Company for the year of 2013. 12. 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. 13. Budget of managers' compensation for the year of 2014.
05/09/2014	1. Report of the consolidated financial statements for the first quarter of 2014. 2. Re-appointment of one member of the Compensation Committee 3. Application for short-term and mid-term facilities with five banks.

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

None

3.3.10. Resignation or Dismissal of the Company's Chairman, General Manager, Principal Accounting Officer, Principal Financial Officer, Chief Internal Auditor and Principal R&D Officer

None

3.4. 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

3.4.1. Shares Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders with a Stake of More than 10 Percent

Unit: Share

Title	Name	2013		As of Apr. 22, 2014	
		Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Chairman	Dennis Chen	567,600	0	0	0
Director	Cheng-Huei Wang	0	0	0	0
Director	Yu-Chi Wang	53,000	0	0	0
Director	William Chang	83,000	0	0	0
Director	Steve Chen	(86,000)	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.-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	30,000	0	0	0
Vice President	Joseph Liu	40,000	0	0	0
Vice President	Brian Lee	(269,000)	0	200,000	0
Sr. Vice President	Kyle Chen	165,000	0	(165,000)	0
Assistant Vice President	Annie Yu	(279,000)	0	(193,000)	0
Assistant Vice President	S.Y. Wang	90,000	0	0	0
Head of Accounting	Linna Su	(25,000)	0	(63,000)	0
Head of Finance	Joe Tsen	(36,000)	0	0	0

3.4.2. Shares Trading with Related Parties in Shareholding of Directors, Supervisors, Managers and Major Shareholders with a Stake of More than 10 Percent

None

3.4.3. Shares Pledge

None

3.5. Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders Any One Is a Related Party or a Relative within the Second Degree of Kinship of Another

3.5.1. Information Disclosing the Relationship between Any of the Company's Top Ten Shareholders

Apr. 22, 2014; 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	
Nan Shan Life Insurance Company, Ltd. Representative: Wen-De Guo	47,812,000	6.46	0	0	0	0	None	None	None
Kou-I Yeh	30,042,791	4.06	800,408	0.11	0	0	Li-Chuan Yeh Li-Cheng Yeh	Within the 2nd degree of kinship of Kou-I Yeh	None
							Inventec Corporation	Director of Inventec Corporation	None
Dennis Chen	22,305,571	3.01	1,880,000	0.25	0	0	Tien Ho Industrial Co., Ltd.	Within the 1st degree of kinship of the major shareholder of Tien Ho Industrial Co., Ltd.	None
Li-Cheng Yeh	21,097,308	2.85	2,350,000	0.32	0	0	Kou-I Yeh Li-Chuan, Yeh	Within the 2nd degree of kinship of Li-Cheng Yeh	None
Li-Chuan Yeh	20,962,308	2.83	5,850,000	0.79	0	0	Kou-I Yeh Li-Cheng, Yeh	Within the 2nd degree of kinship of Li-Chuan Yeh	None
Tien Ho Industrial Co., Ltd. Representative: Yu-Wen Chen	14,735,099	1.99	0	0	0	0	Dennis Chen	Within the 1st degree of kinship of the major shareholder of Tien Ho Industrial Co., Ltd.	None
Inventec Corporation Representative: Tsu-Chin Lee	14,500,000	1.96	0	0	0	0	Kou-I Yeh	Director of Inventec Corporation	None
Fubon Life Insurance Co., Ltd. Representative: Peng-Yuan Cheng	13,000,000	1.76	0	0	0	0	None	None	None

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
International Fiber Technology Co., Ltd. Representative: Shih-Chuan Hsieh	6,300,000	0.85	0	0	0	0	None	None	None
Asuspower Investment Co., Ltd. Representative: Shih-Chang Hsu	6,200,000	0.84	0	0	0	0	None	None	None

3.6. The Total Number of Shares and Total Equity Stake Held in Any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

Mar. 31, 2014; Unit: Shares in thousands; %

Investee	Shareholding by the Company		Directors and Supervisors, Managers, and any Companies Controlled either Directly or Indirectly by the Company		Total Number of Shares	
	Shares	%	Shares	%	Shares	%
Win Semiconductors Cayman Islands Co., Ltd.	7,000	100.00	0	0	7,000	100.00
WIN SEMI. USA, INC.	1,000	100.00	0	0	1,000	100.00
Inventec Energy Corporation	43,770	34.52	19	0.01	43,789	34.54

IV. CAPITAL OVERVIEW

4.1. Capital and Shares

4.1.1. Source of Capital Stock

Apr. 22, 2014; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	740,637,928 (Note)	259,362,072	1,000,000,000	Listed on GTSM

Note: As of Apr. 22, 2014, the Company's outstanding shares consisted of 740,637,928 shares of common stock, with $10 dollars par value, of which 441,880 shares were un-registration cause by the exercise of Employee Stock Options.

Unit: Shares; NT$

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash
Oct. 1999	10	132,000,000	1,320,000,000	38,760,000	387,600,000	Set up by cash	None
Apr. 2000	10	132,000,000	1,320,000,000	104,652,000	1,046,520,000	Share capital increase by cash	None
Jul. 2000	10	132,000,000	1,320,000,000	125,400,000	1,254,000,000		None
Aug. 2000	20	264,000,000	2,640,000,000	165,000,000	1,650,000,000		None
Nov. 2000	11	264,000,000	2,640,000,000	180,000,000	1,800,000,000		None
Dec. 2000	28	264,000,000	2,640,000,000	215,000,000	2,150,000,000		None
Mar. 2002	20	264,000,000	2,640,000,000	235,000,000	2,350,000,000		None
Aug. 2002	25.5	248,000,000	2,480,000,000	248,000,000	2,480,000,000		None
May 2004	-	248,000,000	2,480,000,000	195,196,828	1,951,968,280	Share cancelled by capital reduction	None
Oct. 2004	10	330,000,000	3,300,000,000	265,196,828	2,651,968,280	Share capital increase by cash	None
Apr. 2005	10	360,000,000	3,600,000,000	325,996,828	3,259,968,280	New share issuance for merger and acquisition	None
Oct. 2006	10	500,000,000	5,000,000,000	465,996,828	4,659,968,280	Share capital increase by cash	None
Oct. 2007	10	500,000,000	5,000,000,000	466,863,828	4,668,638,280	Conversion of shares by employee stock options	None
Feb. 2008	10	500,000,000	5,000,000,000	467,225,528	4,672,255,280		None
May 2008	10	500,000,000	5,000,000,000	468,615,528	4,686,155,280		None
Sep. 2008	20	1,000,000,000	10,000,000,000	593,615,528	5,936,155,280	Share capital increase by cash	None
Jan. 2010	10	1,000,000,000	10,000,000,000	597,969,528	5,979,695,280	Conversion of shares by employee stock options	None
Apr. 2010	10	1,000,000,000	10,000,000,000	598,293,528	5,982,935,280		None
Jul. 2010	10	1,000,000,000	10,000,000,000	600,108,528	6,001,085,280		None
Oct. 2010	10	1,000,000,000	10,000,000,000	605,018,535	6,050,185,350		None
Feb. 2011	10	1,000,000,000	10,000,000,000	617,567,535	6,175,675,350		None
May 2011	10	1,000,000,000	10,000,000,000	620,989,535	6,209,895,350		None
Jul. 2011	10	1,000,000,000	10,000,000,000	622,572,035	6,225,720,350		None
Oct. 2011	10	1,000,000,000	10,000,000,000	623,586,528	6,235,865,280		None
Dec. 2011	10	1,000,000,000	10,000,000,000	648,593,028	6,485,930,280	Share capital increase by cash and conversion of shares by employee stock options	None
Apr. 2012	10	1,000,000,000	10,000,000,000	648,676,728	6,486,767,280	Conversion of shares by employee stock options	None
Jul. 2012	10	1,000,000,000	10,000,000,000	648,698,928	6,486,989,280		None
Oct. 2012	10	1,000,000,000	10,000,000,000	748,703,928	7,487,039,280	Share capital increase by cash and conversion of shares by employee stock options	None

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash
Jan. 2013	10	1,000,000,000	10,000,000,000	754,187,728	7,541,877,280	Conversion of shares by employee stock options	None
Apr. 2013	10	1,000,000,000	10,000,000,000	757,457,048	7,574,570,480		None
Jul. 2013	10	1,000,000,000	10,000,000,000	757,854,848	7,578,548,480		None
Oct. 2013	10	1,000,000,000	10,000,000,000	758,626,248	7,586,262,480		None
Jan. 2014	10	1,000,000,000	10,000,000,000	739,275,448	7,392,754,480	Capital reduction due to cancellation of treasury shares and conversion of shares by employee stock options	None
Apr. 2014	10	1,000,000,000	10,000,000,000	740,196,048	7,401,960,480	Conversion of shares by employee stock options	None

4.1.2. Shareholders Structure

Apr. 22, 2014

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	15	154	34,957	113	35,240
Shareholding (Shares)	723,000	76,281,733	84,169,047	549,056,294	30,407,854	740,637,928
Percentage	0.10%	10.30%	11.36%	74.13%	4.11%	100.00%

4.1.3. Shareholding Distribution Status (The par value for each share is NT$10)

Apr. 22, 2014

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	563	191,404	0.03%
1,000 ~ 5,000	22,572	53,947,871	7.28%
5,001 ~ 10,000	5,607	47,735,487	6.45%
10,001 ~ 15,000	1540	20,549,970	2.78%
15,001 ~ 20,000	1552	29,528,047	3.99%
20,001 ~ 30,000	1066	28,276,523	3.82%
30,001 ~ 40,000	578	21,234,934	2.87%
40,001 ~ 50,000	415	19,811,922	2.68%
50,001 ~ 100,000	691	49,996,390	6.75%
100,001 ~ 200,000	336	48,201,704	6.51%
200,001 ~ 400,000	148	41,642,900	5.62%
400,001 ~ 600,000	61	29,867,225	4.03%
600,001 ~ 800,000	24	16,808,081	2.26%
800,001 ~ 1,000,000	19	16,878,521	2.27%
1,000,001 or over	68	315,966,949	42.66%
Total	35,240	740,637,928	100.00%

4.1.4. List of Major Shareholders: List all shareholders with a stake of 5 percent or greater, or the names of the top ten shareholders, specifying the number of shares and stake held by each shareholder on the list

Apr. 22, 2014

Shareholder's Name	Shareholding	
	Shares	Percentage
Nan Shan Life Insurance Company, Ltd.	47,812,000	6.46%
Kou-I Yeh	30,042,791	4.06%
Dennis Chen	22,305,571	3.01%
Li-Cheng Yeh	21,097,308	2.85%
Li-Chuan Yeh	20,962,308	2.83%
Tien Ho Industrial Co., Ltd.	14,735,099	1.99%
Inventec Corporation	14,500,000	1.96%
Fubon Life Insurance Co., Ltd.	13,000,000	1.76%
International Fiber Technology Co., Ltd.	6,300,000	0.85%
Asuspower Investment Co., Ltd.	6,200,000	0.84%

4.1.5. Market Price, Net Worth, Earnings, and Dividends Per Share for the Past 2 Fiscal Years

Unit: NT$; Shares in thousands

Item			2012	2013	01/01/2014~05/20/2014 (Note 1)
Market Price Per Share	Highest Market Price		52.80	39.10	29.30
	Lowest Market Price		26.40	23.65	25.10
	Average Market Price		38.07	31.26	27.45
Net Worth Per Share	Before Distribution		19.03	20.14	20.60
	After Distribution		17.53	(Note 2)	Not applicable
Earnings Per Share	Weighted Average Shares (thousand shares)		672,994	754,141	739,761
	Earnings Per Share		2.31	2.40	0.29
Dividends Per Share	Cash Dividends		1.50	1.50 (Note 2)	Not applicable
	Stock Dividends	Dividends from Retained Earnings	-	-	
		Dividends from Capital Surplus	-	-	
	Accumulated Undistributed Dividends		-	-	
Return on Investment	Price / Earnings Ratio (Note 3)		16.85	12.81	
	Price / Dividend Ratio (Note 4)		25.95	20.49 (Note 2)	
	Cash Dividend Yield Rate (Note 5)		3.85%	4.88% (Note 2)	

Note1: The data of net worth per share and earnings per share were from the latest reviewed financial statements.

Note2: The appropriation of earnings for 2013 shall be determined by the 2014 Annual General Shareholders' Meeting.

Note 3: Price / Earnings Ratio = Average Market Price / Earnings Per Share

Note 4: Price / Dividend Ratio = Average Market Price / Cash Dividends Per Share

Note 5: 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.

B. Proposed Distribution of Dividend

The proposal for distribution of 2013 profits was passed at the Board of Directors meeting on March 07, 2014. This proposal will be discussed at the annual shareholders' meeting on June 20, 2014. Upon the approval of the AGM, it is proposed that the Chairman of the Board be authorized to resolve the ex-dividend date.

Unit: NT$ dollars

The proposal for distribution of 2013 profits	Stockholders' cash bonus	Directors' and supervisors' remuneration	Employee cash bonus
	1,109,797,572	49,900,000	166,400,000

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. Employee Bonus and Directors' and Supervisors' Remuneration

A. Information Relating to Employee Bonus and Directors' and Supervisors' Remuneration 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.

B. Estimate Foundation of Employee Bonus and Directors' and Supervisors' Remuneration

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 2012.
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. Profit Distribution of Year 2013 Approved in Board of Directors Meeting for Employee Bonus and Directors' and Supervisors' Remuneration

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

The 2013 earnings appropriation plan was passed by the Board of Directors' meeting on March 07, 2014 as below:

(1) Employee cash bonus is NT$ 166,400 thousand.

(2) Appropriated directors' and supervisors' remuneration is NT$ 49,900 thousand.

(3) Stockholders' cash bonus is NT$ 1,109,798 thousand, and the undistributed earnings at the end of this period is NT$ 1,957,078 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$ 2.40 per share.

D. Information of 2012 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

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

The 2012 earnings appropriation plan was passed by the stockholders' meeting on June 10, 2013 as below:

(1) Employee cash bonus is NT$167,000 thousand.

(2) Appropriated directors' and supervisors' remuneration is NT$ 50,100 thousand.

(3) Stockholders' cash bonus is NT$1,136,245 thousand, and the undistributed earnings at the end of this period is NT$1,560,393 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$2.31.

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

The Board of Directors resolved to repurchase its common stocks for the cancellation of shares on October 3, 2013. The execution is reported as followings:

Apr. 22, 2014

Number of Batches	1st Batch
Purpose of redemption	Preserving company good will and shareholders' equity
Timeframe of redemption	2013/10/04~2013/12/03
Price range	NT$26 to NT$40 per share
Type and number of shares redeemed	Common stock 20,000,000 shares
Total monetary amount of redeemed shares	NT$ 515,315,595
Shares cancelled	Common stock 20,000,000 shares
Accumulated number of shares held by the Company	0
Percentage of total shares held by the Company (%)	0%

4.2. Issuance of Corporate Bonds

None

4.3. Issuance of Preferred Stock

None

4.4. Issuance of Global Depositary Receipts

Item \ Issued Date			10/09/2012 & 11/7/2012
Issued Date			10/09/2012 & 11/7/2012
Listing Exchange			Luxembourg Stock Exchange
Issued Amount			US$168,128,000
Listing Price			US$5.254
Issued Size			32,000,000 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			160,000,000 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. 22, 2014)			149,700 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 2013	High	US$6.41
		Low	US$4.09
		Average	US$5.19
	Jan. 01, 2014~ Apr. 22, 2014	High	US$4.77
		Low	US$4.20
		Average	US$4.45

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

May 20, 2014

Type of Stock Option	2008	2009	2010
Effective Registration Date	09/10/2009	09/22/2009	09/28/2010
Issue Date	08/20/2009	09/30/2009	01/26/2011
Units Issued	10,000,000 units	20,000,000 units	10,000,000 units
Option Shares to be Issued as a Percentage of Outstanding Shares	1.67%	3.37%	1.67%
Duration	7 years	5 years	5 years
Conversion Measures	New share issue	New share issue	New share issue
Conditional Conversion Periods and Percentages	Grant date: 50% Over 1 year: 100%	Over 2 year: 60% Over 3 year: 100%	Over 2 year: 60% Over 3 year: 100%
Converted Shares	9,500,000	19,429,400	4,167,000
Exercised Amount	95,000,000	194,086,860	102,871,632
Number of Shares yet to be Converted	0 (Note)	162,200 (Note)	4,617,000 (Note)
Adjusted Exercise Price for Those Who Have yet to Exercise Their Rights	NT$10.00	NT$9.50	NT$23.90
Unexercised Shares as a Percentage of Total Issued Shares	0%	0.02%	0.62%
Impact on Possible Dilution of Shareholdings	The Company use employee stock options plans as a tool to compensate, retain, and attract valuable employees for the best of Company's benefit and further to contribute to stockholders' equity.		

Note: The employees were resigned and the options cannot be exercised.

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

May 20, 2014; 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 Officer	Vice President	C.C. Chang (Note 3)	12,869,000	1.74%	11,929,000	9.5~25.0	126,904,340	1.61%	940,000 (Note 5)	9.5~23.9	14,364,000 (Note 5)	0.13%
	BU General Manager	William Chang										
	President	Dennis Chen										
	Vice President	Kyle Chen										
	Vice President	Steve 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	0.80%	3,998,000	9.9~25.0	44,358,940	0.54%	1,914,000 (Note 6)	23.9	45,744,600 (Note 6)	0.26%
	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

4.8.1. For each uncompleted public issue Finance Plans

For the period as of the quarter preceding the date of printing of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits:

2012 Global Depositary Receipts

A. Finance plan:

1. Approved date and no.: 19 September 2012 Order No. Financial-Supervisory-Securities-Corporate-1010042074 of the Financial Supervisory Commission
2. The information uploaded to the MOPS website:
   (1) Completion of the funds offering: October 09, 2012
   (2) Revision of the use of proceeds by the board of directors of the Company: March 07, 2014
3. Reason for the revision: Beginning from the 2nd half year of 2013, the capacity utilization wasn't satisfied due to industry demand not as expected. In consideration of operation efficiency, the amount of purchase of machinery and equipment will be reduced to NT$1,155,899 thousand from NT$1,636,048 thousand and the overall amount of the plan will be reduced to NT$3,648,869 thousand concurrent with a revision of anticipated benefits.
4. Content before the revision:
   (1) Total planned amount: NT$ 4,129,018 thousand
   (2) Source of funds: Issued 20,000,000 units of Global Depositary Receipts (represented common stocks 100,000,000 shares) to raise fund of US$ 105,080 thousand (equivalent to NT$ 3,152,400 thousand). The rest of source other than GDR around NT$976,618 thousand will come from Company's operation cash flow.
   (3) Projected schedule for fund use:

Unit: NT$ thousands

Item	Estimated date of completion	Total planned amount	Projected Schedule for Fund Use							
			2012				2013			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procurement of raw materials	2013Q1	2,492,970	—	—	—	908,400	1,584,570	—	—	—
Acquisition of machinery and equipment	2013Q4	1,636,048	7,320	132,349	15,489	882,215	393,651	148,296	47,458	9,270
Total		4,129,018	7,320	132,349	15,489	1,790,615	1,978,221	148,296	47,458	9,270

Note: The project began in early 2012, and applied bank loans from 2Q 2012 to cover some portion of planned amount. The Company will repay the loans after completed the funds offering.

   (4) Expected benefits
   - Procurement of raw materials: Carrying in mid to long term working capital and saving the interest payment to increase the Company's profitability.
   - Acquisition of machinery and equipment: The funds rising is using to acquisition of machinery and equipment for the capacity expansion. The expected benefits are as below:

Unit: Piece; NT$ thousands

Year	Product	Production Quantity	Shipment Quantity	Shipment Amount	Gross Profit	Operating Income
2013	GaAs wafers	22,200	22,200	1,143,899	330,450	207,812
2014	GaAs wafers	44,310	44,310	2,199,151	675,346	439,337
2015	GaAs wafers	50,160	50,160	2,438,777	781,395	519,793
2016	GaAs wafers	56,400	56,400	2,662,554	856,012	570,537

(5) The status of implementation of fund use

Unit: NT$ thousands

Item	Status of Implementation		Up to 12/31/2013	Remark
Procurement of raw materials	Amount	Planned	2,492,970	Completed on the second quarter of 2013.
		Actual	2,492,970	
	Achievement (%)	Planned	100.00%	
		Actual	100.00%	
Acquisition of machinery and equipment	Amount	Planned	1,636,048	The plan is slightly behind schedule due to the re-negotiation of payment terms with certain suppliers. Generally speaking, there is no material discrepancy from the plan.
		Actual	1,155,899	
	Achievement (%)	Planned	100.00%	
		Actual	70.65%	
Total	Amount	Planned	4,129,018	
		Actual	3,648,869	
	Achievement (%)	Planned	100.00%	
		Actual	88.37%	

The fund-raising plan of issuing new shares for Global Depositary Receipts (GDR) offering has raised US$105,080 thousand, equivalent to NT$3,152,400 thousand, of cash closed on Oct. 9, 2012. As of Dec. 31, 2013, the total of NT$3,648,869 thousand has been used in raw materials procurement and acquisition of machinery and equipment, funded by GDR in NT$ 3,152,400 thousand and own working capital in NT$ 496,469 thousand.

6. Content after the revision:

(1) Total planned amount: NT$ 3,648,869 thousand

(2) Source of funds: Issued 20,000,000 units of Global Depositary Receipts (represented common stocks 100,000,000 shares) to raise fund of US$ 105,080 thousand (equivalent to NT$ 3,152,400 thousand). The rest of source other than GDR around NT$496,469 thousand will come from Company's operation cash flow.

(3) Projected schedule for fund use:

Unit: NT$ thousands

Item	Estimated date of completion	Total planned amount	Projected Schedule for Fund Use							
			2012				2013			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procurement of raw materials	2013Q2	2,492,970	—	—	—	680,841	1,338,358	473,771	—	—
Acquisition of machinery and equipment	2013Q4	1,155,899	7,320	132,349	18,493	623,532	99,783	97,179	153,583	23,660
Total		3,648,869	7,320	132,349	18,493	1,304,374	1,483,141	570,950	153,583	23,660

Note: The project began in early 2012, and applied bank loans from 2Q 2012 to cover some portion of planned amount. The Company will repay the loans after completed the funds offering.

(4) Expected benefits

- Procurement of raw materials: Unchanged
- Acquisition of machinery and equipment: After the revision, the expected additional benefits are as below:

Unit: Piece; NT$ thousands

Year	Product	Production Quantity	Shipment Quantity	Shipment Amount	Gross Profit	Operating Income
2014	GaAs wafers	3,240	2,916	148,716	41,640	26,769
2015	GaAs wafers	4,896	4,406	220,212	61,659	39,638
2016	GaAs wafers	6,992	6,293	308,231	86,305	55,482
2017	GaAs wafers	9,274	8,346	400,616	112,173	72,111
2018	GaAs wafers	10,378	9,340	439,363	123,022	79,085

(5) The status of implementation of fund use

Unit: NT$ thousands

Item	Status of Implementation		Up to 12/31/2013	Remark
Procurement of raw materials	Amount	Planned	2,492,970	Completed on the se-cond quarter of 2013.
		Actual	2,492,970	
	Achievement (%)	Planned	100.00%	
		Actual	100.00%	
Acquisition of machinery and equipment	Amount	Planned	1,155,899	After the revision, the amount of acquisition of machinery and equip-ment was reduced NT$480,149, and the item was completed on the fourth quarter of 2013.
		Actual	1,155,899	
	Achievement (%)	Planned	100.00%	
		Actual	100.00%	
Total	Amount	Planned	3,648,869	
		Actual	3,648,869	
	Achievement (%)	Planned	100.00%	
		Actual	100.00%	

B. Efficiency analysis

Unit: Piece; NT$ thousands

Year	Product	Period	Production Quantity	Shipment Quantity	Shipment Amount	Gross Profit	Operating Income
2014	GaAs wafers	2014 Planned	3,240	2,916	148,716	41,640	26,769
		2014Q1 Planned	0	0	0	0	0
		2014Q1 Actual	0	0	0	0	0
		2014Q1 Achievement	0%	0%	0%	0%	0%

The effectiveness of the acquisition of machinery and equipment in 1Q2014 has not been fulfilled mainly due to a traditional low season. The original capacity before expansion was good enough for the first quarter needed.

C. Effect upon shareholders' equity and the improvement action:

The capacity utilization wasn't satisfied since the 2nd half year of 2013 due to industry demand not as expected. In consideration of operational effectiveness, WIN's Board of Directors resolved on March 07, 2014, to revise the plan by reducing own budget on equipment and machinery concurrent with a revision of its anticipated benefits. The benefit of the new plan is anticipated to achieve when the 2014 peak season coming. There is no material impact for shareholders' equity.

V. OPERATIONAL HIGHLIGHTS

5.1. Industry Overview

5.1.1. GaAs Industry Overview

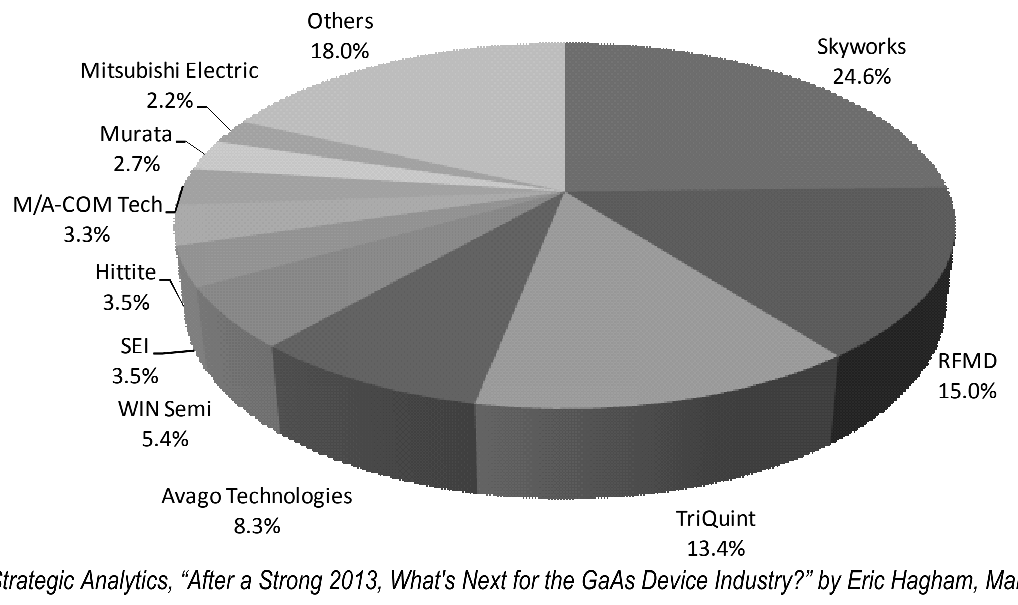
Gallium arsenide (GaAs) is a compound of the elements gallium and arsenic. It is a III/V semiconductor, used in the manufacture of devices such as microwave frequency integrated circuits, monolithic microwave integrated circuits (MMIC), infrared light-emitting diodes, laser diodes, and solar cells. GaAs 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.

According to Strategy Analytics, the GaAs device market revenues up a very strong 11% from 2012, reaching a market of US$6.5bn in 2013. In 2013, the top 5 GaAs device manufacturers took up 66.7% of the total market share, led by Skyworks at 24.6%.

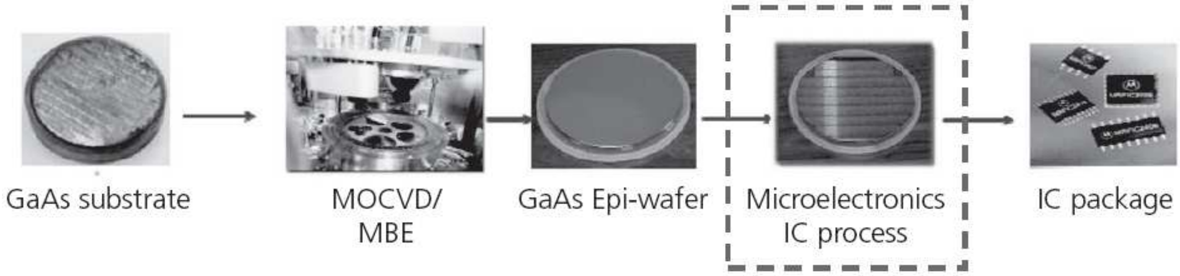
GaAs device manufacturer market share by revenue (2013)



Source: Strategic Analytics, "After a Strong 2013, What's Next for the GaAs Device Industry?" by Eric Hagham, March 2014

5.1.2. GaAs Value Chain

Manufacturing process

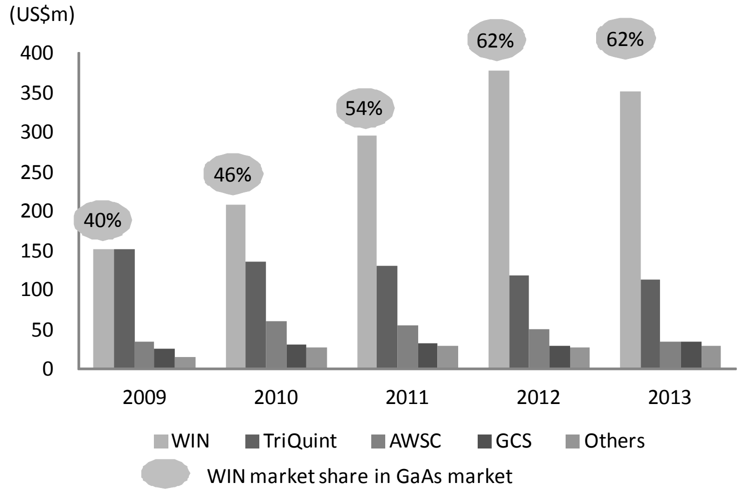


The manufacturing process of GaAs semiconductors can be divided into the stages as illustrated in the diagram. In the microelectronics IC process, companies who design the semiconductors are categorized into Integrated Design Manufacturers ("IDMs") and fables companies. IDMs have internal capacity to manufacture the wafers used for their products. Fabless companies do not have manufacturing facilities and rely on third-party contract manufacturing vendors, known as foundries, to manufacture wafers for the chips that they design. Most IDMs are now increasing their use of foundry vendors and seek to focus resources on new product designs and marketing. Manufacturing of semiconductors requires substantial investment in specialized equipment and facilities, where there needs to be efficient use of assets, and significant management focus. By utilizing the capabilities of the foundry vendors, IDMs are able to focus on their core areas of expertise in chip design to compete more effectively with fables players. The level of skill and technology required for manufacturing is also increasing rapidly. It is, consequently, more efficient for the IDMs to outsource the production process to specialized companies that are able to amortize their R&D and equipment costs over a large number of customers than to have their own dedicated facilities. According to Strategy Analytics, the GaAs foundry market was US$565m in 2013.

5.1.3. GaAs Foundry Market Size

The GaAs OEM/ODM foundry players include WIN Semi, TriQuint, Advanced Wireless Semiconductor Co (AWSC) and GCS jointly accounted 95% of the total market share in 2013 according to Strategy Analytics. Among the four players, WIN Semi, GCS and AWSC 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 2013 WIN Semi held 62.4% of GaAs foundry market share in line with 2012. Triquint remained the 2nd place and the shares of 20%. AWSC held 6% shares, down from 8% in 2012.

GaAs foundry historical market share

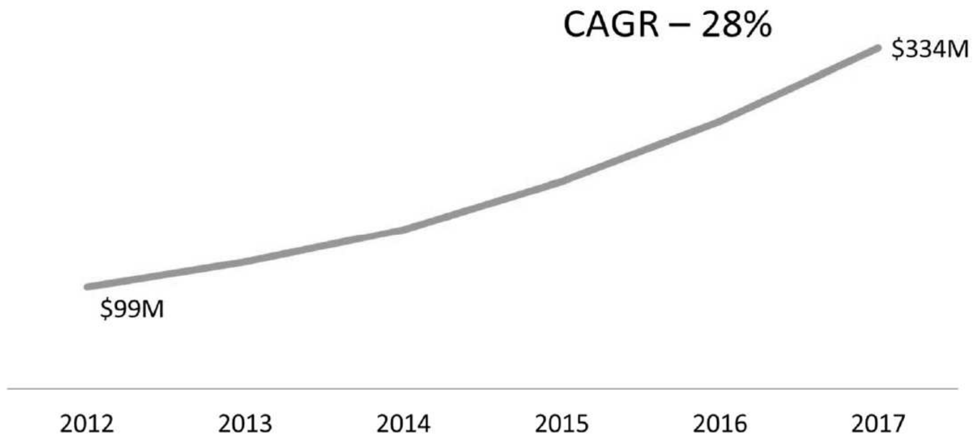


Source: Strategy Analytics

5.1.4. 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.

GaN device market



Source: Strategy Analytics, "GaN Market Update —Opportunities and Outlook", Asif Anwar, October 2013

5.1.5. GaAs Semiconductor End Markets

The largest application for GaAs semiconductors is mobile handsets, and increasingly smartphones. According to IDC, the global smartphone shipments reached 1 billion units the first time in 2013, covering about one-seventh of the world's population, accounted 39.2% growth over 2012. The increasing smart-phone shipments will continue to be driven by consumer demand for mobile Internet connectivity, the growing emphasis by vendors and carriers to push out higher-end handsets for replacement sales, and the availability of mid-range and entry-level smartphones targeting the mass market. According to IDC, total worldwide smartphone shipment is expected to reach 1.2 billion units in 2014, representing a 19.3% year-over-year growth.

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.

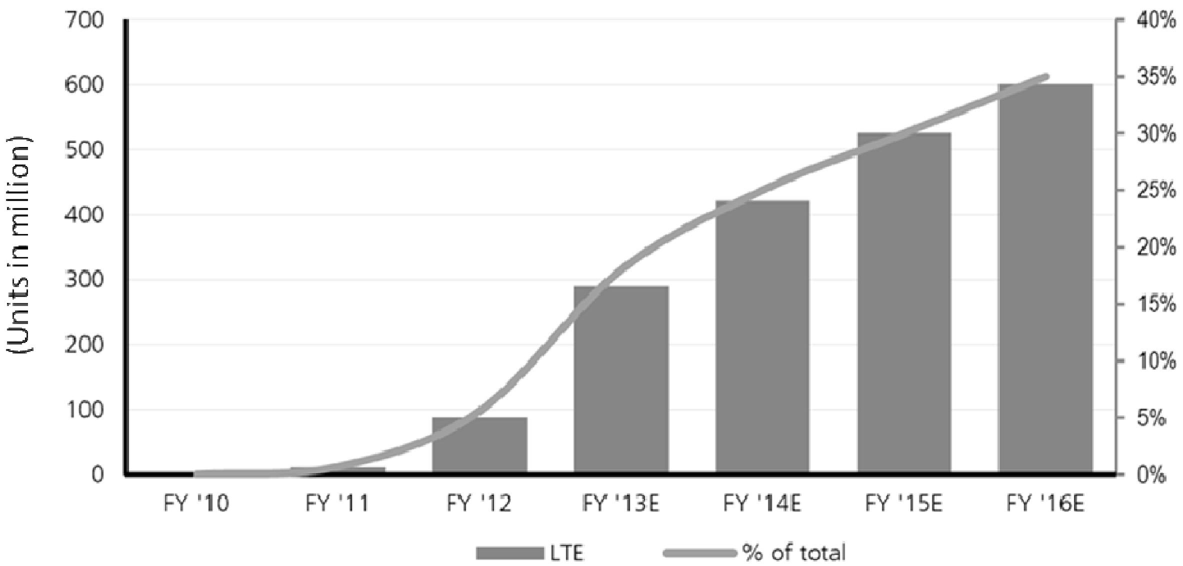
Asia/Pacific will continue to have the largest market share in smartphone shipment, while emerging countries in Latin America and Asia/Pacific are expected to post the highest growth rate. Within Asia/Pacific, the smartphone market in China is posed for rapid growth as the continued erosion of the average selling price of mobile handsets will stimulate growth in the number of new users. In addition, white-box manufacturers continue to increase their presence thanks to their ability to deliver 2.5G and third-generation (3G) smartphones at aggressive prices. According to IDC, China's smartphone market will remain relatively growth in 2014, but its growth rate will drop dramatically compared with the 63.6% growth rate in 2013.

5.1.6. Handset Technology Migration

Cellular communication has evolved from 2G to more advanced 3G, and then to 4G LTE networks offering vast range of services at higher speeds amidst changing consumer trend. 2G digital voice cellular systems replaced the 1G analog systems in 1990s and allowed for voice communication, short messaging service, and simple data applications. The rollout of 3G networks promised faster Internet connection speed to support mobile multimedia applications. The main difference between 2G and 3G handsets is the speed they can receive and transmit data over the wireless network. 2G phones have a dedicated data bearer and use the same basic data transfer method as 1G phone and data transfer rate was limited to 64 Kbps. 3G phones added a dedicated transmission band for 3G Internet which allowed phones to transmit and receive data at speeds from 144Kbps to up to 3.2Mbps.

Long Term Evolution ("LTE") is a standard for wireless data communications technology and an evolution of the 3G GSM/UMTS standards. Key benefits of LTE service include 1) faster wireless internet service on the move eliminating slow latency 2) easy uploading and downloading of heavy files; 3) seamless video play with HD quality. In line with changing consumer trend toward enjoying multi-media contents through mobile devices, LTE smartphone is expected to see robust growth trajectory in the coming years. According to UBS, 2013 marked a strong year for LTE devices, as the unit shipment increased to an estimated 290m (making up 18% of the total mobile device market), compared to 88m units in 2012 (just 6% of the total market). Based on operator roll-out plans globally, they expect the size of the LTE device market to further expand in 2014, and forecast LTE device shipments at 420m in 2014 or 25% of total mobile device volumes, and grow by 61.6% CAGR from 2012-2016.

Worldwide LTE handsets shipment

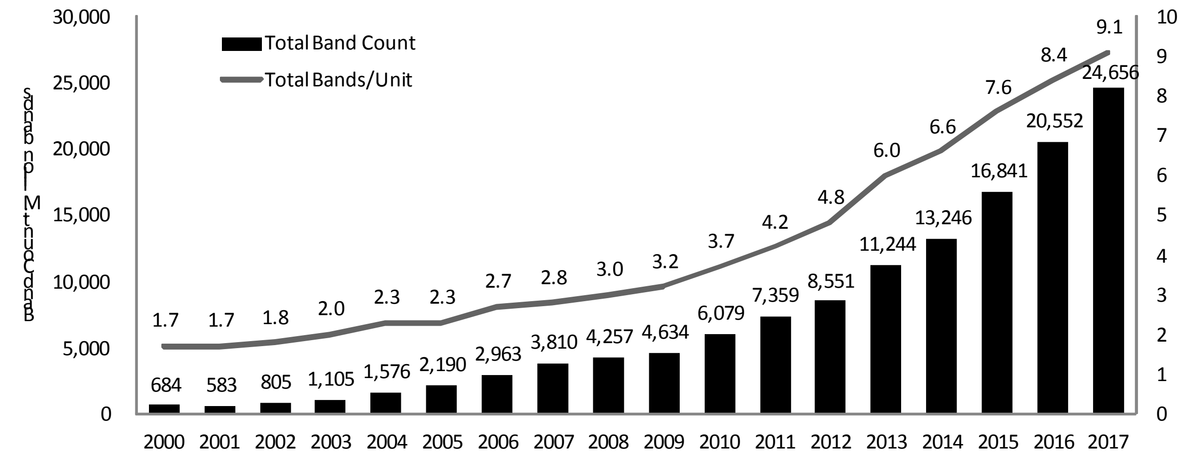


Source: UBS, "Mobile Devices Outlook 2014: Two Goliaths remain, Davids change", January 2014.

5.1.7. Estimated Number of Bands per Mobile Device

Usually, each 2G phone is built with 1–2 PAs whereas in a LTE smartphone it requires 7–8 PAs. As a result, the band count in a cellular terminal will expand from 8,551 million in 2012 to 24,656 million in 2017, and the bands per unit in a cellular terminal will expand from 4.8 in 2012 to 9.1 in 2017.

Number of band count



Source: Navian Inc, "Acceleration of Multi-banding Through Practical Application of TDD-LTE Medium-Term Outlook of Markets of RF Devices / Modules - RF Devices / Modules For Cellular", October 2013.

Combining the effects of growing smartphone shipment, and higher component count per device, the PA market for cellular is expected grow in the next several years. In addition to the strong growth in cellular terminal PA, the 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.

5.1.8. Relationship with Up-, Middle- and Downstream Companies

<table>
<tr><th colspan="2">SUPPLY CHAIN</th><th colspan="3">COMPANY</th></tr>
<tr><td colspan="2">GaAs Substrate</td><td colspan="3">Freiberger, AXTI, Sumitomo</td></tr>
<tr><td colspan="2">GaAs EPI</td><td>IQE(MBE), Kopin, VPEC, Hitachi Cable, Sumika, IntelliEPI, Picogiga</td><td rowspan="5">GaAs IDM</td><td rowspan="5">Skyworks
RFMD
TriQuint
Avago
Anadigics</td></tr>
<tr><td colspan="2">GaAs IC Design</td><td>Microsemi, Microchip, RDA, Epicom</td></tr>
<tr><td colspan="2">GaAs Foundry</td><td>WIN Semi., TriQuint, AWSC, GCS</td></tr>
<tr><td colspan="2">GaAs IC Packaging</td><td>Tong Shing, Lingsen Precision</td></tr>
<tr><td colspan="2">GaAs IC Testing</td><td>Giga Solution, ASE, Sigurd, King Yuan</td></tr>
<tr><td rowspan="2">Application</td><td>Handset</td><td colspan="3">Nokia, Apple, HTC, Samsung, LG, Motorola, RIM, Huawei, ZTE</td></tr>
<tr><td>Wi-Fi</td><td colspan="3">Cisco, Broadcom, Dell, Intel, Apple, HP, Huawei</td></tr>
</table>

5.2. Business Overview

We are the world's largest GaAs semiconductor foundry, with a global market share of 62% in terms of revenue in 2013, according to Strategy Analytics. We were also the top 13 company in IC foundry and top 10 pure-play foundry in the world in 2013 according to IC Insights, a semiconductor market research organization.

Top 13 2013 IC Foundries

Major 2013 IC Foundries (Pure-Play and IDM)

2013 Rank	2012 Rank	Company	Foundry Type	Location	2011 Sales ($M)	2012 Sales ($M)	2012/2011 Change (%)	2013 Sales ($M)	2013/2012 Change (%)
1	1	TSMC	Pure-Play	Taiwan	14,299	16,951	19%	19,850	17%
2	2	GlobalFoundries	Pure-Play	U.S.	3,195	4,013	26%	4,261	6%
3	3	UMC	Pure-Play	Taiwan	3,760	3,730	-1%	3,959	6%
4	4	Samsung	IDM	South Korea	2,192	3,439	57%	3,950	15%
5	5	SMIC*	Pure-Play	China	1,320	1,542	17%	1,973	28%
6	8	Powerchip**	Pure-Play	Taiwan	374	625	67%	1,175	88%
7	9	Vanguard	Pure-Play	Taiwan	520	582	12%	713	23%
8	6	Huahong Grace***	Pure-Play	China	619	677	9%	710	5%
9	10	Dongbu	Pure-Play	South Korea	500	540	8%	570	6%
10	7	TowerJazz	Pure-Play	Israel	611	639	5%	509	-20%
11	11	IBM	IDM	U.S.	420	432	3%	485	12%
12	12	MagnaChip	IDM	South Korea	350	400	14%	411	3%
13	13	WIN	Pure-Play	Taiwan	304	381	25%	354	-7%
—	—	Top 13 Total	—	—	28,464	33,951	19%	38,920	15%
—	—	Top 13 Share	—	—	89%	90%	—	91%	—
—	—	Other Foundry	—	—	3,446	3,669	6%	3,920	7%
—	—	Total Foundry	—	—	31,910	37,620	18%	42,840	14%

*Does not include Wuhan Xinxin (now XMC) for 2012 or 2013.

Source: IC Insights, company reports

**Powerchip transitioned from an IDM foundry to a pure-play foundry in 2013.

***Hua Hong NEC and Grace merged in 2012 (excludes Shanghai Huali).

Our products power modern communication systems and are used in a wide range of products including smartphones, tablet computers, cellular networks, base stations and satellite communications.

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.

We 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 two semiconductor fabrication facilities, commonly known as "fabs", located in Hwaya Technology Park, Kuei Shan Hsiang, Tao Yuan Shien, Taiwan.

For the year ended December 31, 2012 and 2013 our consolidated net revenue was NT$11,238 million and NT$10,481 million, respectively. Our net income was NT$1,554 million for the year ended December 31, 2012 and NT$1,812 million for the year ended 2013.

5.3. Competitive Strengths

5.3.1. World's Largest GaAs Foundry with Strong Growth Momentum

We are the largest GaAs semiconductor foundry in the world in terms of revenue. Our market share increased from 42% in 2009 to 62% in 2013.

We have the largest manufacturing capacity among GaAs foundries in the world. The monthly wafer output in our fabs increased from approximately 1,500 in 2005 to approximately 24,000 as of December 31, 2013. 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.

5.3.2. Exposure to Attractive End Markets with Secular, Long-term Growth Outlook

Modern communication systems are evolving at a fast pace. In recent years, the prevalence of wireless applications and the fast growth of mobile Internet traffic have brought the development of cutting-edge broadband devices like the smartphone and tablet computer with WLAN and mobile broadband capabilities. The iPhone phenomenon, for example, signifies this trend. As mobile communication networks migrate from 2G to 3G and 4G/LTE, communication devices such as smartphones operate in more frequency bands to accommodate multiple global standards. Each frequency band requires its own GaAs chips, such as PAs. The continual increase of GaAs content in smartphones and other communication devices supports steady, long-term growth in the GaAs industry and our business. A significant portion of our net revenue came from sales of products used in handsets, followed by sales of products for WiFi (WLAN) and infrastructure applications.

We continue to work with Asian-based clients in the handset space, and are encouraged by recent market trends. Several of these Asian clients are seeing their market share rise, especially in the China market. In recent years, our products have gained exposure in China. China is in the early stages of adoption of 3G & 4G smartphones and the large size of the smartphone market in China presents a potentially huge market opportunity for GaAs chips and our business.

Although we were experiencing turbulence that negatively impacted our 2013 results will also affect business in 2014, we remain optimistic on the long-term revenue growth outlook. We are excited about our new, higher-margin products for non-handset applications. A particularly promising product is GaN high-electron-mobility transistors for LTE base stations – as silicon power MOSFETS are having increasing trouble supporting power transmission requirements.

The most powerful trend in mobile computing is the rising amounts of data required by consumers. This rise in demand for mobile data is happening concurrently with reduced device size and lower power consumption requirements. Therefore, a premium will continue to be placed on PA performance. Other factors that should positively affect demand over the long term include LTE-A carrier aggregation and Multiple-input-Multiple-output for WiFi and Cellular as well as the Internet of Things. The number of frequency bands per handset continues to grow due to the launch of 4G LTE. 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.

5.3.3. Superior Technology and Manufacturing Capabilities

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 0.15μm pHEMT technology and were the first and only foundry worldwide to have commercially developed pHEMT at 0.1μm 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.

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.

5.3.4. Diversified Top-tier Customers and End Markets

We are the primary foundry partner for the world's leading component suppliers for diversified end market applications, including radio frequency, microwave and mm-wave applications. Our customers include majority of top-tier GaAs IDMs and fabless design houses. Our customers are leaders in their sectors and some of them have successfully penetrated leading smartphone and tablet original equipment manufacturers (‘‘OEMs’’) in the United States, Europe and Korea and benefitted from strong growth momentum as a result. Our continual expansion in capacity and advancement in technology provide our customers an edge in bringing the latest products to market at a rate faster than their competitors.
We form close partnerships with our customers to remain informed of market trends and our customers' needs. We and some of our customers jointly develop strategic initiatives for product and processing technology development. Such partnerships have enabled us to increase the share of our products among those purchased by our major customers and have helped our smaller customers to grow faster than their peers.

As we penetrate different end markets and increase our market share, we continue to attract new customers in diverse end markets including handsets, automotive, defense, cable TV and satellite communication. In recent year, we were expanding our customer base into China, one of the world's largest and fastest growing mobile communication markets. We expect to continue to have a larger and more diversified customer base in the coming years..

We believe that diversification of our customers and the end markets into which our products are eventually used will help us to decrease our business risk profile and reduce our earning volatilities.

5.3.5. Strong Management Team with Proven Track Record

We have a strong and stable management team. Our chairman of the board, Mr Dennis 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 Technology Solutions Inc., Skyworks, TriQuint, Anadigics, Inc. and Raytheon Company. We believe that our outstanding management team will continue to drive our success in the future.

5.4. Our Strategies

5.4.1. A Shift in Strategic Focus away from Capacity Expansion in 2014

As the industry changes, our strategy has evolved. At the end of 1H13, our capacity reached 24,000 wafers per month, giving us the largest manufacturing capacity amongst the world's GaAs Foundries. We have subsequently adjusted our focus away from capacity expansion and more towards technology leadership, development of high-margin products for non-handset applications, and continuous cost and efficiency improvement. Starting in 3Q13, we ceased expanding GaAs foundry capacity and began concentrating our investment dollars on facilities for the production of advanced technologies such as GaN. 2014 capex spending has been curtailed. We project that we will spend NT$2.0bn or less this year, versus NT$2.8bn in 2013 and NT$3.3bn in 2012.

5.4.2. Invest in Technology to Maintain our Competitive Edge and Penetrate New Markets

Superiority of manufacturing technology is another 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 recently 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. We intend to leverage 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.

5.4.3. Develop New Customers in Existing and New Markets to Further Diversify Revenue Source

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. Currently, we are mainly exploring non-handset markets and high frequency applications such as satellite communications, point-to-point base station links and fiber-optic communications. As a long-term alternative, we also seek to explore the area of compound semiconductor-based solar cells by leveraging our GaAs processing technologies.

5.4.4. Leverage Technology and Manufacturing Expertise for Continuous Cost and Efficiency Improvement

The semiconductor industry is capital-intensive and cost-sensitive. Maintaining a low cost per chip sold is crucial to our profitability and competitiveness. We believe our wafer yield is one of the highest in the GaAs industry. Building upon our achievements, we seek to continue to improve our wafer efficiencies, including die size reduction and implementation of copper pillar process for thermal improvement. These measures can help reduce costs and improve manufacturing yield and cycle times, thereby enhancing our competitiveness.

While we source a majority of our epi wafers externally, we produce a small portion of the epi wafers used in our manufacturing. We believe that this enables us to streamline new product development, improve

quality assurance and control, and shorten manufacturing cycle times.
Competent technical and manufacturing personnel are critical to our success. We will continue to hire, train and retain technical and manufacturing staff with expertise, enthusiasm and dedication.

5.5. 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:

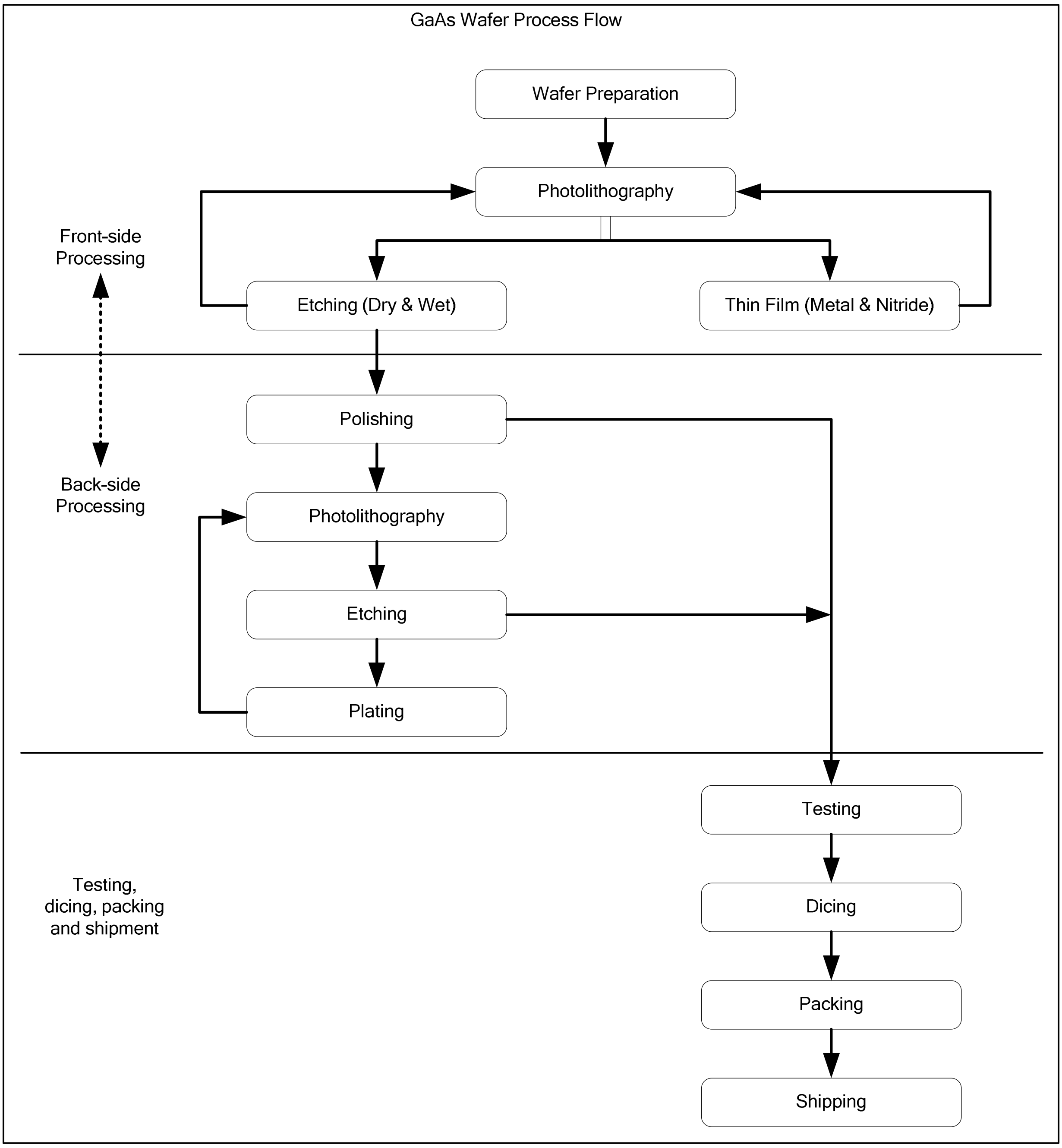
PRODUCTS	APPLICATIONS
Heterojunction Bipolar Transistor (HBT)	• Wi-Fi (802.11x) power amplifiers (PA) • GSM/EDGE PA • 3G UMTS/WCDMA PA • 4G LTE/WiMAX PA
Voltage-control oscillator (VCO) HBT	• Low phase noise oscillators for wireless communication infrastructure
BiHEMT (Integrate HBT and pHEMT)	• On-chip integration of PA and switch for 2G/3G/4G PA module • Low operation voltage PA
0.5μm switch pHEMT	• Cellular phone and Wi-Fi antenna switch module • Cellular phone band/mode switches
0.5μm E/D-mode* pHEMT	• High linearity low noise amplifier ("LNA") for cellular, Wi-Fi, and GPS systems
0.5μm power pHEMT	• X-band high power amplifier • High linearity amplifier for CATV
0.25μm pHEMT	• Point-to-point cellular backhaul • Very-small-aperture terminal ("VSAT") • Low noise amplifier
0.15μm pHEMT	• High frequency broadband point-to-point cellular backhaul • VSAT • High frequency low noise amplifier • 40Gbps and 100Gbps fiber-optic communication
0.1μm pHEMT	• Ultra-high frequency (60-100GHz) communication systems • 100Gbps fiber-optic communication

Note *: E/D-mode denotes enhancement/depletion mode, two major transistor types.

5.6. 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:



5.7. Research and 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:

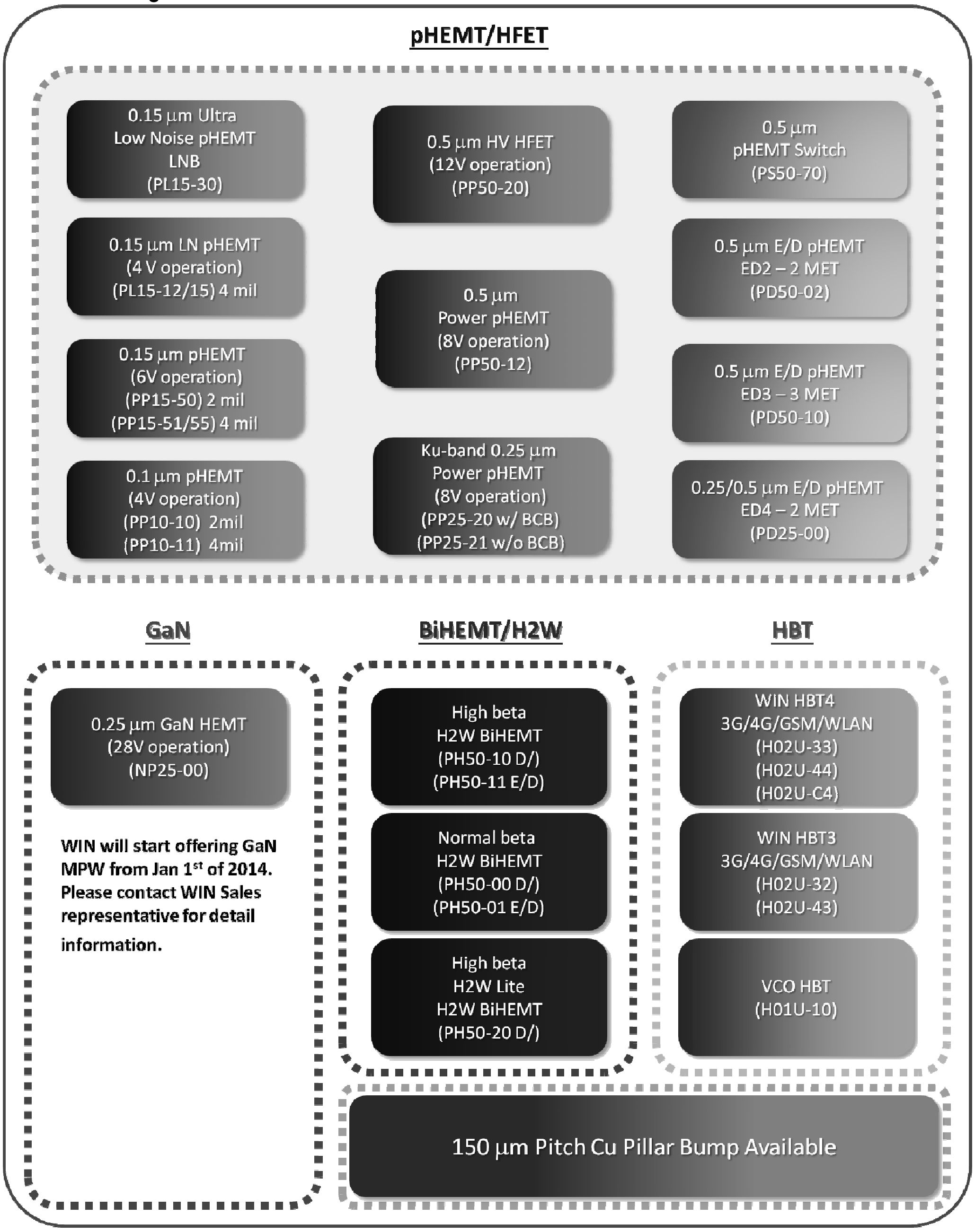
Unit: NT$ thousands

Item	For the year ended December 31, 2013	For the three months ended March 31, 2014
R&D Expenses	495,281	168,673
Consolidated Sales	10,481,303	1,667,026
R&D Expenses / Sales (%)	4.73%	10.12%

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. We expect a majority of these products to go to full manufacturing release in 2014.

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.



5.8. 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.

5.9. 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.

We typically have standard purchase agreements for essential raw materials. Substantially all of our purchases of raw materials are on a purchase order basis. These agreements contain provisions to ensure quality and a stable supply. The suppliers provide a volume commitment at the end of each year. In addition, we are allowed to inspect suppliers' facilities where the materials are produced to verify their compliance with production standards and our specifications.

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.

5.10. 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.

5.11. Employees

5.11.1. Human Resource

Substantially all of our employees are based in Taiwan. Approximately 82.6%, 82.6% and 82.5% of our employees have bachelors' or other postgraduate degrees as of December 31, 2012, December 31, 2013 and March 31, 2014, respectively. The following table sets forth the number of our employees as of the dates indicated:

Year		December 31, 2012	December 31, 2013	March 31, 2014
Number of Employees	Executive Officer	185	201	200
	Staff	619	624	602
	Direct Employees	724	752	719
	Total	1,528	1,577	1,521
Average Age		31.37	32.11	32.42
Education Ratio (%)	Ph.D.	1.96%	1.90%	1.97%
	Masters	18.19%	18.83%	19.20%
	Bachelor's Degree	62.43%	61.83%	61.34%
	Senior High School	17.41%	17.44%	17.49%
	Total	100.00%	100.00%	100.00%

5.11.2. 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 or her employment with us is terminated, he or 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.

5.12. Important Contracts

Type	Contractual Parties	Commencement Date and Expiration Date	Subject
Technology Cooperation Agreement	Industrial Technology Research Institute	2008/12/1~2018/11/30	1. Licensing of antenna switch MMIC design 2. Joint development of integrated RF module
Construction Agreement	Terms and conditions cannot be disclosed according to the confidentialility obligation under the agreement.	2013/08/26 ~ expiration date of warranty period	Reconstruction of Fab C
Technology Licensing Agreement	Terms and conditions cannot be disclosed according to the confidentialility obligation under the agreement.	2010/11/11 ~ each expiration date of patents and know-how under the agreement	Licensing of packaging technology
Syndicated Loan Agreement	China Development Industrial Bank and other twelve banks	2008/03/19~2015/03/19	Syndicated loan: NT$2,810 million
Syndicated Loan Agreement	Mega International Commercial Bank and other sixteen banks	2011/02/18~2016/02/18	Syndicated loan: NT$4,800 million
Real Estate Sales Agreement	Natritec-Enjoy Corporation	Date of the agreement: 2013/02/22	Disposal of land located at Lot Hwaya 312, Kuei Shan Hsiang
Real Estate Purchase Agreement	Hi-Chang Industrial Co., Ltd.	Date of the Agreement: 2013/07/04	Purchase of land and buildings neighboring Fab C

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)					As of Mar. 31, 2014 (Note 1)	Five-Year Financial Summary (Note 1)					As of Mar. 31, 2014
		2009	2010	2011	2012	2013		2009	2010	2011	2012	2013	
Current Assets				5,228,991	8,566,330	5,688,964	6,107,985			5,053,378	8,317,081	5,377,369	
Property, plant and equipment				9,594,313	11,617,771	12,636,304	12,446,953			9,594,108	11,617,640	12,636,187	
Intangible Assets				117,652	82,708	64,248	57,811			117,652	82,708	64,248	
Other Assets				3,845,728	3,322,654	2,721,988	2,667,753			4,015,758	3,566,243	3,021,839	
Total Assets				18,786,684	23,589,463	21,111,504	21,280,502			18,780,896	23,583,672	21,099,643	
Current Liabilities	Before Distribution			3,087,459	3,614,184	2,327,448	2,140,536			3,081,671	3,608,393	2,315,587	
	After Distribution			3,606,333	4,750,429	(Note 2)	Not applicable			3,600,545	4,744,638	(Note 2)	
Non-current Liabilities				5,519,939	5,621,731	3,892,479	3,895,094			5,519,939	5,621,731	3,892,479	
Total Liabilities	Before Distribution			8,607,398	9,235,915	6,219,927	6,035,630			8,601,610	9,230,124	6,208,066	
	After Distribution			9,126,272	10,372,160	(Note 2)	Not applicable			9,120,484	10,366,369	(Note 2)	
Total Equity Attributable to Owners of Parent		(Note 3)		10,179,286	14,353,548	14,891,577	15,244,872	(Note 3)		10,179,286	14,353,548	14,891,577	Not applicable
Share Capital				6,485,930	7,541,877	7,392,754	7,401,960			6,485,930	7,541,877	7,392,754	
Capital Surplus				1,707,122	3,763,045	3,728,358	3,738,567			1,707,122	3,763,045	3,728,358	
Retained Earnings	Before Distribution			2,223,056	3,202,764	3,671,483	3,884,863			2,223,056	3,202,764	3,671,483	
	After Distribution			1,704,182	2,066,519	(Note 2)	Not applicable			1,704,182	2,066,519	(Note 2)	
Other Equity				(236,822)	(154,138)	98,982	219,482			(236,822)	(154,138)	98,982	
Treasury Shares				0	0	0	0			0	0	0	
Non-controlling Interests				0	0	0	0			0	0	0	
Total Equity	Before Distribution			10,179,286	14,353,548	14,891,577	15,244,872			10,179,286	14,353,548	14,891,577	
	After Distribution			9,660,412	13,217,303	(Note 2)	Not applicable			9,660,412	13,217,303	(Note 2)	

Note 1: The financial information has been reviewed or audited by independent auditors.
Note 2: The appropriation of earnings for 2013 shall be determined by the 2014 regular shareholders' meeting.
Note 3: The financial statements have been prepared in accordance with ROC GAAP, please refer to table B.

B. Condensed Balance Sheets - ROC GAAP

Unit: NT$ thousands

Item \ Year		Consolidated Financial Statements					Individual Financial Statements				
		Five-Year Financial Summary (Note 1)					Five-Year Financial Summary (Note 1)				
		2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Current Assets		2,716,096	4,103,696	5,565,604	8,864,825		2,678,954	4,038,366	5,389,991	8,615,576	
Funds and Investments		1,519,227	1,762,461	1,516,012	1,370,092		1,521,637	1,823,887	1,686,042	1,614,561	
Fixed Assets		7,179,633	8,684,523	11,266,742	13,228,466		7,179,301	8,684,263	11,266,537	13,228,340	
Intangible Assets		0	132,526 (Note 2)	117,652	82,708		0	132,526 (Note 2)	117,652	82,708	
Other Assets		183,435 (Note 2)	205,736 (Note 2)	132,673	44,861		183,435 (Note 2)	205,736 (Note 2)	132,673	44,861	
Total Assets		11,598,391	14,888,942	18,598,683	23,590,952		11,563,327 (Note 2)	14,884,778	18,592,895	23,586,046	
Current Liabilities	Before Distribution	2,020,545	3,350,704	3,065,682	3,586,351		1,985,481	3,346,540	3,059,894	3,581,445	
	After Distribution	2,020,545	3,863,995	3,584,556	4,722,596		1,985,481	3,859,831	3,578,768	4,717,690	
Long-term Liabilities		2,703,357 (Note 2)	2,661,834	5,483,622	5,558,677		2,703,357 (Note 2)	2,661,834	5,483,622	5,558,677	
Other Liabilities		3,257	2,467	4,246	20,907	(Note 3)	3,257	2,467	4,246	20,907	(Note 3)
Total Liabilities	Before Distribution	4,727,159 (Note 2)	6,015,005	8,553,550	9,165,935		4,692,095 (Note 2)	6,010,841	8,547,762	9,161,029	
	After Distribution	4,727,159 (Note 2)	6,528,296	9,072,424	10,302,180		4,692,095 (Note 2)	6,524,132	9,066,636	10,297,274	
Capital Stock		5,979,695	6,175,675	6,485,930	7,541,877		5,979,695	6,175,675	6,485,930	7,541,877	
Capital Surplus		1,279,456	1,358,492	1,707,122	3,763,045		1,279,456	1,358,492	1,707,122	3,763,045	
Retained Earnings	Before Distribution	(400,860)	1,308,424	2,073,743	3,154,109		(400,860)	1,308,424	2,073,743	3,154,109	
	After Distribution	(400,860)	795,133	1,554,869	2,017,864		(400,860)	795,133	1,554,869	2,017,864	
Unrealized Gain or Loss on Financial Instruments		7,665	29,303	(224,726)	(35,656)		7,665	29,303	(224,726)	(35,656)	
Cumulative Translation Adjustments		5,276	2,043	3,064	1,642		5,276	2,043	3,064	1,642	
Net Loss Unrecognized as Pension Cost		0	0	0	0		0	0	0	0	
Total Shareholders' Equity	Before Distribution	6,871,232	8,873,937	10,045,133	14,425,017		6,871,232	8,873,937	10,045,133	14,425,017	
	After Distribution	6,871,232	8,360,646	9,526,259	13,288,772		6,871,232	8,360,646	9,526,259	13,288,772	

Note 1: The financial information has been audited by independent auditors.
Note 2: For proper comparison with the current period of financial statements, a reclassification has been made in the prior period of financial statements.
Note 3: The financial statements have been prepared in accordance with IFRSs starting 2013, please refer to table A.

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 1)					As of Mar. 31, 2014 (Note 1)	Five-Year Financial Summary (Note 1)					As of Mar. 31, 2014
	2009	2010	2011	2012	2013		2009	2010	2011	2012	2013	
Operating Revenue				11,237,964	10,481,303	1,667,026				11,066,244	10,340,949	
Gross Profit				3,635,946	3,232,185	500,163				3,464,226	3,091,831	
Net Operating Income				2,448,136	2,109,615	203,536				2,394,326	2,046,556	
Non-operating Income and Expenses				(611,120)	102,780	46,439				(557,334)	165,815	
Profit before Tax				1,837,016	2,212,395	249,975				1,836,992	2,212,371	
Profit from Continuing Operations				1,554,253	1,811,510	213,380				1,554,253	1,811,510	
Profit from Discontinued Operations				0	0	0				0	0	
Profit				1,554,253	1,811,510	213,380				1,554,253	1,811,510	
Other Comprehensive Income, after Tax	(Note 2)			75,302	262,888	120,500	(Note 2)			75,302	262,888	Not applicable
Comprehensive Income				1,629,555	2,074,398	333,880				1,629,555	2,074,398	
Profit, Attributable to Owners of Parent				1,554,253	1,811,510	213,380				1,554,253	1,811,510	
Profit, Attributable to Non-controlling Interests				0	0	0				0	0	
Comprehensive Income, Attributable to Owners of Parent				1,629,555	2,074,398	333,880				1,629,555	2,074,398	
Comprehensive Income, Attributable to Non-controlling Interests				0	0	0				0	0	
Earnings Per Share				2.31	2.40	0.29				2.31	2.40	

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

Note 2: The financial statements have been prepared in accordance with ROC GAAP, please refer to table B.

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 1)					Five-Year Financial Summary (Note 1)				
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Operating Revenue	4,790,143	6,981,651	8,901,273	11,237,964		4,702,982	6,857,038	8,728,814	11,066,244	
Gross Profit	1,225,583	2,078,566 (Note 2)	2,804,330	3,640,184		1,138,422	1,953,953 (Note 2)	2,631,871	3,468,464	
Income from Operations	632,588	1,196,872 (Note 2)	1,777,371	2,457,300		654,599	1,137,863 (Note 2)	1,669,141	2,402,604	
Non-operating Income	80,219	705,037 (Note 2)	231,335	66,195		80,206	703,961 (Note 2)	230,280	64,814	
Non-operating Expenses	(149,714)	(192,575)	(838,975)	(595,155)		(171,738)	(132,540)	(729,714)	(539,102)	
Income from Operations of Continued Segments - before Tax	563,093	1,709,334	1,169,731	1,928,340	(Note 3)	563,067	1,709,284	1,169,707	1,928,316	(Note 3)
Income from Operations of Continued Segments - After Tax	559,444	1,709,284	1,278,610	1,647,529		559,444	1,709,284	1,278,610	1,647,529	
Income from Discontinued Departments	0	0	0	0		0	0	0	0	
Extraordinary Gain or Loss	0	0	0	0		0	0	0	0	
Cumulative Effect of Accounting Principle Changes	0	0	0	0		0	0	0	0	
Net Income	559,444	1,709,284	1,278,610	1,647,529		559,444	1,709,284	1,278,610	1,647,529	
Earnings Per Share	0.94	2.84	2.04	2.45		0.94	2.84	2.04	2.45	

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

Note 2: For proper comparison with the current period of financial statements, a reclassification has been made in the prior period of financial statements.

Note 3: The financial statements have been prepared in accordance with IFRSs starting from 2013, please refer to table A.

C. Auditors' Opinions from 2009 to 2013

Year	CPA Firm	CPA's Name	Auditing Opinion
2009	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2010	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2011	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2012	KPMG	Fion Chen and Agnes Yang	Unqualified opinion
2013	KPMG	Fion Chen and Grace Chen	Unqualified opinion

6.2. Five-Year Financial Analysis

A. Financial Analysis of Financial Statements - IFRSs

Item (Note3) / Year		Consolidated Financial Statements						Parent-company-only Financial Statements					
		Financial Analysis in the Past Five Years (Note 1)					As of Mar. 31, 2014 (Note 1)	Financial Analysis in the Past Five Years (Note 1)					As of Mar. 31, 2014
		2009	2010	2011	2012	2013		2009	2010	2011	2012	2013	
Financial Structure (%)	Debt Ratio				39.15	29.46	28.36				39.14	29.42	
	Long-term Funds to Property, Plant and Equipment				171.94	148.65	153.77				171.94	148.65	
Solvency (%)	Current Ratio				237.02	244.43	285.35				230.49	232.22	
	Quick Ratio				174.85	189.95	229.83				168.26	177.49	
	Times Interest Earned Ratio				15.77	22.38	12.83				15.77	22.38	
Operating Ability	Accounts Receivable Turnover (turns)				13.20	12.33	10.52				14.55	14.51	
	Days to Collect Accounts Receivable (day)				28	30	35				25	25	
	Average Inventory Turnover (turns)				3.81	4.49	4.29				3.81	4.49	
	Accounts Payable Turnover (turns)				6.87	8.25	7.34				6.87	8.25	
	Average Days to Sell Inventory				96	81	85				96	81	
	Property, Plant and Equipment Turnover (turns)	(Note 2)			1.06	0.86	0.53	(Note 2)			1.04	0.85	Not applicable
	Total Assets Turnover (turns)				0.53	0.47	0.31				0.52	0.46	
Profitability	Return on Total Assets (%)				7.74	8.40	4.24				7.74	8.41	
	Return on Equity (%)				12.67	12.39	5.66				12.67	12.39	
	Profit before Tax to Issued Capital (%)				24.36	29.93	3.38				24.36	29.93	
	Profit to Sales (%)				13.83	17.28	12.80				14.04	17.52	
	Earnings Per Share ($)				2.31	2.40	0.29				2.31	2.40	
Cash Flow	Cash Flow Ratio (%)				82.07	214.76	24.69				78.07	221.34	
	Cash Flow Adequacy Ratio (%)				59.84	87.11	-				59.12	83.62	
	Cash Flow Reinvestment Ratio (%)				10.00	15.42	2.06				9.40	15.92	
Leverage	Operating Leverage				2.27	2.77	4.98				2.27	2.80	
	Financial Leverage				1.04	1.04	1.07				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)

1. Financial Structure: The company had sufficient cash to early repay debt to ease interest burden and enhance financial structure.
2. Solvency: The higher 2013 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 payable turnover ratio was mainly due to a decrease in accounts payable from less demand on material in 2H2013.
4. Profitability: 2013 profit before tax increased mainly due to more gains on disposal of real estate and financial assets at fair value through profit or loss, and less loss on impairment loss.
5. Cash Flow: 2013 operating cash inflow increased mainly due to less material procurement and lower inventory level.
6. Leverage: 2013 operating leverage increased mainly due to fixed costs increased by capacity expansion and changing estimates of service life of partial M&E to 5 years.

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

Note 2: The financial statements have been prepared in accordance with ROC GAAP, please refer to table B in the following pages.

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 4) / Year		Consolidated Financial Statements Financial Analysis in the Past Five Years (Note 1)					Individual Financial Statement Financial Analysis in the Past Five Years (Note 1)				
		2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
Financial Structure (%)	Debt Ratio	40.76 (Note 2)	40.40	45.99	38.85	(Note 3)	40.58 (Note 2)	40.38	45.97	38.84	(Note 3)
	Long-term Funds to Fixed Assets	133.36 (Note 2)	132.83	137.83	151.07		133.36 (Note 2)	132.84	137.83	151.07	
Solvency (%)	Current Ratio	134.42	122.47	181.55	247.18		134.93	120.67	176.15	240.56	
	Quick Ratio	83.46	77.12	103.80	176.20		83.41	75.41	98.36	169.53	
	Times Interest Earned Ratio	13.35	30.50	11.51	16.51		13.35	30.50	11.51	16.51	
Operating Ability	Accounts Receivable Turnover (turns)	10.59	12.72	15.70	13.20		10.03	12.30	17.23	14.55	
	Days to Collect Accounts Receivable (day)	34	29	23	28		36	30	21	25	
	Average Inventory Turnover (turns)	4.43	4.19 (Note 2)	3.74	3.80		4.43	4.19 (Note 2)	3.74	3.80	
	Accounts Payable Turnover (turns)	5.80	5.63 (Note 2)	6.22	6.87		5.80	5.63 (Note 2)	6.22	6.87	
	Average Days to Sell Inventory	82	87	98	96		82	87	98	96	
	Fixed Assets Turnover (turns)	0.70	0.88	0.89	0.92		0.68	0.86	0.88	0.90	
	Total Assets Turnover (turns)	0.46	0.53	0.53	0.53		0.45	0.52	0.52	0.52	
Profitability	Return on Total Assets (%)	5.47	13.17	7.93	8.22		5.48	13.19	7.93	8.22	
	Return on Stockholders' Equity (%)	8.54	21.71	13.52	13.47		8.54	21.71	13.52	13.47	
	Ratio of Operating Income to Issued Capital (%)	10.58	19.38 (Note 2)	27.40	32.58		10.95	18.42 (Note 2)	25.73	31.86	
	Ratio of Pre-tax Income to Issued Capital (%)	9.42	27.68	18.03	25.57		9.42	27.68	18.03	25.57	
	Net Income to Sales (%)	11.68	24.48	14.36	14.66		11.90	24.83	14.65	14.89	
	Earnings Per Share ($)	0.94	2.84	2.04	2.45		0.94	2.84	2.04	2.45	
Cash Flow	Cash Flow Ratio (%)	40.51 (Note 2)	78.72 (Note 2)	60.58	80.59		42.01 (Note 2)	77.49 (Note 2)	62.29	77.08	
	Cash Flow Adequacy Ratio (%)	36.67 (Note 2 &3)	50.82 (Note 2 &3)	48.04 (Note 2)	54.87		36.68 (Note 2)	50.41 (Note 2)	48.03 (Note 2)	54.08	
	Cash Flow Reinvestment Ratio (%)	5.89	16.32 (Note 2)	7.21 (Note 2)	9.68		6.01	16.04 (Note 2)	7.42 (Note 2)	9.15	
Leverage	Operating Leverage	3.46	2.82 (Note 2)	2.45	2.26		3.46	2.89 (Note 2)	2.53	2.26	
	Financial Leverage	1.02	1.04	1.03	1.04		1.02	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)

1. Solvency: The higher current ratio and quick ratio in 2012 was mainly due to more cash and cash equivalents from fund-raising by 2012 GDR issuance. The higher times interest earned ratio in 2012 was mainly due to an increase in pre-tax income.
2. Profitability: The increase in ratio of operating income to issued capital and earnings per share was mainly due to business growth in 2012.
3. Cash Flow: The increased in operating cash inflows was mainly due to the business growth in 2012.

Note1: The financial information has been audited by independent auditors.

Note2: Account in the financial statements as of and for the years ended December 31, 2010 and 2011 has been reclassified to conform to the presentations of the financial statements as of and for the years ended December 31, 2011 and 2012 for purposes of comparison.

Note 3: The financial statements have been prepared in accordance with IFRSs starting 2013, please refer to table A in the previous pages.

Note 4: 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 in the Most Recent Year

2013 Supervisors' Report

The Board of Directors has prepared and submitted to us the Company's 2013 Business Report, Parent-company-only Financial Statements, Consolidated Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audited 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.

2014 Shareholders Meeting

WIN Semiconductors Corp.
Supervisors

Mei-Lan Wang

Cheng-Li Huang

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

March 07, 2014

6.4. Parent-company-only Financial Statements for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report

Please refer to page 72-143 of this annual report.

6.5. Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report

Please refer to page 144-206 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

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, 2013 and 2012, and January 1, 2012, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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, 2013 and 2012, and January 1, 2012, and the results of their operations and their cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers".

Taipei, Taiwan (the Republic of China)
March 7, 2014

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, 2013 and 2012, and January 1, 2012
(Expressed in Thousands of New Taiwan Dollars)

	2013.12.31	2012.12.31	2012.1.1
Assets			
Current assets：			
Cash and cash equivalents (note 6(a))	$ 1,883,857	2,845,717	761,868
Current financial assets at fair value through profit or loss (note 6(b))	1,162,001	1,501,172	1,623,860
Current available-for-sale financial assets (note 6(b))	584,716	512,068	-
Notes and accounts receivable, net (note 6(c))	323,228	466,496	237,887
Accounts receivable due from related parties, net (note 7)	99,041	536,618	280,103
Inventories (note 6(d))	1,126,775	2,101,205	1,893,835
Other current assets (note 6(i))	197,751	353,805	255,825
Total current assets	5,377,369	8,317,081	5,053,378
Non-current assets：			
Non-current available-for-sale financial assets(note 6(b))	370,928	422,345	648,182
Non-current bond investment without active market (note 6(b))	190,000	534,783	344,783
Investments accounted for using equity method (note 6(e))	804,304	637,386	836,288
Property, plant and equipment (notes 6(f) and 8)	12,636,187	11,617,640	9,594,108
Investment property (notes 6(g) and 8)	1,096,479	-	-
Intangible assets (note 6(h))	64,248	82,708	117,652
Deferred tax assets (note 6(n))	132,425	318,162	471,134
Prepayments for business facilities (note 8)	384,446	1,610,700	1,672,429
Other non-current assets (notes 6(i) and 8)	43,257	42,867	42,942
Total non-current assets	15,722,274	15,266,591	13,727,518
Total assets	$ 21,099,643	23,583,672	18,780,896

	2013.12.31	2012.12.31	2012.1.1
Liabilities and Equity			
Current liabilities：			
Current financial liabilities at fair value through profit or loss (note 6(b))	$ -	417	-
Accounts payable	635,119	1,121,867	1,090,011
Other payables (note 7)	1,017,419	759,834	931,048
Long-term liabilities, current portion (notes 6(k) and 8)	545,444	1,650,185	1,007,672
Other current liabilities	117,605	76,090	52,940
Total current liabilities	2,315,587	3,608,393	3,081,671
Non-current liabilities：			
Long-term borrowings (notes 6(k) and 8)	3,721,466	5,558,677	5,483,622
Deferred tax liabilities (note (n))	20,642	12,815	14,740
Other non-current liabilities (note 6(m))	150,371	50,239	21,577
Total non-current liabilities	3,892,479	5,621,731	5,519,939
Total liabilities	6,208,066	9,230,124	8,601,610
Equity (notes 6(n), 6(o) and 6(p))：			
Ordinary share	7,392,754	7,541,877	6,485,930
Capital surplus	3,728,358	3,763,045	1,707,122
Retained earnings	3,671,483	3,202,764	2,223,056
Other equity interest	98,982	(154,138)	(236,822)
Total equity	14,891,577	14,353,548	10,179,286
Total liabilities and equity	$ 21,099,643	23,583,672	18,780,896

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2013	2012
Operating revenue (note 7)	$	10,340,949	11,066,244
Operating costs (notes 6(d)、6(h)、6(l)、6(m)、6(o)、6(p)、7 and 12)		(7,249,118)	(7,602,018)
Gross profit from operations		3,091,831	3,464,226
Operating expenses (notes 6(h)、6(l)、6(m)、6(o)、6(p)、7 and 12)：			
Selling expenses		(74,671)	(78,824)
Administrative expenses		(475,323)	(459,843)
Research and development expenses		(495,281)	(531,233)
Total operating expenses		(1,045,275)	(1,069,900)
Net operating income		2,046,556	2,394,326
Non-operating income and expenses：			
Other income (notes 6(l)、6(r) and 7)		81,888	36,692
Other gains and losses (note 6(r))		276,928	(434,319)
Finance costs (note 6(r))		(80,678)	(102,946)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))		(112,323)	(56,761)
Total non-operating income and expenses		165,815	(557,334)
Profit before tax		2,212,371	1,836,992
Total tax expense (note 6(n))		(400,861)	(282,739)
Profit		1,811,510	1,554,253
Other comprehensive income (loss):			
Other comprehensive income, before tax, available-for-sale financial assets		196,273	88,779
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans (note 6(m))		11,768	(8,894)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method		55,751	(5,840)
Income tax benefit (expense) related to components of other comprehensive income (note 6(n))		(904)	1,257
Other comprehensive income, net		262,888	75,302
Comprehensive income	$	2,074,398	1,629,555
Earnings per common share (expressed in dollars) (note 6(q))			
Basic earnings per share	$	2.40	2.31
Diluted earnings per share	$	2.37	2.27

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2013 and 2012
(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, 2012	$ 6,485,930	1,707,122	130,842	-	2,092,214	2,223,056	(14,111)	(222,711)	(236,822)	10,179,286
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 1)										
Legal reserve	-	-	127,861	-	(127,861)	-	-	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-	-	-
Cash dividends	-	-	-	-	(518,874)	(518,874)	-	-	-	(518,874)
	-	-	127,861	221,662	(868,397)	(518,874)	-	-	-	(518,874)
Net income for the year ended December 31, 2012	-	-	-	-	1,554,253	1,554,253	-	-	-	1,554,253
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(7,382)	(7,382)	(10,630)	93,314	82,684	75,302
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	1,546,871	1,546,871	(10,630)	93,314	82,684	1,629,555
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	3,508	-	-	(48,289)	(48,289)	-	-	-	(44,781)
Disposal of investments accounted for using equity method	-	(28,445)	-	-	-	-	-	-	-	(28,445)
Exercise of employee stock options	55,947	(539)	-	-	-	-	-	-	-	55,408
Compensation cost arising from employee stock options	-	63,460	-	-	-	-	-	-	-	63,460
Issue of shares	1,000,000	2,017,939	-	-	-	-	-	-	-	3,017,939
Balance on December 31, 2012	7,541,877	3,763,045	258,703	221,662	2,722,399	3,202,764	(24,741)	(129,397)	(154,138)	14,353,548
Appropriation of 2012 earnings approved by stockholders during their meeting in 2013 (note 2)										
Legal reserve	-	-	164,753	-	(164,753)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,136,245)	(1,136,245)	-	-	-	(1,136,245)
Reversal of special reserve	-	-	-	(187,647)	187,647	-	-	-	-	-
	-	-	164,753	(187,647)	(1,113,351)	(1,136,245)	-	-	-	(1,136,245)
Net income for the year ended December 31, 2013	-	-	-	-	1,811,510	1,811,510	-	-	-	1,811,510
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	9,768	9,768	7,328	245,792	253,120	262,888
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,821,278	1,821,278	7,328	245,792	253,120	2,074,398
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	15,499	-	-	-	-	-	-	-	15,499
Exercise of employee stock options	50,877	45,040	-	-	-	-	-	-	-	95,917
Compensation cost arising from employee stock options	-	3,775	-	-	-	-	-	-	-	3,775
Retirement of treasury shares	(200,000)	(99,001)	-	-	(216,314)	(216,314)	-	-	-	(515,315)
Balance on December 31, 2013	$ 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

Note 1: The appropriations for 2011 employee's bonus, directors' and supervisors' remuneration amounting to NT$92,900 and NT$27,800, respectively, were recognized and accrued in the 2011 earnings.

Note 2: The appropriations for 2012 employee's bonus, directors' and supervisors' remuneration amounting to NT$167,000 and NT$50,100, respectively, were recognized and accrued in the 2012 earnings.

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		2013	2012
Cash flows from (used in) operating activities：			
Profit before tax	$	2,212,371	1,836,992
Adjustments：			
Adjustments to reconcile profit (loss)：			
Depreciation expense		1,783,765	1,256,723
Amortization expense		38,142	50,206
Net loss (gain) on financial assets or liabilities at fair value through profit or loss		(409,837)	185,788
Interest expense		80,678	102,946
Interest income		(16,789)	(4,570)
Dividend income		(33,371)	(28,275)
Share-based payments		3,775	63,460
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		112,323	56,761
Gain on disposal of property, plant and equipment		(306,531)	(210)
Insurance claim on damaged and donated property, plant and equipment		20,691	54,610
Loss on disposal of investments		398,190	68,081
Impairment loss on financial assets		-	155,550
Total adjustments to reconcile profit		1,671,036	1,961,070
Changes in operating assets and liabilities：			
Changes in operating assets：			
Notes and accounts receivable, net		143,268	(228,609)
Accounts receivable due from related parties, net		437,577	(256,515)
Inventories		953,617	(276,682)
Other current assets		155,757	(98,301)
Total changes in operating assets		1,690,219	(860,107)
Changes in operating liabilities：			
Accounts payable		(486,748)	31,856
Other payables		124,814	(2,152)
Other current liabilities		41,515	23,150
Other non-current liabilities		1,900	19,768
Total changes in operating liabilities		(318,519)	72,622
Total changes in operating assets and liabilities		1,371,700	(787,485)
Cash inflow generated from operations		5,255,107	3,010,577
Income taxes paid		(129,825)	(193,358)
Net cash flows from operating activities		5,125,282	2,817,219
Cash flows from (used in) investing activities：			
Acquisition of current financial assets at fair value through profit or loss		(2,033,000)	(1,802,093)
Proceeds from disposal of current financial assets at fair value through profit or loss		2,442,048	1,823,606
Acquisition of current available-for-sale financial assets		(190,705)	(413,296)
Proceeds from disposal of current available-for-sale financial assets		150,048	34,656
Acquisition of non-current available-for-sale financial assets		(25,000)	(35,193)
Proceeds from disposal of non-current available-for-sale financial assets		128,256	-
Proceeds from capital reduction of non-current available-for-sale financial assets		60,000	-
Acquisition of non-current bond investments without active market		-	(190,000)
Proceeds from disposal of non-current bond investments without active market		344,783	-
Acquisition of investments accounted for using equity method		(207,991)	(287,591)
Proceeds from disposal of investments accounted for using equity method		-	259,220
Acquisition of property, plant and equipment		(2,611,303)	(2,052,734)
Proceeds from disposal of property, plant and equipment		511,286	298
Acquisition of intangible assets		(18,929)	(18,307)
Decrease (increase) in other non-current assets		(390)	75
Increase in prepayments for business facilities		(204,078)	(1,264,550)
Interest received		15,488	3,958
Dividends received		33,371	28,275
Net cash flows used in investing activities		(1,606,116)	(3,913,676)
Cash flows from (used in) financing activities：			
Proceeds from long-term borrowings		1,050,000	1,899,000
Repayments of long-term borrowings		(3,995,840)	(1,185,544)
Increase in other non-current liabilities		110,000	-
Payment of cash dividends		(1,136,245)	(518,874)
Issue of shares (transaction cost)		(10,989)	3,028,928
Exercise of employee share options		95,917	55,408
Payments to acquire treasury shares		(515,315)	-
Interest paid		(78,554)	(98,612)
Net cash flows (used in) financing activities		(4,481,026)	3,180,306
Net increase (decrease) in cash and cash equivalents		(961,860)	2,083,849
Cash and cash equivalents at the beginning of period		2,845,717	761,868
Cash and cash equivalents at the end of period	**$**	**1,883,857**	**2,845,717**

See accompanying notes to financial statements.

(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, 2013 and 2012 was authorized for issued by the Board of Directors as of March 7, 2014.

(3) New standards and interpretations not yet adopted

(a) New standards and interpretations approved by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial instruments* ("IFRS 9"), which takes effect as of January 1, 2013 (IASB postponed the effective date of IFRS 9 to January 1, 2015; however, in November, 2013, ISAB cancelled the announcement mentioned above to allow the preparer of financial statements to strive for sufficient time to convert to the new standard and the new effective date has not been announced). This standard had been approved by the FSC; however, the effective date has not been announced. In accordance with the rules by the FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 *Financial instruments* ("IAS 39"). At the adoption of this new standard, it is expected there will be significant impacts to the classification and measurement of financial instruments in the parent-company-only financial statements.

(Continued)

(b) New standards and interpretations not yet approved by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact to the parent-company-only financial statements not yet approved by the FSC：

Issue date	New standards and amendments	Description	Effective date per IASB
May 12, 2011 June 28, 2012	IFRS 10 *Consolidated financial statements* IFRS 11 *Joint arrangements* IFRS 12 *Disclosure of interests in other entities* Amended IAS 27 *Separate financial statements* Amended IAS 28 *Investments in associates and joint ventures*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities), other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method. "On June 28, 2012, issuance of amendments clarifying the guidance over the transition period." Upon the adoption of the new standards and amendments, there will be a change whether the Company has control over certain investees and it is also expected that there will be a possible increase in the disclosed information about the equity of subsidiaries and associates.	January 1, 2013
May 12, 2011	IFRS 13 *Fair value measurement*	Replaces fair value measurement guidance in other standards, and consolidated as one single guidance. Upon the adoption	January 1, 2013

(Continued)

Issue date	New standards and amendments	Description	Effective date per IASB
		of the new standard, there will be an impact on the measurement on certain assets and liabilities. Besides, this amendment might increase the disclosed information about its fair value.	
June 16, 2011	Amended IAS 1 *Presentation of financial statements*	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. Upon the adoption of the amendment, it will change the presentation of other comprehensive income in the statement of comprehensive income.	July 1, 2012
June 16, 2011	Amended IAS 19 *Employee benefits*	Eliminates of the corridor method and eliminates the option to recognise changes in the net defined benefit liability (asset) into profit or loss; in addition, requires the immediate recognition of past service cost. Upon the adoption of the amendment, it will not change the presentation and the measurement of the Company.	January 1, 2013
November 21, 2013	Amended IAS 19 *Employee benefits*	Amended version effective in 2011 regulate that contributions from employees that are linked to services and attributed to periods of service should deduct the benefit. It permits (but not regulates compulsory) to recognize the contribution as a reduction in the service cost if meet requirements. Upon the adoption of the amendment, it will change the presentation and the measurement of the accrued pension liabilities and actuarial gains (losses) on defined benefit plans.	June 30, 2015 (early adoption is permitted)

(Continued)

(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, and have been applied consistently to the IFRS statement of financial position approved by FSC (ROC) as of January 1, 2012.

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 Guidelines 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;

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

(3) The defined benefit liabilities are recognized as the present value of the defined benefit obligation, less plan assets and unrecognized past service cost.

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)

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 dates of the transactions. 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 Company's functional currency 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 Company's functional currency at average rate. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign

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currency translation reserve in equity.

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

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

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

An entity shall classify an asset as current when：

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

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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 and cash equivalents comprised of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(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

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

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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 bond 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.

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, ad-

(Continued)

justed 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 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

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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.

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.

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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

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.

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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, over the 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.

(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.

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(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. 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.

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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
(4) Other equipment： 1 to 5 years

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

(l) Leases

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.

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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.

(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 with indefinite useful life, 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 to 3 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：

(Continued)

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

If it is not possible to determine the recoverable amount, fair value less cost to sell and value in use 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 the end of each reporting period 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. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only 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. That increase is a reversal of an impairment loss. For other assets, 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.

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

(o) Treasury stock

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

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

(p) 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.

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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.

(q) 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. Any unrecognised past service costs and the fair value of any plan assets are 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 any unrecognised past service costs and also 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

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by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses as of January 1, 2012, the date of transition to FSC accredited IFRS, were recognised in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income and the expenses related to defined benefit plans in personnel expenses in profit or loss.

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, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognised.

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.

(r) Share-based payment

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

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

(Continued)

(s) Income taxes

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

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

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

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 liqui-

(Continued)

dation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

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

(u) Operating segment

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

(v) Reason for and effect of accounting changes

Effective January 1, 2013, the Company changed its estimated useful lives of the partial equipment to 5 years to reflect the consumption patterns of the future economic benefits. The effect on the estimated changes resulted in operating costs and operating expenses, the effect of depreciation expense on current and future period were as follows：

	2013	2014	2015	2016	2017	After 2017
Depreciation expense increase (decrease)	$ 461,452	461,452	461,452	372,714	(293,341)	(1,463,729)

(Continued)

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

The preparation of the parent-company-only financial statements based on "Guidelines Governing the preparation of Financial Report" 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.

Information about critical judgments in applying the accounting policies that do not have the most significant effect on the amounts is recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 6(d), valuation of inventories; and its assumptions and estimation, please refer to Note 4(g).

(6) Significant account disclosure

(a) Cash and cash equivalents

	2013.12.31	2012.12.31	2012.1.1
Cash on hand	$ 495	482	534
Cash in bank	289,182	883,715	731,054
Time deposits	1,594,180	1,961,520	30,280
	$ 1,883,857	2,845,717	761,868

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

(Continued)

(b) Financial instruments

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

	2013.12.31	2012.12.31	2012.1.1
Current financial assets at fair value through profit or loss：			
Stocks listed on domestic markets	$ 227,131	855,645	957,190
Convertible bonds listed on domestic markets	-	25,075	21,350
Money market funds and bond funds	934,870	620,452	621,452
Convertible right listed on domestic markets	-	-	23,868
	$ 1,162,001	1,501,172	1,623,860

	2012.12.31	
	Nominal amount	Book value
Current financial liabilities at fair value through profit or loss：		
Derivative financial liabilities forward exchange contracts	USD 8,000 thousand	$ 417

There were no such transactions as of December 31, 2013 and January 1, 2012.

The Company entered into derivative contracts for the year ended December 31, 2012 to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria of hedge accounting.

2. Current available-for-sale financial assets：

	2013.12.31	2012.12.31	2012.1.1
Stocks listed on domestic markets	$ 584,716	362,230	-
Stock listed on domestic markets privately (Note)	-	149,838	-
	$ 584,716	512,068	-

Note： As of October 30, 2012, the restriction period of private placement of the stock listed on domestic markets privately was ended.

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

	2013.12.31	2012.12.31	2012.1.1
Stocks listed on domestic markets (Note)	$ 31,832	70,589	160,021
Non-public stocks	339,096	351,756	488,161
	$ 370,928	422,345	648,182

(Continued)

Note: The shares of stock of IntelliEPI Inc. (Cayman) have been officially listed in the public market on July 24, 2013. Therefore, the Company reclassified its investments from non-public stocks to stocks listed on domestic markets for the nine months ended September 30, 2013.

4. Non-current bond investment without active market：

	Issue period	Nominal rate (%)		2013.12.31	2012.12.31	2012.1.1
Convertible bond	2010.4.9~2013.4.8	0%	$	-	344,783	344,783
Preferred stock B	2012.11.23~2019.11.22	-		190,000	190,000	-
			$	190,000	534,783	344,783

5. Sensitivity analysis in the equity price risk:

For the years ended 2013 and 2012, two sensitivity analyses for the changes in the equity price at the reporting date were performed using the same basis for the profit and loss as illustrated below：

Prices of securities at the reporting date		2013 Other comprehensive income after tax	2013 Net income	2012 Other comprehensive income after tax	2012 Net income
Increasing 3%	$	28,669	34,860	28,032	45,035
Decreasing 3%	$	(28,669)	(34,860)	(28,032)	(45,035)

6. As of December 31, 2013 and 2012, and January 1, 2012, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(s).

(c) Notes and accounts receivable, net

		2013.12.31	2012.12.31	2012.1.1
Notes receivable	$	-	25	32
Accounts receivable		326,599	469,842	241,226
Less：allowance for doubtful accounts		(3,371)	(3,371)	(3,371)
	$	323,228	466,496	237,887

(Continued)

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

		2013.12.31	2012.12.31	2012.1.1
Past due 1~60 days	$	15,533	47,786	34,830
Past due 61~180 days		33,564	2,203	-
Past due more than 181days		-	-	-
	$	49,097	49,989	34,830

The movement of allowance for notes and accounts receivable, and other accounts receivable for the years ended December 31, 2013 and 2012, were as follows：

		2013	2012
Beginning balance	$	3,371	3,371
Impairment loss recognized		-	-
End balance	$	3,371	3,371

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 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 remainder of the impairment loss at the reporting date relates to the changed economic circumstances and the customers' historical payment behaviour.

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 receivables that were past due.

As of December 31, 2013 and 2012, and January 1, 2012, the notes and accounts receivable, net were not pledged.

(Continued)

(d) Inventories

		2013.12.31	2012.12.31	2012.1.1
Raw materials and supplies	$	713,325	1,210,999	1,167,787
Work in process		196,179	506,751	563,134
Finished goods		217,271	383,455	162,914
	$	1,126,775	2,101,205	1,893,835

For the years ended December 31, 2013, and 2012, the write-down of inventories to net realizable value were loss on valuation of inventories and obsolescence which were recognised as operating cost were as follows：

		2013	2012
Loss on valuation of inventories and obsolescence	$	159,135	64,519

As of December 31, 2013 and 2012, and January 1, 2012, 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：

		2013.12.31	2012.12.31	2012.1.1
Subsidiaries	$	418,075	312,525	314,278
Associates		386,229	324,861	522,010
	$	804,304	637,386	836,288

1. Subsidiaries:

For the related information, please refer to consolidated financial statements for the year ended December 31, 2013.

2. Associates:

The fair value of an investment in associate of the Company for which had published price quotations were as follows：

(Continued)

	2013.12.31		2012.12.31		2012.1.1	
	Carry value	**Fair value**	**Carry value**	**Fair value**	**Carry value**	**Fair value**
Speed Tech Corp.	$ -	-	-	-	375,622	314,880

For the years ended December 31, 2013 and 2012, the Company recognised a share of loss of associates accounted for using the equity method were as follows：

	2013	**2012**
Inventec Energy Corporation	$ (160,065)	(48,361)
Speed Tech Corp.	-	(14,751)
	$ (160,025)	(63,112)

Summary of financial information for the investments in associates were as follows (before adjusted to the Company proportionate share)：

	2013.12.31	**2012.12.31**	**2012.1.1**
Total assets	$ 2,032,267	837,564	3,408,528
Total liabilities	$ 913,563	105,291	1,327,478

	2013	**2012**
Operating revenue	$ 1,097,092	732,137
Net loss	$ (363,709)	(211,979)

3. As of December 31, 2013 and 2012, and January 1, 2012, 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, 2013 and 2012 were as follows：

(Continued)

		Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Unfinished construction	Total
Cost：								
Balance as of January 1, 2013	$	1,765,464	970,208	10,381,768	2,506,214	344,259	136,615	16,104,528
Additions		1,439,534	13,218	327,363	43,334	15,048	851,369	2,689,866
Reclassification to investment property		(963,127)	(138,225)	-	-	-	-	(1,101,352)
Reclassification (Note)		509,371	137,646	635,539	92,874	-	58,941	1,434,371
Disposals		(204,708)	-	(25,604)	-	-	-	(230,312)
Balance as of December 31, 2013	$	2,546,534	982,847	11,319,066	2,642,422	359,307	1,046,925	18,897,101
Balance as of January 1, 2012	$	802,337	849,588	9,149,329	1,759,719	265,304	-	12,826,277
Additions		963,127	43,283	564,654	161,061	78,955	136,615	1,947,695
Reclassification (Note)		-	77,337	722,787	587,134	-	-	1,387,258
Disposals		-	-	(55,002)	(1,700)	-	-	(56,702)
Balance as of December 31, 2012	$	1,765,464	970,208	10,381,768	2,506,214	344,259	136,615	16,104,528
Accumulated depreciation：								
Balance as of January 1, 2013	$	-	257,540	2,993,277	978,274	257,797	-	4,486,888
Depreciation		-	56,452	1,410,688	237,850	74,788	-	1,779,778
Reclassification to investment property		-	(886)	-	-	-	-	(886)
Reclassification		-	(865)	-	865	-	-	-
Disposals		-	-	(4,866)	-	-	-	(4,866)
Balance as of December 31, 2013	$	-	312,241	4,399,099	1,216,989	332,585	-	6,260,914
Balance as of January 1, 2012	$	-	210,359	2,096,658	786,314	138,838	-	3,232,169
Depreciation		-	47,181	897,011	193,572	118,959	-	1,256,723
Disposals		-	-	(392)	(1,612)	-	-	(2,004)
Balance as of December 31, 2012	$	-	257,540	2,993,277	978,274	257,797	-	4,486,888
Carrying value：								
Balance as of December 31, 2013	$	2,546,534	670,606	6,919,967	1,425,433	26,722	1,046,925	12,636,187
Balance as of December 31, 2012	$	1,765,464	712,668	7,388,491	1,527,940	86,462	136,615	11,617,640
Balance as of January 1, 2012	$	802,337	639,229	7,052,671	973,405	126,466	-	9,594,108

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

1. Pledge to secure:

   As of December 31, 2013 and 2012, and January 1, 2012, 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 2013, the Company acquired land, buildings and structures with the intention of constructing a new factory on the site. The cost of acquisition was $1,955,331. The Company commenced construction of the new factory and costs incurred up to the reporting date totaled $1,021,366.

(Continued)

3. For the years ended December 31, 2013 and 2012, capitalized interest expenses amounted to $21,791 and $20,106, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.61%~1.86% and 1.67%~1.79%, respectively.

(g) Investment property

		Land	Buildings and structures		Total
Cost：					
Balance as of January 1, 2013	$	-	-		-
Reclassification from property, plant and equipment		963,127	138,225		1,101,352
Balance as of December 31, 2013	**$**	**963,127**	**138,225**		**1,101,352**
Accumulated depreciation：					
Balance as of January 1, 2013	$	-	-		-
Depreciation		-	3,987		3,987
Reclassification from property, plant and equipment		-	886		886
Balance as of December 31, 2013	**$**	**-**	**4,873**		**4,873**
Carrying value：					
Balance as of December 31, 2013	**$**	**963,127**	**133,352**		**1,096,479**
Fair value：					
Balance as of December 31, 2013				**$**	**1,309,505**

Land, buildings and structures have been reclassified from property, plant and equipment to investment property, since the land, buildings and structures were leased to a third party.

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

Location	For the year ended December 31, 2013
Hsinchu	0.23%

As of December 31, 2013 and 2012, and January 1, 2012, 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)

(h) Intangible assets

1. The movement in intangible assets for the years ended December 31, 2013 and 2012 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Costs：					
Balance as of January 1, 2013	$	46,005	122,614	1,920	170,539
Additions		-	12,460	6,122	18,582
Disposals		-	(53,404)	(1,920)	(55,324)
Other (Note)		-	1,100	-	1,100
Balance as of December 31, 2013	**$**	**46,005**	**82,770**	**6,122**	**134,897**
Balance as of January 1, 2012	$	46,005	149,863	4,988	200,856
Additions		-	14,242	450	14,692
Disposals		-	(42,061)	(3,518)	(45,579)
Other (Note)		-	570	-	570
Balance as of December 31, 2012	**$**	**46,005**	**122,614**	**1,920**	**170,539**
Amortisation：					
Balance as of January 1, 2013	$	8,307	78,212	1,312	87,831
Amortisation		3,833	31,320	2,989	38,142
Disposals		-	(53,404)	(1,920)	(55,324)
Balance as of December 31, 2013	**$**	**12,140**	**56,128**	**2,381**	**70,649**
Balance as of January 1, 2012	$	4,473	75,678	3,053	83,204
Amortisation		3,834	44,595	1,777	50,206
Disposals		-	(42,061)	(3,518)	(45,579)
Balance as of December 31, 2012	**$**	**8,307**	**78,212**	**1,312**	**87,831**
Carrying value：					
Balance as of December 31, 2013	**$**	**33,865**	**26,642**	**3,741**	**64,248**
Balance as of December 31, 2012	**$**	**37,698**	**44,402**	**608**	**82,708**
Balance as of January 1, 2012	**$**	**41,532**	**74,185**	**1,935**	**117,652**

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, 2013 and 2012, the amortization expenses of intangible assets were as follows:

		2013	2012
Operating costs	$	14,134	17,560
Operating expenses		24,008	32,646
	$	**38,142**	**50,206**

(Continued)

3. As of December 31, 2013 and 2012, and January 1, 2012, the intangible assets were not pledged.

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

	2013.12.31	2012.12.31	2012.1.1
Other receivable from metal recycling	$ 41,410	196,398	121,099
Tax refund receivable	19,402	17,435	46,983
Prepaid expenses	40,313	40,727	19,183
Refundable deposits	19,716	19,444	19,658
Restricted assets	23,541	23,423	23,284
Others	96,626	99,245	68,560
	$ 241,008	**396,672**	**298,767**

(j) Short-term borrowings

	2013.12.31	2012.12.31	2012.1.1
Unsecured short-term borrowings	**$ -**	**-**	**-**
Unused bank credit lines for short-term borrowings	**$ 3,157,153**	**3,828,626**	**3,746,195**
Unused bank credit lines for short-term and long-term borrowing	**$ -**	**100,000**	**-**

(k) Long-term borrowings

	2013.12.31	2012.12.31	2012.1.1
Unsecured long-term borrowings	$ 771,000	3,180,000	2,125,000
Secured long-term borrowings	3,495,910	4,028,862	4,366,294
Less：long-term liabilities, current portion	(545,444)	(1,650,185)	(1,007,672)
Total	**$ 3,721,466**	**5,558,677**	**5,483,622**
Unused bank credit lines for long-term borrowings	**$ 2,594,000**	**1,914,000**	**1,399,000**
Annual interest rate	**1.62%~1.73%**	**1.62%~2.14%**	**1.59%~2.14%**

As of December 31, 2013, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2014~December 31, 2014	$ 545,444
January 1, 2015~December 31, 2015	1,059,444
January 1, 2016~December 31, 2016	999,319
January 1, 2017~December 31, 2017	807,944
And after	854,759
	$ 4,266,910

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

(Continued)

For information on the Company market risk and currency risk was disclosed in note 6(s).

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

2. In March 2008, the Company entered into a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The total credit facility amounted to $2,810,000 and was to be repayment in advance in April 2013.

3. 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 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.

   As of December 31, 2013 and 2012, 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). According to the lease contract, if the lessee wants to terminate the contract in an earlier time, the lessee should inform the lessor in written form two months before the expiry of the lease period. Within the two-month period of notification, the lessee shall continue to pay the rents, whether the lessee has moved out or not. The lessor can also terminate the lease contract by notifying the lessee in written form at any time before two months.

   For the year ended December 31, 2013, the rental income recognised in other income amounted to $27,581. There were no such transactions for the year ended December 31, 2012.

(Continued)

2. Leases-lessee

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

For the years ended December 31, 2013 and 2012, the rent expense amounted to $22,684 and $17,809, 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：

		2013.12.31	2012.12.31	2012.1.1
Total present value of obligations	$	75,118	83,893	54,250
Fair value of plan assets		(34,747)	(33,654)	(32,673)
Recognised liabilities for defined benefit obligations (Note)	**$**	**40,371**	**50,239**	**21,577**

(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 Council of Labor Affairs and managed by the Pension Supervisory Committee. 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”.

(Continued)

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $34,747 as of December 31, 2013. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Labor Pension Fund Supervisory Committee, Council of Labor Affairs Executive Yuan.

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

The movements in present value of defined benefit obligations for the Company were as follows:

		2013	2012
Defined benefit obligation as of January 1	$	83,893	54,250
Current service costs and interest		3,150	2,829
Actuarial (gains) losses		(11,925)	26,814
Defined benefit obligation as of December 31	$	75,118	83,893

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

The movements in fair value of the defined benefit plan assets for the Company were as follows:

		2013	2012
Fair value of plan assets as of January 1	$	33,654	32,673
Benefits paid from plan assets		659	663
Expected return on plan assets		591	656
Actuarial losses		(157)	(338)
Fair value of plan assets as of December 31	$	34,747	33,654

(Continued)

(4) The expenses recognised in profit or losses

For the years ended December 31, 2013 and 2012, the expenses recognised in profit or losses for the Company were as follows:

		2013	2012
Service cost	$	1,809	1,744
Interest cost		1,341	1,085
Expected return on plan assets		(591)	(656)
Amortization of past service costs		-	18,258
Cost of defined benefit obligation	$	2,559	20,431
Operating expenses	$	2,559	20,431
Actual return on plan assets	$	434	318

(5) Actuarial gains and losses are recognised in other comprehensive income

For the years ended December 31, 2013 and 2012, the Company's cumulative actuarial losses (gains) recognised in other comprehensive income (after income tax) were $(9,768) and $7,382, respectively.

(6) Actuarial assumptions

The following were the Company's principal actuarial assumptions:

	2013.12.31	2012.12.31
Discount rate	2.00%	1.75%
Expected rate return on plan assets	2.00%	1.75%
Future salary rate increases	3.00%	4.00%

The expected ratio was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was based exclusively on historical returns, without adjustments.

(7) Experience adjustments based on historical information

		2013.12.31	2012.12.31	2012.1.1
Present value of the defined benefit obligation	$	75,118	83,893	54,250
Fair value of plan assets		(34,747)	(33,654)	(32,673)
Deficit in the plan	$	40,371	50,239	21,577
Experience adjustment arising on plan liabilities	$	(11,925)	8,556	-
Experience adjustments arising on plan assets	$	157	338	-

The Company expected $212 in contributions to be paid to its benefit plans within one year.

(8) When calculating the present value of the defined benefit obligation, the Company must uses judgment and estimates to determine the actuarial assumptions at the reporting date, including staff turnover and future salary changes. Any changes in actuarial assumptions could materially affect the Company to determine the amount of the benefit obligations.

As of December 31, 2013, the Company's book value of accrued pension liabilities was $40,371. When there is an increased (decreased) of 0.25% of the discount rate at the reporting date, it would have decreased the accrued pension liabilities by $2,387 or increased the accrued pension liabilities by $2,483, respectively. When there is an increased (decreased) of 0.25% in the future salary rate, it would have increased the accrued pension liabilities by $2,426 or decreased the accrued pension liabilities by $2,347, respectively.

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 $44,440 and 40,335 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2013 and 2012.

(Continued)

(n) Income tax

1. Income tax expense

The amount of income tax expenses for the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Current tax expense		
Current period	$ 207,718	130,429
Adjustment for prior periods	483	6
	208,201	130,435
Deferred tax expense		
Origination and reversal of temporary differences	192,660	152,304
Income tax expense	$ 400,861	282,739

The amount of income tax expenses (benefit) recognised in other comprehensive income for the years ended December 31 2013 and 2012 were as follows.

	2013	2012
Unrealized valuation gains (losses) on available-for-sale financial assets	$ (1,096)	255
Defined benefit plan actuarial gains (losses)	2,000	(1,512)
	$ 904	(1,257)

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

	2013	2012
Profit before tax	$ 2,212,371	1,836,992
Tax rate according to the Company's location	$ 376,103	312,289
Non-taxable income	2,007	10,095
10% surtax on unappropriated earnings	53,418	41,021
Others	(30,667)	(80,666)
	$ 400,861	282,739

(Continued)

2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2013 and 2012 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, 2013	$ 17,007	3,895	182,880	114,380	318,162
Recognised in profit or loss	21,136	4,819	(120,528)	(89,164)	(183,737)
Recognised in other comprehensive income	-	-	-	(2,000)	(2,000)
Balance as of December 31, 2013	**$ 38,143**	**8,714**	**62,352**	**23,216**	**132,425**
Balance as of January 1, 2012	$ 12,560	-	299,604	158,970	471,134
Recognised in profit or loss	4,447	3,895	(116,724)	(46,102)	(154,484)
Recognised in other comprehensive income	-	-	-	1,512	1,512
Balance as of December 31, 2012	**$ 17,007**	**3,895**	**182,880**	**114,380**	**318,162**

	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:				
Balance as of January 1, 2013	$ 11,097	622	1,096	12,815
Recognised in profit or loss	8,810	113	-	8,923
Recognised in other comprehensive income	-	-	(1,096)	(1,096)
Balance as of December 31, 2013	**$ 19,907**	**735**	**-**	**20,642**
Balance as of January 1, 2012	$ 9,230	-	5,510	14,740
Recognised in profit or loss	1,867	622	(4,669)	(2,180)
Recognised in other comprehensive income	-	-	255	255
Balance as of December 31, 2012	**$ 11,097**	**622**	**1,096**	**12,815**

3. Examination and approval

The Company's tax returns for the years through 2011 were assessed and approved by the Taipei National Tax Administration.

(Continued)

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

		2013.12.31	2012.12.31	2012.1.1
Unappropriated earnings after 1997	$	3,214,012	2,722,399	2,092,214
Balance of imputation credit account (ICA)	$	152,641	151,623	90,229

	2013 (Estimated)	2012 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings	11.16%	10.34%

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.

(o) Capital and other equity

1. Ordinary share

As of December 31, 2013 and 2012, and January 1, 2012, 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 739,276 thousand shares, 754,188 thousand shares, and 648,593 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2013 and 2012:

	Ordinary share (in thousands)	
	2013	2012
Balance as of January 1	754,188	648,593
Issue of shares	-	100,000
Exercise of employee stock options	5,088	5,595
Retirement of treasury shares	(20,000)	-
Balance as of December 31	739,276	754,188

For the years ended December 31, 2013 and 2012, the Company had issued 5,088 thousand shares and 5,595 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

(Continued)

On October 9, 2012, the Company issued 20 million units of Global Depositary Receipts (GDRs), representing 100 million ordinary shares of stock of the Company. These GDRs were offered for trading on the MTF Market of the Luxembourg Stock Exchange.

In 2013, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 20,000 thousand shares as treasury shares, which was proposed and arranged for the cancellation of shares for the interest of shareholders and Company's credit. As of 31 December 2013, a total of 20,000 thousand shares from the treasury shares was cancelled.

2. Capital surplus

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

	2013.12.31	2012.12.31	2012.1.1
Additional paid-in capital	$ 3,666,256	3,662,436	1,529,719
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	13,442	-	28,469
Employee stock options	48,660	100,609	148,934
	$ 3,728,358	3,763,045	1,707,122

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 amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

3. Retained earnings and restrictions on appropriations of 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;

(Continued)

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.

(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 statutory earnings reserve either by new shares or by cash of up to 25% of the actual share capital.

(2) Special reverse

In accordance with Permit No. 1010012865 issued by the Financial Supervisory Commission 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.

(Continued)

(3) Appropriations of earnings

The appropriations of earning for 2012 and 2011 had been approved in a shareholders' meeting held on June 10, 2013 and June 5, 2012, respectively. The appropriations and dividends were as follows：

		2012	2011
Cash dividends	$	1,136,245	518,874
Bonuses to employees		167,000	92,900
Remuneration to directors and supervisors		50,100	27,800

The above-mentioned appropriations of earning for 2012 and 2011 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 years ended December 31, 2013 and 2012, the Company's accrued and recognised employee's bonus amounted to $166,400 and $167,000, respectively, and directors' and supervisors' remuneration amounted to $49,900 and $50,100, respectively. The difference between the actual appropriation of 2013 and 2012 earnings for employees' bonus and directors' emoluments as been approved in the shareholders' meeting, 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 employees' bonus 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)

(4) Other equity interest

Changes in others were as follows:

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available - for-sale financial assets
Balance as of January 1, 2013	$	(24,741)	(129,397)
Foreign currency differences (net of tax)-Subsidiary		7,328	-
Changes in fair value of available-for-sale financial assets (net of tax):			
The Company		-	139,743
Subsidiary		-	48,423
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	57,626
Balance as of December 31, 2013	**$**	**(17,413)**	**116,395**
Balance as of January 1, 2012	$	(14,111)	(222,711)
Foreign currency differences (net of tax)：			
Subsidiary		(10,716)	-
Associates		(6,452)	-
Disposal of investments accounted for using equity method (net of tax)		6,538	-
Changes in fair value of available-for-sale financial assets (net of tax):			
The Company		-	92,619
Subsidiary		-	4,790
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(4,095)
Balance as of December 31, 2012	**$**	**(24,741)**	**(129,397)**

(p) Employee stock options

The details of employee stock options 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)
2007	2007.06.15	-	2007.07.16	5 years	10,000,000	10,000,000	$ 10.0
2009	2009.08.21	2009.09.22	2009.09.30	〃	20,000,000	20,000,000	9.5
2010	2010.07.05	2010.09.28	2011.01.26	〃	10,000,000	10,000,000	23.9

(Continued)

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

	Issued in 2007	Issued in 2009	Issued in 2010
Over one year	25%	-	-
Over two years	50%	60%	60%
Over three years	75%	100%	100%
Over four years	100%	100%	100%
Over five years	100%	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：

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

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

(Continued)

2. For the years ended December 31, 2013 and 2012, the related outstanding units and weighted-average exercise price of employee stock options were as follows：

	2013		2012	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	$ 21.76	11,385	18.41	17,891
Granted	-	-	-	-
Exercised	18.85	(5,088)	9.90	(5,595)
Expired	-	(143)	-	(911)
Outstanding at the end	22.94	6,154	21.76	11,385
Exercisable as of December 31		2,702		2,445

As of December 31, 2013 and 2012, and January 1, 2012, the Company's compensatory outstanding employee stock options were as follows：

	2013.12.31				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	$ 9.5	412	0.75	412	$ 9.5
2011.01.26	23.9	5,742	2.07	2,290	23.9

	2012.12.31				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	$ 9.9	2,445	1.75	2,445	$ 9.9
2011.01.26	25.0	8,940	3.07	-	25.0

(Continued)

	2012.1.1				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2007.07.16	$ 10.0	7	0.54	7	$ 10.0
2009.09.30	10.1	8,230	2.75	349	10.1
2011.01.26	25.5	9,654	4.07	-	25.5

3. Compensation cost for employee stock options

For the years ended December 31, 2013 and 2012, the compensation cost for employee stock options amounted to $3,775 and $63,460, respectively, which had been recorded under operating costs and operating expenses.

(q) Earnings per share (“EPS”)

For the years ended December 31, 2013 and 2012, the Company’s earnings per share were calculated as follows：

	2013		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS－retroactively adjusted：			
Profit belonging to common shareholders	$ 1,811,510	754,141	$ 2.40
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employees’ bonuses	-	8,162	
Employee stock options	-	2,282	
Common shareholders’ profit plus the effect of potentially dilutive common stock	$ 1,811,510	764,585	$ 2.37

(Continued)

	2012		
	Profit	Weighted-average number of outstanding shares of common stock (in thousands)	EPS (in dollars)
Basic EPS－retroactively adjusted：			
Profit belonging to common shareholders	$ 1,554,253	672,994	$ 2.31
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employees' bonus	-	6,064	
Employee stock options	-	6,273	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 1,554,253	685,331	$ 2.27

(r) Non-operating income and expenses

1. Other income

For the years ended December 31, 2013 and 2012, the details of other income were as follows：

		2013	2012
Interest income	$	16,789	4,570
Dividend income		33,371	28,275
Rent income		31,728	3,847
	$	81,888	36,692

2. Other gains and losses

For the years ended December 31, 2013 and 2012, the details of other gains and losses were as follows：

		2013	2012
Foreign exchange gains (losses)	$	126,699	(42,167)
Losses on disposals of investments		(398,190)	(68,081)
Gains on disposal of property, plant and equipment		306,531	210
Gains on financial assets or liabilities at fair value through profit (loss)		409,837	(185,788)
Impairment loss on financial assets		-	(155,550)
Other		(167,949)	17,057
	$	276,928	(434,319)

(Continued)

3. Finance cost

For the years ended December 31, 2013 and 2012, the details of finance cost were as follows：

		2013	2012
Interest expense on bank borrowings	$	102,469	123,052
Less：capitalized interest expense		(21,791)	(20,106)
	$	**80,678**	**102,946**

(s) Financial instruments

1. Categories of financial instruments

(1) Financial assets

		2013.12.31	2012.12.31	2012.1.1
Current financial assets at fair value through profit or loss	$	1,162,001	1,501,172	1,623,860
Current available-for-sale financial assets		584,716	512,068	-
Non-current available-for-sale financial assets		370,928	422,345	648,182
Loan and receivables：				
Cash and cash equivalents		1,883,857	2,845,717	761,868
Non-current bond investment without active market		190,000	534,783	344,783
Notes and accounts receivable, net (included the related parties)		422,269	1,003,114	517,990
Other current assets		57,043	209,446	129,844
Other non-current assets		43,257	42,867	42,942
Subtotal		2,596,426	4,635,927	1,797,427
Total	**$**	**4,714,071**	**7,071,512**	**4,069,469**

(2) Financial liabilities

		2013.12.31	2012.12.31	2012.1.1
Current financial liabilities at fair value through profit or loss	$	-	417	-
Financial liabilities measured at amortized cost：				
Payable		1,446,556	1,754,095	1,830,531
Long-term borrowings		4,266,910	7,208,862	6,491,294
Subtotal		5,713,466	8,962,957	8,321,825
Total	**$**	**5,713,466**	**8,963,374**	**8,321,825**

2. 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, 2013 and 2012, and January 1, 2012, the maximum exposure to credit risk amounted to $4,714,071, $7,071,512 and $4,069,469, respectively.

(Continued)

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 convertible bonds etc issued by publicly traded stocks company and high-credit-quality company. However, the credit risk involving securities and convertible bonds is not expected to be significant.

(2) Disclosures about concentrations of risk

As of December 31, 2013 and 2012, and January 1, 2012, the Company's notes and account receivables (included the related parties) were concentrated on 6, 3 and 4 customers, whose accounts represented 80%, 80% and 84% of the total notes and account receivables, respectively. In order to reduce the credit risk on these account receivables, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible loss on account receivables periodically and accrues allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation.

3. 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
As of December 31, 2013						
Non-derivative financial liabilities						
Secured bank loans	$ 3,495,910	3,650,855	596,767	585,589	2,137,605	330,894
Unsecured bank loans	771,000	792,073	13,309	521,394	257,370	-
Accounts payable	635,119	635,119	635,119	-	-	-
Other payables	811,437	811,437	811,437	-	-	-
	$ 5,713,466	5,889,484	2,056,632	1,106,983	2,394,975	330,894
As of December 31, 2012						
Non-derivative financial liabilities						
Secured bank loans	$ 4,028,862	4,174,218	1,190,609	933,260	1,782,477	267,872
Unsecured bank loans	3,180,000	3,270,460	563,615	1,575,231	1,131,614	-
Accounts payable	1,121,867	1,121,867	1,121,867	-	-	-
Other payables	632,228	632,228	632,228	-	-	-
	$ 8,962,957	9,198,773	3,508,319	2,508,491	2,914,091	267,872
Derivative financial liabilities						
Forward exchange contracts	$ 417	417	417	-	-	-
As of January 1, 2012						
Non-derivative financial liabilities						
Secured bank loans	$ 4,366,294	4,539,657	1,072,842	1,203,133	1,676,550	587,132
Unsecured bank loans	2,125,000	2,211,692	36,003	774,137	1,401,552	-
Accounts payable	1,090,011	1,090,011	1,090,011	-	-	-
Other payables	740,520	740,520	740,520	-	-	-
	$ 8,321,825	8,581,880	2,939,376	1,977,270	3,078,102	587,132

(Continued)

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

4. Currency risk

(1) Exposure to currency risk

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

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets									
Monetary items									
USD	$ 28,543	29.81	$ 850,874	120,827	29.04	3,508,814	36,588	30.28	1,107,877
EUR	73	41.09	3,003	568	38.49	21,864	164	39.18	6,416
JPY	166,312	0.2839	47,216	554	0.3364	186	151,202	0.3906	59,060
GBP	1	49.28	45	-	-	-	-	-	-
			$ 901,138			3,530,864			1,173,353
Non-monetary items									
USD	13,821	29.81	$ 412,013	10,888	29.04	316,189	10,414	30.28	315,339
Financial liabilities									
Monetary items									
USD	$ 9,558	29.81	284,911	16,294	29.04	473,170	19,286	30.28	583,983
EUR	118	41.09	4,842	260	38.49	10,004	355	39.18	13,900
JPY	277,148	0.2839	78,682	472,693	0.3364	159,014	521,141	0.3906	203,558
AUD	37	26.59	979	-	-	-	-	-	-
			$ 369,414			642,188			801,441

(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, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc for the years ended December 31, 2013 and 2012 would have increased (decreased) the net profit after tax by $22,067 and $137,212, respectively, and other comprehensive income by $20,601 and $15,705, respectively. The analysis assumes that all other variables remain constant.

5. 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 sensi-

(Continued)

tivity 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 $17,363 and $19,176 for the years ended December 31, 2013 and 2012, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

6. Fair value

(1) Fair value and carrying amount

The Company's management believes the carrying amounts of its financial assets and financial liabilities amortised cost are agreed to its fair value approximately.

(2) Valuation techniques and assumptions used in fair value determination

The Company uses the following methods in determining the fair value of its financial assets and liabilities:

i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices. These include stocks listed on domestic markets and convertible bond.

ii) Investors can require the investment trust company to redeem the monetary fund and others with standard terms and conditions of the close-end funds at any time. The fair value is base on the net value of the fund.

iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative instruments is determined using a discounted cash flow analysis calculated based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.

iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(3) Discount rate to determine the fair value

To derive interest cash flow from variable interest rate for the years ended December 31, 2013 and 2012 were as follows：

(Continued)

	2013	2012
Short-term and long-term borrowings	1.62%~1.73%	1.62%~2.14%

(4) Fair value hierarchy

The table below analyses the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy were as follows：

- Level 1： quoted prices (unadjusted) in active markets for identified assets or liabilities.
- Level 2： inputs other than quoted prices included within 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 assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
As of December 31, 2013				
Financial assets at fair value through profit or loss	$ 1,162,001	-	-	1,162,001
Available-for-sale financial assets	616,548	304,096	35,000	955,644
	$ 1,778,549	304,096	35,000	2,117,645
As of December 31, 2012				
Financial assets at fair value through profit or loss	$ 1,501,172	-	-	1,501,172
Available-for-sale financial assets	432,819	491,594	10,000	934,413
	$ 1,933,991	491,594	10,000	2,435,585
Financial liabilities at fair value through profit or loss	$ -	417	-	417
As of January 1, 2012				
Financial assets at fair value through profit or loss	$ 1,599,992	23,868	-	1,623,860
Available-for-sale financial assets	160,021	488,161	-	648,182
	$ 1,760,013	512,029	-	2,272,042

For the year ended December 31, 2013, the carrying amount of available-for-sale financial assets was NT$2,102 because the shares of stocks were listed on the market in July, 2013, and the fair value were acquired from the active market periodically. Therefore, it was reclassified from level 2 to level 1.

There were no financial assets fair value level transfers for the year ended December 31, 2012.

(5) Sensitivity analysis and the movement in fair value measurements of financial assets in Level 3

(Continued)

The movement in fair value measurements of financial assets in Level 3 for the years ended December 31, 2013 and 2012 were as follows：

		Available-for-sale financial assets
		Unquoted equity instruments
Balance as of January 1, 2013	$	10,000
Purchased		25,000
Balance as of December 31, 2013	**$**	**35,000**
Balance as of January 1, 2012	$	-
Purchased		10,000
Balance as of December 31, 2012	**$**	**10,000**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions by 3% would have the following effects:

		Other comprehensive income	
		Favourable	Unfavourable
Balance as of December 31, 2013			
Available-for-sale financial assets	**$**	**1,050**	**(1,050)**
Balance as of December 31, 2012			
Available-for-sale financial assets	**$**	**300**	**(300)**

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

(t) Concentration 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

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

(Continued)

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 it contractual obligations that arises principally from the Company's accounts receivable, investments in securities and investments in bond.

(1) Notes and accounts receivable

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

(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

(Continued)

grade above financial institutions, stocks and convertible bonds issued by publicly-traded stocks companies and companies with good credit, there are no incompliance issues and therefore no significant credit risk.

(3) Guarantees

As of December 31, 2013 and 2012, and January 1, 2012, there were no guarantees.

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, 2013, the Company has unused credit lines for short-term and long-term borrowings amounted to $3,157,153 and $2,594,000, 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.

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.

(Continued)

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.

(u) 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, 2013 and 2012, the Company's return on common equity was 12.39% and 12.67%, respectively. The Company's debt ratio at the reporting date was as follows:

	2013.12.31	2012.12.31	2012.1.1
Debt ratio	$ 29.42%	39.14%	45.80%

As of December 31, 2013, there were no any changes in the Company's approach to capital management.

(7) Related-parties transactions

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

	Area	Owners (Shareholding %) 2013.12.31	2012.12.31	2012.1.1
WIN SEMI. USA, INC.	California, U.S.A.	100.00%	100.00%	100.00%
WIN Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	100.00%	100.00%	100.00%

(b) Parent company and ultimate controlling party

The Company is the ultimate subsidiaries 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, 2013 and 2012 were as follow：

		2013	2012
Subsidiary	$	4,606,242	5,594,381

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		2013.12.31	2012.12.31	2012.1.1
Accounts receivable	Subsidiary	$	99,041	536,618	280,103

3. Borrowings to related parties

As of December 31, 2013, the borrowing to related parties of the Company was collected.

		2013
Interest income	$	526

There were no such transactions as of December 31 and January 1, 2012.

4. Leases

For the years ended December 31, 2013 and 2012, 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 and outstanding balance between the Company and related parties were as follows：

		Rental expense		Other payable		
		2013	2012	2013.12.31	2012.12.31	2012.1.1
Key management of the Company	$	144	144	-	-	-

(Continued)

5. Services expenses

For the years ended December 31, 2013 and 2012, the related-parties provided medical service to the Company. The amounts of services expenses and outstanding balance between the Company and related parties were as follows：

	Service expense		Other payable		
	2013	**2012**	**2013.12.31**	**2012.12.31**	**2012.1.1**
Other related-parties	$ 150	360	-	30	30

(d) Transactions with key management personnel

For the years ended December 31, 2013 and 2012, key management personnel compensation were comprised as below：

	2013	2012
Short-term employee benefits	$ 186,135	168,573
Post-employment benefits	717	703
Share-based payments	1,155	10,719
	$ 188,007	179,995

(8) Pledged assets

The carrying amount of pledged assets were as follows：

Pledged assets	Pledged to secure	2013.12.31	2012.12.31	2012.1.1
Other non-current assets	Gas deposits	$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,541	20,423	20,284
Property, plant and equipment	Long-term borrowings	5,113,371	8,356,291	6,080,312
Investment property	Long-term borrowings	1,096,479	-	-
Prepayments for business facilities	Long-term borrowings	765	243,120	1,013,384
		$ 6,234,156	8,622,834	7,116,980

(9) Commitments and contingencies

(a) Contingencies： None.

(b) Commitment：

	2013.12.31	2012.12.31	2012.1.1
The unrecognized commitment of acquisition of property, plant and equipment	$ 851,593	1,090,152	380,444
The unused letters of credit	$ 52,847	129,048	171,392

(Continued)

(10) Important damage losses: None.

(11) Important subsequent events: None.

(12) Others

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2013 and 2012：

	2013 Classified as operating costs	2013 Classified as operating expenses	2013 Total	2012 Classified as operating costs	2012 Classified as operating expenses	2012 Total
Employee benefits						
Salaries	$ 903,458	413,409	1,316,867	860,030	385,889	1,245,919
Labor and health insurance	69,021	23,234	92,255	59,330	19,568	78,898
Pension	32,849	14,150	46,999	29,188	31,578	60,766
Others	40,728	11,632	52,360	50,063	59,166	109,229
Depreciation	1,690,754	93,011	1,783,765	1,166,865	89,858	1,256,723
Amortization	14,134	24,008	38,142	17,560	32,646	50,206

(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：

1. Lending to other parties：

Number	Name of lenders	Name of borrowers	Account name	Nature of relationship	Maximum balance for the period (note 1)	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (note 2)	Transaction amounts	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	The Company	Inventec Energy Corporation	-	Yes	250,000	250,000	-	2%	2	-	Operation working	-	Commercial Paper	250,000	Net equity x20%= 2,978,315	Net equity x40%= 5,956,631

Note 1: The credit amount of lending.

Note 2: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

2. Guarantees and endorsements for other parties： None.

(Continued)

3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included)：

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	Note
The Company	EPISTAR Corporation/Stock	None	Current financial assets at fair value through profit or loss	3,957	227,131	0.42	227,131	
〃	Capital Money Market Fund	〃	〃	5,587	88,065	-	88,065	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	7,591	100,094	-	100,094	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	9,818	120,067	-	120,067	
〃	Allianz Global Investors All Seasons Return Fund of Bond Funds	〃	〃	17,970	248,209	-	248,209	
〃	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	〃	〃	8,861	98,903	-	98,903	
〃	Union Money Market Fund	〃	〃	10,080	130,123	-	130,123	
〃	Yuanta Asia Pacific (ex-Japan) Investment Grade Government Bond Index Fund (A)	〃	〃	10,000	86,548	-	86,548	
〃	Mega Diamond Money Market Fund	〃	〃	5,138	62,861	-	62,861	
					1,162,001		1,162,001	
〃	ITEQ CORPORATION/Stock	None	Current available-for-sale financial assets	15,475	482,037	4.66	482,037	
〃	MAG. LAYERS Scienific-Technics Co., Ltd./Stock	〃	〃	2,024	92,479	2.45	92,479	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	400	10,200	0.10	10,200	
					584,716		584,716	
〃	Inventec Solar Energy Corporation /Stock	None	Non-current available-for-sale financial assets	33,000	214,896	11.00	214,896	
〃	Shin Sheng Ⅲ Venture Capital Investment Corp. /Stock	〃	〃	9,000	89,200	11.03	89,200	
〃	Tainergy Tech Co., Ltd./Stock	〃	〃	1,043	29,730	0.45	29,730	
〃	CDIB CME Fund Ltd. /Stock	〃	〃	2,500	25,000	3.33	25,000	
〃	IntelliEPI Inc. (Cayman) /Stock	〃	〃	33	2,102	0.11	2,102	
〃	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	〃	〃	1,000	10,000	0.91	10,000	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	〃	75	118,224	0.03	118,224	
					489,152		489,152	
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current bond investment without active market	190,000	190,000	17.35	Note	

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

(Continued)

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

Company holding securities	Security type and name	Account	Counter-party	Relation-ship	Beginning		Purchase		Sale				End (Note)	
					Shares (Units) (in thousands)	Amount	Shares (in thousands)	Amount	Shares (Units) (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	EPISTAR Corporation	Current financial assets at fair value through profit or loss	-	-	16,006	1,365,001	-	-	12,049	679,659	1,027,546	(347,887)	3,957	227,131
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	4,113	50,000	26,253	320,000	20,548	250,795	250,000	795	9,818	120,067
〃	Bright Led Electronics Corp. / Convertible Bond	Non-current bond investment without active market	Bright Led Elec-tronics Corp.	-	4	344,783	-	-	4	344,783	344,783	-	-	-

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：

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment term	Counter-party	Rela-tions-hips	Prior Transaction of Related Counter-party				Price Refer-ence	Purpose of Acqui-sition	Other Terms
							Owner	Rela-tions-hips	Transfer Date	Amount			
The Company	Land and Buildings in Kueishan Hsiang	2013.07.03	1,040,358 (Untaxed VAT)	Paid	Hi-Chang Industrial Co., Ltd.	None	-	-	-	-	Market value	To create synergy with Fab C and promote operation efficiency	-

6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital：

Company name	Types of property	Transfer date	Original purchases date	Carrying value	Amount	Receivable item	Gain on disposal	Counter-party	Rela-tion-ships	Purpose of acquisition	Price refer-ence	Other terms
The Company	Land in Kueishan Hsiang	2013.02.18	2008.04.30	221,266	527,809	Received	306,543	NUTRITEC-ENJOY CORPORATION	None	Activation of assets	Market value	-

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

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			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	(4,606,242)	(45) %	1-2 Month	-	-	99,041	23%	
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	4,606,242	100 %	1-2 Month	-	-	(99,041)	(100)%	

(Continued)

8. Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital：None.
9. Information regarding trading in derivative financial instruments：None.

(b) Information on investments：

1. The followings are the information on investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2013			Net income (loss) of the investee	Investment income (loss) recognised by the Company	Note
				December 31, 2013	December 31, 2012	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%	6,062	(4,085)	(4,085)	
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	412,013	51,827	51,827	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	581,464	43,770	34.52%	386,229	(363,709)	(160,065)	

(c) Information on investment in Mainland China： None.

(14) Segment financial information

Please refer to the consolidated financial statements for the year ended December 31, 2013.

(15) First-time adoption of International Financial Reporting Standards have been applied

As discussed in note 4 (a), the Company's first IFRS financial statements that is covered by parts of the period by the first IFRS (Accredited by FSC) annual financial statements.

The preparation of the parent-company-only financial statements for the year ended December 31, 2012 and the balance sheets as of December 31 and January 1, 2012 (conversion date) adopted the IFRS' Accounting Policies.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Company is provided in the note below.

(Continued)

(a) The reconciliation of balance sheet items as of December 31 and January 1, 2012.

	2012.12.31			2012.1.1		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Assets						
Cash and cash equivalents	$ 2,845,717	-	2,845,717	761,868	-	761,868
Current financial assets at fair value through profit or loss (2)	1,501,172	-	1,501,172	1,599,992	23,868	1,623,860
Current available-for-sale financial assets	512,068	-	512,068	-	-	-
Notes and accounts receivable, net	466,496	-	466,496	237,887	-	237,887
Accounts receivable due from related parties, net	536,618	-	536,618	280,103	-	280,103
Inventories	2,101,205	-	2,101,205	1,893,835	-	1,893,835
Other current assets	353,805	-	353,805	255,825	-	255,825
Deferred tax assets－current (6)	298,495	(298,495)	-	360,481	(360,481)	-
Total current assets	8,615,576	(298,495)	8,317,081	5,389,991	(336,613)	5,053,378
Non-current available-for-sale financial assets (2)	70,589	351,756	422,345	160,021	488,161	648,182
Financial assets carried at cost－noncurrent (2)	366,674	(366,674)	-	500,523	(500,523)	-
Non-current bond investment without active market	534,783	-	534,783	344,783	-	344,783
Investments accounted for using equity method (1),(3)	642,515	(5,129)	637,386	680,715	155,573	836,288
Property, plant and equipment (7)	13,228,340	(1,610,700)	11,617,640	11,266,537	(1,672,429)	9,594,108
Intangible assets	82,708	-	82,708	117,652	-	117,652
Deferred tax assets (6)	1,994	316,168	318,162	89,731	381,403	471,134
Prepayments for business facilities (7)	-	1,610,700	1,610,700	-	1,672,429	1,672,429
Other non-current assets	42,867	-	42,867	42,942	-	42,942
Total non-current assets	14,970,470	296,121	15,266,591	13,202,904	524,614	13,727,518
Total assets	**$ 23,586,046**	**(2,374)**	**23,583,672**	**18,592,895**	**188,001**	**18,780,896**
Liabilities						
Current financial liabilities at fair value through profit or loss	$ 417	-	417	-	-	-
Accounts payable	1,121,867	-	1,121,867	1,090,011	-	1,090,011
Other payables	759,834	-	759,834	931,048	-	931,048
Long-term liabilities, current portion	1,650,185	-	1,650,185	1,007,672	-	1,007,672
Other current liabilities (4)	49,142	26,948	76,090	31,163	21,777	52,940
Total current liabilities	3,581,445	26,948	3,608,393	3,059,894	21,777	3,081,671
Long-term borrowings	5,558,677	-	5,558,677	5,483,622	-	5,483,622
Deferred tax liabilities (6)	-	12,815	12,815	-	14,740	14,740
Other non-current liabilities (5)	20,907	29,332	50,239	4,246	17,331	21,577
Total non-current liabilities	5,579,584	42,147	5,621,731	5,487,868	32,071	5,519,939
Total liabilities	9,161,029	69,095	9,230,124	8,547,762	53,848	8,601,610
Equity						
Ordinary share	7,541,877	-	7,541,877	6,485,930	-	6,485,930
Capital surplus	3,763,045	-	3,763,045	1,707,122	-	1,707,122
Retained earnings (1),(2),(3),(4),(5),(6)	3,154,109	48,655	3,202,764	2,073,743	149,313	2,223,056
Other equity interest (1),(2),(6)	(34,014)	(120,124)	(154,138)	(221,662)	(15,160)	(236,822)
Total equity	14,425,017	(71,469)	14,353,548	10,045,133	134,153	10,179,286
Total liabilities and equity	**$ 23,586,046**	**(2,374)**	**23,583,672**	**18,592,895**	**188,001**	**18,780,896**

(Continued)

(b) The reconciliation of statement of comprehensive income for the year ended December 31, 2012.

	2012		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Operating revenue	$ 11,066,244	-	11,066,244
Operating costs (4)	(7,597,780)	(4,238)	(7,602,018)
Gross profit from operations	3,468,464	(4,238)	3,464,226
Selling expenses	(78,579)	(245)	(78,824)
Administrative expenses	(456,792)	(3,051)	(459,843)
Research and development expenses	(530,489)	(744)	(531,233)
Total operating expenses (4),(5)	(1,065,860)	(4,040)	(1,069,900)
Net operating income	2,402,604	(8,278)	2,394,326
Non-operating income and expenses：			
Other income (2)	25,087	11,605	36,692
Other gains and losses (2),(3)	(319,910)	(114,409)	(434,319)
Finance costs	(102,946)	-	(102,946)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method (1)	(76,519)	19,758	(56,761)
Total non-operating income and expense	(474,288)	(83,046)	(557,334)
Profit before tax	1,928,316	(91,324)	1,836,992
Total tax expense (6)	(280,787)	(1,952)	(282,739)
Profit	1,647,529	(93,276)	1,554,253
Other comprehensive income：			
Other comprehensive income, before tax, exchange differences on translation (1)	(1,422)	1,422	-
Other comprehensive income, before tax, available-for-sale financial assets (2)	189,070	(100,291)	88,779
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans (5)	-	(8,894)	(8,894)
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using equity method	-	(5,840)	(5,840)
Income tax expense related to components of other comprehensive income (6)	-	1,257	1,257
Other comprehensive income, net	187,648	(112,346)	75,302
Comprehensive income	$ **1,835,177**	**(205,622)**	**1,629,555**
Earnings per common share (expressed in dollars)			
Basic earnings per share	$ **2.45**	**(0.14)**	**2.31**
Diluted earnings per share	$ **2.41**	**(0.01)**	**2.27**

(c) Note to reconciliation of statement of cash flow：

The statement of cash flow prepared by the accounting principles generally accepted in the Republic of China, the interest and dividends received and interest paid are recognized as cash flows from operating activities, and they are not required to separately disclose the interest received and dividends received. For the year ended December 31, 2012, the Company's interest received amounting to $3,958, the dividend received amounting to $28,275, interest paid amounting to $98,612 and income taxes paid

(Continued)

amounting to $193,358 should be disclosed separately, and the expression of interest and dividends received were recognised as cash flows from investing activities; interest paid was recognised as cash flows used in financing activities; and income tax paid was recognised as cash flows from operating activities according to the of International Accounting Standards 7 “Cash Flow Statement”(“IAS 7”).

In addition to the above differences, the preparation of the Company’s statement of cash flow prepared in the accounting principles generally accepted in the Republic of China and International Financial Reporting Standard have no significant differences.

(d) Notes to reconciliation of the significant differences:

(1) Under IFRSs, the functional currency of a foreign subsidiary is identified so that a IFRSs adjustment is made to recognise investment accounted for using equity method, retained earnings, exchange difference on translation of foreign financial statement as of December 31, 2012. For the year ended December 31, 2012 this adjustment is made to recognise share of other comprehensive loss of subsidiaries, associates and joint ventures accounted for using equity method.

(2) Under IFRSs, investment in unlisted and emerging stock companies is measured in accordance with IAS 39. As of December 31, 2012, such measurement resulted in adjustment in current financial assets at fair value through profit or loss, financial assets carried at cost-noncurrent, non-current available-for-sale financial assets, unrealized gains (losses) on available-for-sale financial assets and retained earnings. For the year ended December 31, 2012, this adjustment is made to recognise other gains and losses, and other income.

(3) Under IFRSs, an adjustment is made for the sale by the Company of its equity ownership in investments accounted for using equity method and gain on disposal of investment. As of December 31, 2012, this adjustment is made to recognize investments accounted for using equity method and retained earnings. For the year ended December 31, 2012, this adjustment is made to recognise other gains and losses.

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. As of December 31, 2012, this adjustment is made to recognise retained earnings and other current liabilities. For the year ended December 31, 2012, this adjustment in made to recognise operating costs and operating expenses.

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that as of January 1 and December 31, 2012, an adjust-

(Continued)

ment is made to recognise retained earnings and other non-current liabilities. For the year ended December 31, 2012, this adjustment is made to recognise operating expense and other comprehensive income, before tax, by actuarial gains (losses) on defined benefit plans.

(6) Under IFRSs, as of December 31, 2012, an adjustment is made to recognise deferred income tax assets—current, deferred income tax assets, deferred income tax liabilities, retained earnings and unrealized gains (losses) on available-for-sale financial assets. For the year ended December 31, 2012, this adjustment is made to recognise income tax expense.

(7) Under IFRSs, as of December 31, 2012, a reclassification is made from property, plant and equipment to prepayments for business facilities.

(8) Under the R.O.C GAAP, actuarial gains and losses may be recognised immediately as statement of operations. Under IFRS 1, "First-time Adoption of International Financial Reporting Standards," the main optional exemption adopted by the Company is in the area of accounting for employee benefits, under which, the Company elected to recognise all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

(9) The above-mentioned adjustments were summarized：

Balance sheets

	2012.12.31	2012.1.1
Exchange differences on translation of foreign financial statements	$ 22,139	1,496
Financial instruments:		
Current financial assets at fair value through profit or loss	(15,217)	8,651
Current available-for-sale financial assets	11,605	-
Associate:		
Investments accounted for using equity method	60,088	171,880
Available-for-sale financial assets	21,250	-
Employee benefits:		
Other current liabilities	(26,948)	(21,777)
Other non-current liabilities	(29,332)	(17,331)
Investments accounted for using equity method	(884)	-
Effect of tax	5,954	6,394
Retained earnings adjustments	**$ 48,655**	**149,313**

(Continued)

Statements of comprehensive income

		2012
Exchange differences on translation of foreign financial statements		
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	$	20,642
Financial instruments:		
Other gains and losses		(23,868)
Other income		11,605
Associate:		
Other gains and losses		(90,541)
Employee benefits:		
Operating costs		(4,238)
Selling expenses		(245)
Administrative expenses		(3,051)
Research and development expenses		(744)
Share of loss of subsidiaries, associates and joint ventures accounted for using equity method		(884)
Pre-tax adjustments	**$**	**(91,324)**

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, 2013 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 Accounting Standards 27 (“IAS 27”) 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: Dennis Chen

Date: Mar. 07, 2014

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, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. 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 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, 2013 and 2012, and January 1, 2012, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers".

We have audited the parent-company-only financial statements as of and for the years ended December 31, 2013 and 2012 on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)
March 7, 2014

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, 2013 and 2012, and January 1, 2012
(Expressed in Thousands of New Taiwan Dollars)

	2013.12.31	2012.12.31	2012.12.1
Assets			
Current assets：			
Cash and cash equivalents (note 6(a))	$ 1,966,881	3,025,657	799,376
Current financial assets at fair value through profit or loss (note 6(b))	1,162,001	1,501,172	1,623,860
Current available-for-sale financial assets (note 6(b))	584,716	512,068	-
Notes and accounts receivable, net (note 6(c))	650,438	1,049,355	652,822
Inventories (note 6(d))	1,126,775	2,101,205	1,893,835
Other current assets (note 6(i))	198,153	376,873	259,098
Total current assets	5,688,964	8,566,330	5,228,991
Non-current assets：			
Non-current available-for-sale financial assets (note 6(b))	489,152	491,281	713,723
Non-current bond investment without active market (note 6(b))	190,000	534,783	344,783
Investments accounted for using equity method (note 6(e))	386,229	324,861	600,717
Property, plant and equipment (notes 6(f) and 8)	12,636,304	11,617,771	9,594,313
Investment property (notes 6(g) and 8)	1,096,479	-	-
Intangible assets (note 6(h))	64,248	82,708	117,652
Deferred tax assets (note 6(n))	132,425	318,162	471,134
Prepayments for business facilities (note 8)	384,446	1,610,700	1,672,429
Other non-current assets (notes 6(i) and 8)	43,257	42,867	42,942
Total non-current assets	15,422,540	15,023,133	13,557,693
Total assets	$ 21,111,504	23,589,463	18,786,684

	2013.12.31	2012.12.31	2012.1.1
Liabilities and Equity			
Current liabilities：			
Current financial liabilities at fair value through profit or loss (note 6(b))	$ -	417	-
Accounts payable	635,119	1,121,867	1,090,011
Other payables (note 7)	1,028,229	763,376	932,349
Long-term liabilities, current portion (notes 6(k) and 8)	545,444	1,650,185	1,007,672
Other current liabilities	118,656	78,339	57,427
Total current liabilities	2,327,448	3,614,184	3,087,459
Non-current liabilities：			
Long-term borrowings (notes 6(k) and 8)	3,721,466	5,558,677	5,483,622
Deferred tax liabilities (note (n))	20,642	12,815	14,740
Other non-current liabilities (note 6(m))	150,371	50,239	21,577
Total non-current liabilities	3,892,479	5,621,731	5,519,939
Total liabilities	6,219,927	9,235,915	8,607,398
Equity (notes 6(m), 6(n), 6(o) and 6(p))：			
Ordinary share	7,392,754	7,541,877	6,485,930
Capital surplus	3,728,358	3,763,045	1,707,122
Retained earnings	3,671,483	3,202,764	2,223,056
Other equity interest	98,982	(154,138)	(236,822)
Total equity	14,891,577	14,353,548	10,179,286
Total liabilities and equity	$ 21,111,504	23,589,463	18,786,684

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

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

		2013	2012
Operating revenue	$	10,481,303	11,237,964
Operating costs (notes 6(d)、6(h)、6(l)、6(m)、6(o)、6(p)、7 and 12)		(7,249,118)	(7,602,018)
Gross profit from operations		3,232,185	3,635,946
Operating expenses (notes 6(h)、6(l)、6(m)、6(o)、6(p)、7 and 12)：			
Selling expenses		(128,220)	(177,360)
Administrative expenses		(499,069)	(479,217)
Research and development expenses		(495,281)	(531,233)
Total operating expenses		(1,122,570)	(1,187,810)
Net operating income		2,109,615	2,448,136
Non-operating income and expenses：			
Other income (notes 6(l)、6(r) and 7)		83,876	38,065
Other gains and losses (note 6(r))		259,647	(467,900)
Finance costs (note 6(r))		(80,678)	(102,946)
Share of loss of associates and joint ventures accounted for using equity method (note 6(e))		(160,065)	(78,339)
Total non-operating income and expenses		102,780	(611,120)
Profit before tax		2,212,395	1,837,016
Total tax expense (note 6(n))		(400,885)	(282,763)
Profit		1,811,510	1,554,253
Other comprehensive income (loss):			
Other comprehensive income, before tax, exchange differences on translation		7,328	(10,716)
Other comprehensive income, before tax, available-for-sale financial assets		244,696	93,569
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans (note 6(m))		11,768	(8,894)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method		-	86
Income tax benefit (expense) related to components of other comprehensive income (note 6(n))		(904)	1,257
Other comprehensive income, net		262,888	75,302
Comprehensive income	$	**2,074,398**	**1,629,555**
Profit , attributable to：			
Profit, attributable to owners of parent	$	**1,811,510**	**1,554,253**
Comprehensive income attributable to：			
Comprehensive income, attributable to owners of parent	$	**2,074,398**	**1,629,555**
Earnings per common share (expressed in dollars) (note 6(q))			
Basic earnings per share	$	**2.40**	**2.31**
Diluted earnings per share	$	**2.37**	**2.27**

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2013 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary share	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Special reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Total	Total equity attributable to owners of parent	Non - controlling interests	Total equity
Balance on January 1, 2012	$ 6,485,930	1,707,122	130,842	-	2,092,214	2,223,056	(14,111)	(222,711)	(236,822)	10,179,286	-	10,179,286
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012												
Legal reserve	-	-	127,861	-	(127,861)	-	-	-	-	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(518,874)	(518,874)	-	-	-	(518,874)	-	(518,874)
	-	-	127,861	221,662	(868,397)	(518,874)	-	-	-	(518,874)	-	(518,874)
Net income for the year ended December 31, 2012	-	-	-	-	1,554,253	1,554,253	-	-	-	1,554,253	-	1,554,253
Other comprehensive income for the year ended December 31, 2012	-	-	-	-	(7,382)	(7,382)	(10,630)	93,314	82,684	75,302	-	75,302
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	1,546,871	1,546,871	(10,630)	93,314	82,684	1,629,555	-	1,629,555
Changes in equity of associates and joint ventures accounted for using equity method	-	(24)	-	-	(48,289)	(48,289)	-	-	-	(48,313)	-	(48,313)
Disposal of investments accounted for using equity method	-	(28,445)	-	-	-	-	-	-	-	(28,445)	-	(28,445)
Exercise of employee stock options	55,947	(539)	-	-	-	-	-	-	-	55,408	-	55,408
Compensation cost arising from employee stock options	-	66,992	-	-	-	-	-	-	-	66,992	-	66,992
Issue of shares	1,000,000	2,017,939	-	-	-	-	-	-	-	3,017,939	-	3,017,939
Balance on December 31, 2012	7,541,877	3,763,045	258,703	221,662	2,722,399	3,202,764	(24,741)	(129,397)	(154,138)	14,353,548	-	14,353,548
Appropriation of 2012 earnings approved by stockholders during their meeting in 2013												
Legal reserve	-	-	164,753	-	(164,753)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(1,136,245)	(1,136,245)	-	-	-	(1,136,245)	-	(1,136,245)
Reversal of special reserve	-	-	-	(187,647)	187,647	-	-	-	-	-	-	-
	-	-	164,753	(187,647)	(1,113,351)	(1,136,245)	-	-	-	(1,136,245)	-	(1,136,245)
Net income for the year ended December 31, 2013	-	-	-	-	1,811,510	1,811,510	-	-	-	1,811,510	-	1,811,510
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	9,768	9,768	7,328	245,792	253,120	262,888	-	262,888
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	1,821,278	1,821,278	7,328	245,792	253,120	2,074,398	-	2,074,398
Changes in equity of associates and joint ventures accounted for using equity method	-	13,442	-	-	-	-	-	-	-	13,442	-	13,442
Exercise of employee stock options	50,877	45,040	-	-	-	-	-	-	-	95,917	-	95,917
Compensation cost arising from employee stock options	-	5,832	-	-	-	-	-	-	-	5,832	-	5,832
Retirement of treasury shares	(200,000)	(99,001)	-	-	(216,314)	(216,314)	-	-	-	(515,315)	-	(515,315)
Balance on December 31, 2013	$ 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

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	2013	2012
Cash flows from (used in) operating activities：		
Profit before tax	$ 2,212,395	1,837,016
Adjustments：		
Adjustments to reconcile profit (loss)：		
Depreciation expense	1,783,832	1,256,814
Amortization expense	38,142	50,206
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(409,837)	185,788
Interest expense	80,678	102,946
Interest income	(16,813)	(4,594)
Dividend income	(35,335)	(29,624)
Share-based payments	5,832	66,992
Share of loss of associates and joint ventures accounted for using equity method	160,065	78,339
Gain on disposal of property, plant and equipment	(306,530)	(210)
Insurance claim on damaged and donated property, plant and equipment	20,691	54,610
Loss on disposal of investments	398,190	68,081
Impairment loss on financial assets	-	190,129
Total adjustments to reconcile profit	1,718,915	2,019,477
Changes in operating assets and liabilities：		
Changes in operating assets：		
Notes and accounts receivable, net	398,917	(396,533)
Inventories	953,617	(276,682)
Other current assets	156,797	(96,470)
Total changes in operating assets	1,509,331	(769,685)
Changes in operating liabilities：		
Accounts payable	(486,748)	31,856
Other payables	132,082	87
Other current liabilities	40,317	20,912
Other non-current liabilities	1,900	19,768
Total changes in operating liabilities	(312,449)	72,623
Total changes in operating assets and liabilities	1,196,882	(697,062)
Cash inflow generated from operations	5,128,192	3,159,431
Income taxes paid	(129,849)	(193,382)
Net cash flows from operating activities	4,998,343	2,966,049
Cash flows from (used in) investing activities：		
Acquisition of current financial assets at fair value through profit or loss	(2,033,000)	(1,802,093)
Proceeds from disposal of current financial assets at fair value through profit or loss	2,442,048	1,823,606
Acquisition of current available-for-sale financial assets	(190,705)	(413,296)
Proceeds from disposal of current available-for-sale financial assets	150,048	34,656
Acquisition of non-current available-for-sale financial assets	(25,000)	(35,193)
Proceeds from disposal of non-current available-for-sale financial assets	128,256	-
Proceeds from capital reduction of non-current available-for-sale financial assets	60,000	-
Acquisition of non-current bond investments without active market	-	(190,000)
Proceeds from disposal of non-current bond investments without active market	344,783	-
Acquisition of investments accounted for using equity method	(207,991)	(287,591)
Proceeds from disposal of investments accounted for using equity method	21,626	259,220
Acquisition of property, plant and equipment	(2,611,357)	(2,052,750)
Proceeds from disposal of property, plant and equipment	511,286	298
Acquisition of intangible assets	(18,929)	(18,307)
Decrease (increase) in other non-current assets	(390)	75
Increase in prepayments for business facilities	(204,078)	(1,264,550)
Interest received	15,512	3,982
Dividends received	35,335	29,624
Net cash flows used in investing activities	(1,582,556)	(3,912,319)
Cash flows from (used in) financing activities：		
Proceeds from long-term borrowings	1,050,000	1,899,000
Repayments of long-term borrowings	(3,995,840)	(1,185,544)
Increase in other non-current liabilities	110,000	-
Payment of cash dividends	(1,136,245)	(518,874)
Issue of shares (transaction cost)	(10,989)	3,028,928
Exercise of employee share options	95,917	55,408
Payments to acquire treasury shares	(515,315)	-
Interest paid	(78,554)	(98,612)
Net cash flows (used in) financing activities	(4,481,026)	3,180,306
Effect of exchange rate changes on cash and cash equivalents	6,463	(7,755)
Net increase (decrease) in cash and cash equivalents	(1,058,776)	2,226,281
Cash and cash equivalents at the beginning of year	3,025,657	799,376
Cash and cash equivalents at the end of year	**$ 1,966,881**	**3,025,657**

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

**(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 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, 2013 and 2012 was authorized for issued by the Board of Directors as of March 7, 2014.

(3) New standards and interpretations not yet adopted

(a) New standards and interpretations approved by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect.

International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial instruments* ("IFRS 9"), which takes effect as of January 1, 2013 (IASB postponed the effective date of IFRS 9 to January 1, 2015; however, in November, 2013, ISAB cancelled the announcement mentioned above to allow the preparer of financial statements to strive for sufficient time to convert to the new standard and the new effective date has not been announced). This standard had been approved by the FSC; however, the effective date has not been announced. In accordance with the rules by the FSC, early adoption is not permitted, and companies shall follow the guidance in accordance to the 2009 version of the International Accounting Standards 39 *Financial instruments* ("IAS 39"). At the adoption of this new standard, it is expected there will be significant impacts to the classification and measurement of financial instruments in the consolidated financial statements.

(Continued)

(b) New standards and interpretations not yet approved by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements not yet approved by the FSC：

Issue date	New standards and amendments	Description	Effective date per IASB
May 12, 2011 June 28, 2012	IFRS 10 *Consolidated financial statements* IFRS 11 *Joint arrangements* IFRS 12 *Disclosure of interests in other entities* Amended IAS 27 *Separate financial statements* Amended IAS 28 *Investments in associates and joint ventures*	On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities), other than consolidation process, in which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from joint controlled assets and joint controlled operations), and joint venture (concepts from jointly controlled entities), and removal of the proportionate consolidation method. "On June 28, 2012, issuance of amendments clarifying the guidance over the transition period." Upon the adoption of the new standards and amendments, there will be a change whether the Group has control over certain investees and it is also expected that there will be a possible increase in the disclosed information about the equity of subsidiaries and associates.	January 1, 2013
May 12, 2011	IFRS 13 *Fair value measurement*	Replaces fair value measurement guidance in other standards, and the consolidated as one single guidance. Upon the adoption of the new standard, there will be an impact on the measurement on certain assets and liabilities. Besides, this amendment might increase the disclosed information about its fair value.	January 1, 2013
June 16, 2011	Amended IAS 1 *Presentation of financial statements*	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently. Upon the adoption of the amendment, it will change the presentation of other comprehensive income in the statement of comprehensive income.	July 1, 2012

(Continued)

Issue date	New standards and amendments	Description	Effective date per IASB
June 16, 2011	Amended IAS 19 *Employee benefits*	Eliminates of the corridor method and eliminates the option to recognise changes in the net defined benefit liability (asset) into profit or loss; in addition, requires the immediate recognition of past service cost. Upon the adoption of the amendment, it will not change the presentation and the measurement of the Group.	January 1, 2013
November 21, 2013	Amended IAS 19 *Employee benefits*	Amended version effective in 2011 regulate that contributions from employees that are linked to services and attributed to periods of service should deduct the benefit. It permits (but not regulates compulsory) to recognize the contribution as a reduction in the service cost if meet requirements. Upon the adoption of the amendment, it will change the presentation and the measurement of the accrued pension liabilities and actuarial gains (losses) on defined benefit plans.	June 30, 2015 (early adoption is permitted)

(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, except when otherwise indicated. These consolidated financial statements include the statement of financial position as of January 1, 2012, prepared for the purpose of the first-year adoption of the International Financial Reporting Standards, International Accounting Standards (IAS), IFRIC Interpretations, and Standard Interpretations Committee (SIC) Interpretations approved by the FSC (hereinafter referred to as the IFRSs approved by the FSC).

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

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to the Regulations) and International Financial Reporting Standards endorsed by the FSC.

These are the Group's first IFRS consolidated annual financial statements for part of the year covered by the first IFRS (endorsed by the FSC) annual financial statements, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance, and cash flows of the Group is provided in

(Continued)

note 15.

(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;

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

(3) The defined benefit liabilities are recognized as the present value of the defined benefit obligation, less plan assets and unrecognized past service cost.

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. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. 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.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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.

2. List of subsidiaries in the consolidated financial statements

			Shareholding			
Name of investor	**Name of subsidiary**	**Principal activity**	**2013.12.31**	**2012.12.31**	**2012.1.1**	**Note**
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%	100%	-
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%	100%	-

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

(Continued)

(d) Foreign currency

1. Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates of the dates of the transactions. 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 Group's functional currency 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 Group's functional currency at average rate. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

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

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

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(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 and cash equivalents comprised of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(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 bond 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 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.

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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 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.

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.

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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.

   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 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.

   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

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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, over the 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 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.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. 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

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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 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： 1 to 5 years

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

(l) Leases

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.

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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.

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 with indefinite useful life, 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 to 3 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, fair value less cost to sell and value in use 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.

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The Group should assess at the end of each reporting period 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. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

An impairment loss recognised in prior periods for an asset other than goodwill shall be reversed if, and only 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. That increase is a reversal of an impairment loss. For other assets, 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) Treasury stock

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

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

(p) 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

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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.

(q) 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. Any unrecognised past service costs and the fair value of any plan assets are 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 any unrecognised past service costs and also the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

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 on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

All actuarial gains and losses as of January 1, 2012, the date of transition to FSC accredited IFRS, were recognised in retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from the defined benefit plans in other comprehensive income and the expenses related to defined benefit plans in personnel expenses in profit or loss.

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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, change in the present value of defined benefit obligation and any related actuarial gains or losses and past service cost that had not previously been recognised.

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.

(r) Share-based payment

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

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

(s) Income taxes

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

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

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

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.

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

Initial recognition of goodwill.

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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.

(t) 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 bonus.

(u) 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.

(v) Reason for and effect of accounting changes

Effective January 1, 2013, the Group changed its estimated useful lives of the partial equipment to 5 years to reflect the consumption patterns of the future economic benefits. The effect on the estimated changes resulted in operating costs and operating expenses, the effect of depreciation expense on current and future period were as follows：

(Continued)

	2013	2014	2015	2016	2017	After 2017
Depreciation expense increase (decrease)	$ 461,452	461,452	461,452	372,714	(293,341)	(1,463,729)

(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.

Information about critical judgments in applying accounting policies that have not the most significant effect on the amounts recognised in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in Note 6(d), valuation of inventories; and its assumptions and estimation, please refer to Note 4(h).

(6) Significant account disclosure

(a) Cash and cash equivalents

	2013.12.31	2012.12.31	2012.1.1
Cash on hand	$ 495	482	534
Cash in bank	372,206	1,063,655	768,562
Time deposits	1,594,180	1,961,520	30,280
	$ 1,966,881	3,025,657	799,376

Refer to note 6(s) 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 and liabilities at fair value through profit or loss：

	2013.12.31	2012.12.31	2012.1.1
Current financial assets at fair value through profit or loss：			
Stocks listed on domestic markets	$ 227,131	855,645	957,190
Convertible bonds listed on domestic markets	-	25,075	21,350
Money market funds and bond funds	934,870	620,452	621,452
Convertible right listed on domestic markets	-	-	23,868
	$ 1,162,001	1,501,172	1,623,860

2012.12.31

(Continued)

	Nominal amount	Book value
Current financial liabilities at fair value through profit or loss：		
Derivative financial liabilities forward exchange contracts	USD 8,000 thousand	$ 417

There were no such transactions as of December 31, 2013 and January 1, 2012.

The Group entered into derivative contracts for the year ended December 31, 2012 to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria of hedge accounting.

2. Current available-for-sale financial assets：

	2013.12.31	2012.12.31	2012.1.1
Stocks listed on domestic markets	$ 584,716	362,230	-
Stock listed on domestic markets privately (Note)	-	149,838	-
	$ 584,716	512,068	-

Note: As of October 30, 2012, the restriction period of private placement of the stock listed on domestic markets privately was ended.

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

	2013.12.31	2012.12.31	2012.1.1
Stocks listed on domestic markets (Note)	$ 31,832	70,589	160,021
Stocks listed on foreign markets	118,224	68,936	65,541
Non-public stocks	339,096	351,756	488,161
	$ 489,152	491,281	713,723

Note: The shares of stock of IntelliEPI Inc. (Cayman) have been officially listed in the public market on July 24, 2013. Therefore, the Group reclassified its investments from non-public stocks to stocks listed on domestic markets for the nine months ended September 30, 2013.

4. Non-current bond investment without active market：

	Issue period	Nominal rate (%)	2013.12.31	2012.12.31	2012.1.1
Convertible bond	2010.4.9~2013.4.8	0%	$ -	344,783	344,783
Preferred stock B	2012.11.23~2019.11.22	-	190,000	190,000	-
			$ 190,000	534,783	344,783

(Continued)

5. Sensitivity analysis in the equity price risk：

For the years ended December 31, 2013 and 2012, two sensitivity analyses for the changes in the equity price at the reporting date were performed using the same basis for the profit and loss as illustrated below：

		2013		2012	
Prices of securities at the reporting date		**Other comprehensive income after tax**	**Net income**	**Other comprehensive income after tax**	**Net income**
Increasing 3%	$	32,216	34,860	30,100	45,035
Decreasing 3%	$	(32,216)	(34,860)	(30,100)	(45,035)

6. As of December 31, 2013 and 2012, and January 1, 2012, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(s).

(c) Notes and accounts receivable, net

		2013.12.31	2012.12.31	2012.1.1
Notes receivable	$	-	25	9,261
Accounts receivable		655,899	1,054,737	649,055
Less：allowance for doubtful accounts		(5,461)	(5,407)	(5,494)
	$	650,438	1,049,355	652,822

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

		2013.12.31	2012.12.31	2012.1.1
Past due 1~60 days	$	27,470	103,239	79,304
Past due 61~180 days		31,473	1,073	-
Past due more than 181 days		-	-	-
	$	58,943	104,312	79,304

The movement of allowance for notes and accounts receivable, and other accounts receivable for the years ended December 31, 2013 and 2012, were as follows：

		2013	2012
Beginning balance	$	5,407	5,494
Foreign currency differences		54	(87)
End balance	$	5,461	5,407

(Continued)

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 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 remainder of the impairment loss at the reporting date relates to the changed economic circumstances and the customers' historical payment behaviour.

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 receivables that were past due.

As of December 31, 2013 and 2012, and January 1, 2012, the notes and accounts receivable, net were not pledged.

(d) Inventories

		2013.12.31	2012.12.31	2012.1.1
Raw materials and supplies	$	713,325	1,210,999	1,167,787
Work in process		196,179	506,751	563,134
Finished goods		217,271	383,455	162,914
	$	1,126,775	2,101,205	1,893,835

For the years ended December 31, 2013 and 2012, the write-down of inventories to net realizable value were loss on valuation of inventories and obsolescence which were recognised as operating cost were as follows:

		2013	2012
Loss on valuation of inventories and obsolescence	$	159,135	64,519

As of December 31, 2013 and 2012, and January 1, 2012, the inventories were not pledged.

(Continued)

(e) Investments accounted for using equity method

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

	2013.12.31	2012.12.31	2012.1.1
Associates	$ 386,229	324,861	600,717

The fair value of an investment in associate of the Group for which had published price quotations were as follows:

	2013.12.31		2012.12.31		2012.1.1	
	Carry value	Fair value	Carry value	Fair value	Carry value	Fair value
Speed Tech Corp.	$ -	-	-	-	375,622	314,880

For the years ended December 31, 2013 and 2012, the Group recognised a share of loss of associates accounted for using the equity method were as follows：

	2013	2012
Inventec Energy Corporation	$ (160,065)	(48,361)
Speed Tech Corp.	-	(14,751)
WinMEMS Technologies Holdings Co., Ltd.	-	(15,227)
	$ (160,065)	(78,339)

Summary of financial information for the investments in associates were as follows (before adjusted to the Group proportionate share):

	2013.12.31	2012.12.31	2012.1.1
Total assets	$ 2,032,267	837,564	3,534,827
Total liabilities	$ 913,563	105,291	1,327,915

	2013	2012
Operating revenue	$ 1,097,092	732,137
Net loss	$ (363,709)	(211,979)

As of December 31, 2013 and 2012, and January 1, 2012, the investments accounted for using equity method were not pledged.

(Continued)

(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, 2013 and 2012 were as follows：

		Land	Buildings and structures	Machinery and equip-ment	Factory and equip-ment	Other equipment	Unfinished construction	Total
Cost：								
Balance as of January 1, 2013	$	1,765,464	970,208	10,381,768	2,506,214	344,871	136,615	16,105,140
Additions		1,439,534	13,218	327,363	43,334	15,102	851,369	2,689,920
Reclassification to investment property		(963,127)	(138,225)	-	-	-	-	(1,101,352)
Reclassification (Note)		509,371	137,646	635,539	92,874	-	58,941	1,434,371
Disposals		(204,708)	-	(25,604)	-	(75)	-	(230,387)
Balance as of December 31, 2013	$	2,546,534	982,847	11,319,066	2,642,422	359,898	1,046,925	18,897,692
Balance as of January 1, 2012	$	802,337	849,588	9,149,329	1,759,719	266,631	-	12,827,604
Additions		963,127	43,283	564,654	161,061	78,972	136,615	1,947,712
Reclassification (Note)		-	77,337	722,787	587,134	-	-	1,387,258
Disposals		-	-	(55,002)	(1,700)	(732)	-	(57,434)
Balance as of December 31, 2012	$	1,765,464	970,208	10,381,768	2,506,214	344,871	136,615	16,105,140
Accumulated depreciation：								
Balance as of January 1, 2013	$	-	257,540	2,993,277	978,274	258,278	-	4,487,369
Depreciation		-	56,452	1,410,688	237,850	74,855	-	1,779,845
Reclassification to investment property		-	(886)	-	-	-	-	(886)
Reclassification		-	(865)	-	865	-	-	-
Disposals		-	-	(4,866)	-	(74)	-	(4,940)
Balance as of December 31, 2013	$	-	312,241	4,399,099	1,216,989	333,059	-	6,261,388
Balance as of January 1, 2012	$	-	210,359	2,096,658	786,314	139,960	-	3,233,291
Depreciation		-	47,181	897,011	193,572	119,050	-	1,256,814
Disposals		-	-	(392)	(1,612)	(732)	-	(2,736)
Balance as of December 31, 2012	$	-	257,540	2,993,277	978,274	258,278	-	4,487,369
Carrying value：								
Balance as of December 31, 2013	$	2,546,534	670,606	6,919,967	1,425,433	26,839	1,046,925	12,636,304
Balance as of December 31, 2012	$	1,765,464	712,668	7,388,491	1,527,940	86,593	136,615	11,617,771
Balance as of January 1, 2012	$	802,337	639,229	7,052,671	973,405	126,671	-	9,594,313

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

1. Pledge to secure:

   As of December 31, 2013 and 2012, and January 1 2012, 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 2013, the Group acquired land, buildings and structures with the intention of constructing a new factory on the site. The cost of acquisition was $1,955,331. The Group commenced construction of the new factory and costs incurred up to the reporting date totaled $1,021,366.

3. For the years ended December 31, 2013 and 2012, capitalized interest expenses amounted to $21,791 and $20,106, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.61%~1.86% and 1.67%~1.79%, respectively.

(Continued)

(g) Investment property

		Land	Buildings and structures	Total
Cost：				
Balance as of January 1, 2013	$	-	-	-
Reclassification from property, plant and equipment		963,127	138,225	1,101,352
Balance as of December 31, 2013	**$**	**963,127**	**138,225**	**1,101,352**
Accumulated depreciation：				
Balance as of January 1, 2013	$	-	-	-
Depreciation		-	3,987	3,987
Reclassification from property, plant and equipment		-	886	886
Balance as of December 31, 2013	**$**	**-**	**4,873**	**4,873**
Carrying value：				
Balance as of December 31, 2013	**$**	**963,127**	**133,352**	**1,096,479**
Fair value：				
Balance as of December 31, 2013			**$**	**1,309,505**

Land, buildings and structures have been reclassified from property, plant and equipment to investment property, since the land, buildings and structures were leased to a third party.

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

Location	For the year ended December 31, 2013
Hsinchu	0.23%

As of December 31, 2013 and 2012, and January 1, 2012, 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)

(h) Intangible assets

1. The movement in intangible assets for the years ended December 31, 2013 and 2012 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Costs：					
Balance as of January 1, 2013	$	46,005	122,614	1,920	170,539
Additions		-	12,460	6,122	18,582
Disposals		-	(53,404)	(1,920)	(55,324)
Other (Note)		-	1,100	-	1,100
Balance as of December 31, 2013	**$**	**46,005**	**82,770**	**6,122**	**134,897**
Balance as of January 1, 2012	$	46,005	149,863	4,988	200,856
Additions		-	14,242	450	14,692
Disposals		-	(42,061)	(3,518)	(45,579)
Other (Note)		-	570	-	570
Balance as of December 31, 2012	**$**	**46,005**	**122,614**	**1,920**	**170,539**
Amortisation：					
Balance as of January 1, 2013	$	8,307	78,212	1,312	87,831
Amortisation		3,833	31,320	2,989	38,142
Disposals		-	(53,404)	(1,920)	(55,324)
Balance as of December 31, 2013	**$**	**12,140**	**56,128**	**2,381**	**70,649**
Balance as of January 1, 2012	$	4,473	75,678	3,053	83,204
Amortisation		3,834	44,595	1,777	50,206
Disposals		-	(42,061)	(3,518)	(45,579)
Balance as of December 31, 2012	**$**	**8,307**	**78,212**	**1,312**	**87,831**
Carrying value：					
Balance as of December 31, 2013	**$**	**33,865**	**26,642**	**3,741**	**64,248**
Balance as of December 31, 2012	**$**	**37,698**	**44,402**	**608**	**82,708**
Balance as of January 1, 2012	**$**	**41,532**	**74,185**	**1,935**	**117,652**

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

(Continued)

2. Amortization expense recognized in profit or loss

For the years ended December 31, 2013 and 2012, the amortization expenses of intangible assets were as follows:

		2013	2012
Operating costs	$	14,134	17,560
Operating expenses		24,008	32,646
	$	38,142	50,206

3. As of December 31, 2013 and 2012, and January 1, 2012, the intangible assets were not pledged.

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

		2013.12.31	2012.12.31	2012.1.1
Other receivable from metal recycling	$	41,410	196,398	121,099
Tax refund receivable		19,402	17,435	46,983
Prepaid expenses		40,715	42,169	22,450
Refundable deposits		19,716	19,444	19,658
Restricted assets		23,541	23,423	23,284
Others		96,626	120,871	68,566
	$	241,410	419,740	302,040

(j) Short-term borrowings

		2013.12.31	2012.12.31	2012.1.1
Unsecured short-term borrowings	$	-	-	-
Unused bank credit lines for short-term borrowings	$	3,157,153	3,828,626	3,746,195
Unused bank credit lines for short-term and long-term borrowing	$	-	100,000	-

(k) Long-term borrowings

		2013.12.31	2012.12.31	2012.1.1
Unsecured long-term borrowings	$	771,000	3,180,000	2,125,000
Secured long-term borrowings		3,495,910	4,028,862	4,366,294
Less：long-term liabilities, current portion		(545,444)	(1,650,185)	(1,007,672)
Total	$	3,721,466	5,558,677	5,483,622
Unused bank credit lines for long-term borrowings	$	2,594,000	1,914,000	1,399,000
Annual interest rate		1.62%~1.73%	1.62%~2.14%	1.59%~2.14%

(Continued)

As of December 31, 2013, the remaining balances of the borrowing due were as follows:

Year due		Amount
January 1, 2014~December 31, 2014	$	545,444
January 1, 2015~December 31, 2015		1,059,444
January 1, 2016~December 31, 2016		999,319
January 1, 2017~December 31, 2017		807,944
And after		854,759
	$	**4,266,910**

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

For information on the Group market risk and currency risk was disclosed in note 6(s).

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

2. In March 2008, the Company entered into a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The total credit facility amounted to $2,810,000 and was to be repayment in advance in April 2013.

3. 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 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.

   As of December 31, 2013 and 2012, 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). According to the lease contract, if the lessee wants to terminate the contract in an earlier time, the lessee should inform the lessor in written form two months before the expiry of the lease period. Within the two-month period of notification, the lessee shall continue to pay the rents, whether the lessee has moved out or not. The lessor can also terminate the lease contract by notifying the lessee in written form at any time before two months.

   For the year ended December 31, 2013, the rental income recognised in other income amounted to $27,581. There were no such transactions for the year ended December 31, 2012.

2. Leases-lessee

(Continued)

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

For the years ended December 31, 2013 and 2012, the rent expense amounted to $22,684 and $17,809, 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：

		2013.12.31	2012.12.31	2012.1.1
Total present value of obligations	$	75,118	83,893	54,250
Fair value of plan assets		(34,747)	(33,654)	(32,673)
Recognised liabilities for defined benefit obligations (Note)	**$**	**40,371**	**50,239**	**21,577**

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

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

(1) Composition of plan assets

The Group set aside pension funds in accordance with the legislation from the Council of Labor Affairs and managed by the Pension Supervisory Committee. 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 $34,747 as of December 31, 2013. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Labor Pension Fund Supervisory Committee, Council of Labor Affairs Executive Yuan.

(Continued)

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

The movements in present value of defined benefit obligations for the Group were as follows:

		2013	2012
Defined benefit obligation as of January 1	$	83,893	54,250
Current service costs and interest		3,150	2,829
Actuarial (gains) losses		(11,925)	26,814
Defined benefit obligation as of December 31	**$**	**75,118**	**83,893**

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

The movements in fair value of the defined benefit plan assets for the Group were as follows:

		2013	2012
Fair value of plan assets as of January 1	$	33,654	32,673
Benefits paid from plan assets		659	663
Expected return on plan assets		591	656
Actuarial losses		(157)	(338)
Fair value of plan assets as of December 31	**$**	**34,747**	**33,654**

(4) The expenses recognised in profit or loss

For the years ended December 31, 2013 and 2012, the expenses recognised in profit or losses for the Group were as follows:

		2013	2012
Service cost	$	1,809	1,744
Interest cost		1,341	1,085
Expected return on plan assets		(591)	(656)
Amortization of past service costs		-	18,258
Cost of defined benefit obligation	**$**	**2,559**	**20,431**
Operating expenses	**$**	**2,559**	**20,431**
Actual return on plan assets	**$**	**434**	**318**

(5) Actuarial gains and losses are recognised in other comprehensive income

For the years ended December 31, 2013 and 2012, the Group's cumulative actuarial losses (gains) recognised in other comprehensive income (after income tax) were $(9,768) and $7,382, respectively.

(Continued)

(6) Actuarial assumptions

The following were the Group's principal actuarial assumptions:

	2013.12.31	2012.12.31
Discount rate	2.00%	1.75%
Expected return on plan assets	2.00%	1.75%
Future salary rate increases	3.00%	4.00%

The expected ratio was based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return ratio was based exclusively on historical returns, without adjustments.

(7) Experience adjustments based on historical information

		2013.12.31	2012.12.31	2012.1.1
Present value of the defined benefit obligation	$	75,118	83,893	54,250
Fair value of plan assets		(34,747)	(33,654)	(32,673)
Deficit in the plan	$	40,371	50,239	21,577
Experience adjustment arising on plan liabilities	$	(11,925)	8,556	-
Experience adjustments arising on plan assets	$	157	338	-

The Group expected $212 in contributions to be paid to its benefit plans within one year.

(8) When calculating the present value of the defined benefit obligation, the Group must uses judgment and estimates to determine the actuarial assumptions at the reporting date, including staff turnover and future salary changes. Any changes in actuarial assumptions could materially affect the Group to determine the amount of the benefit obligations.

As of December 31, 2013, the Group's book value of accrued pension liabilities was $40,371. When there is an increased (decreased) of 0.25% of the discount rate at the reporting date, it would have decreased the accrued pension liabilities by $2,387 or increased the accrued pension liabilities by $2,483, respectively. When there is an increased (decreased) of 0.25% in the future salary rate, it would have increased the accrued pension liabilities by $2,426 or decreased the accrued pension liabilities by $2,347, respectively.

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 $44,440 and 40,335 of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2013 and 2012.

(Continued)

(n) Income tax

1. Income tax expense

The amount of income tax expenses for the years ended December 31, 2013 and 2012 were as follows:

		2013	2012
Current tax expense	$	207,742	130,453
Current period		483	6
Adjustment for prior periods		208,225	130,459
Deferred tax expense			
Origination and reversal of temporary differences		192,660	152,304
Income tax expense	**$**	**400,885**	**282,763**

The amount of income tax expenses (benefit) recognised in other comprehensive income for the years ended December 31, 2013 and 2012 were as follows.

		2013	2012
Unrealized valuation gains (losses) on available-for-sale financial assets	$	(1,096)	255
Defined benefit plan actuarial gains (losses)		2,000	(1,512)
	$	**904**	**(1,257)**

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

		2013	2012
Profit before tax	**$**	**2,212,395**	**1,837,016**
Tax rate according to the Group's location	$	376,107	312,293
Effect of tax rates in foreign jurisdiction		20	20
Non-taxable income		2,007	10,095
10% surtax on unappropriated earnings		53,418	41,021
Others		(30,667)	(80,666)
	$	**400,885**	**282,763**

(Continued)

2. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2013 and 2012 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, 2013	$ 17,007	3,895	182,880	114,380	318,162
Recognised in profit or loss	21,136	4,819	(120,528)	(89,164)	(183,737)
Recognised in other comprehensive income	-	-	-	(2,000)	(2,000)
Balance as of December 31, 2013	**$ 38,143**	**8,714**	**62,352**	**23,216**	**132,425**
Balance as of January 1, 2012	$ 12,560	-	299,604	158,970	471,134
Recognised in profit or loss	4,447	3,895	(116,724)	(46,102)	(154,484)
Recognised in other comprehensive income	-	-	-	1,512	1,512
Balance as of December 31, 2012	**$ 17,007**	**3,895**	**182,880**	**114,380**	**318,162**

	Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:				
Balance as of January 1, 2013	$ 11,097	622	1,096	12,815
Recognised in profit or loss	8,810	113	-	8,923
Recognised in other comprehensive income	-	-	(1,096)	(1,096)
Balance as of December 31, 2013	**$ 19,907**	**735**	**-**	**20,642**
Balance as of January 1, 2012	$ 9,230	-	5,510	14,740
Recognised in profit or loss	1,867	622	(4,669)	(2,180)
Recognised in other comprehensive income	-	-	255	255
Balance as of December 31, 2012	**$ 11,097**	**622**	**1,096**	**12,815**

3. Examination and approval

The Company's tax returns for the years through 2011 were assessed and approved by the Taipei National Tax Administration.

(Continued)

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

		2013.12.31	2012.12.31	2012.1.1
Unappropriated earnings after 1997	$	3,214,012	2,722,399	2,092,214
Balance of imputation credit account (ICA)	$	152,641	151,623	90,229

	2013 (Estimated)	2012 (Actual)
Creditable ratio for distributed to domestic shareholders of earnings	11.16%	10.34%

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.

(o) Capital and other equity

1. Ordinary share

As of December 31, 2013 and 2012, and January 1, 2012, 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 739,276 thousand shares, 754,188 thousand shares, and 648,593 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2013 and 2012:

	Ordinary share (in thousands)	
	2013	2012
Balance as of January 1	754,188	648,593
Issue of shares	-	100,000
Exercise of employee stock options	5,088	5,595
Retirement of treasury shares	(20,000)	-
Balance as of December 31	739,276	754,188

For the years ended December 31, 2013 and 2012, the Company had issued 5,088 thousand shares and 5,595 thousand shares resulting from the exercise of employee stock options, respectively. The aforementioned stock issuance was authorized by and registered with the government authorities.

On October 9, 2012, the Company issued 20 million units of Global Depositary Receipts (GDRs); representing 100 million ordinary shares of stock of the Company. These GDRs were offered for trading on the MTF Market of the Luxembourg Stock Exchange.

In 2013, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 20,000 thousand shares as treasury shares, which was is proposed and arranged for the cancellation of shares for the interest of shareholders and Company's credit. As of December 31, 2013, a total of 20,000 thousand shares from treasury shares was cancelled.

(Continued)

2. Capital surplus

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

	2013.12.31	2012.12.31	2012.1.1
Additional paid-in capital	$ 3,666,256	3,662,436	1,529,719
Changes in equity of associates and joint ventures accounted for using equity method	13,442	-	28,469
Employee stock options	48,660	100,609	148,934
	$ 3,728,358	3,763,045	1,707,122

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 amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

3. Retained earnings and restrictions on appropriations of 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.

(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 statutory earnings reserve either by new shares or by cash of up to 25% of the actual share capital.

(Continued)

(2) Special reverse

In accordance with Permit No. 1010012865 issued by the Financial Supervisory Commission 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 2012 and 2011 had been approved in a shareholders' meeting held on June 10, 2013 and June 5, 2012, respectively. The appropriations and dividends were as follows：

		2012	2011
Cash dividends	$	1,136,245	518,874
Bonuses to employees		167,000	92,900
Remuneration to directors and supervisors		50,100	27,800

The above-mentioned appropriations of earning for 2012 and 2011 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 years ended December 31, 2013 and 2012, the Company's accrued and recognised employee's bonus amounted to $166,400 and $167,000, respectively, and directors' and supervisors' remuneration amounted to $49,900 and $50,100, respectively. The difference between the actual appropriation of 2013 and 2012 earnings for employees' bonus and directors' emoluments as been approved in the shareholders' meeting, 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 employees' bonus 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)

(4) Other equity interest

Changes in others were as follows:

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available - for-sale financial assets
Balance as of January 1, 2013	$	(24,741)	(129,397)
Foreign currency differences (net of tax)		7,328	-
Changes in fair value of available-for-sale financial assets (net of tax)		-	188,166
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	57,626
Balance as of December 31, 2013	**$**	**(17,413)**	**116,395**
Balance as of January 1, 2012	$	(14,111)	(222,711)
Foreign currency differences (net of tax)：			
Consolidation		(10,716)	-
Associates		(6,452)	-
Disposal of investments accounted for using equity method (net of tax)		6,538	-
Changes in fair value of available-for-sale financial assets (net of tax)		-	97,409
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(4,095)
Balance as of December 31, 2012	**$**	**(24,741)**	**(129,397)**

(p) Employee stock options

The details of employee stock options 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)
2007	2007.06.15	-	2007.07.16	5 years	10,000,000	10,000,000	$ 10.0
2009	2009.08.21	2009.09.22	2009.09.30	〃	20,000,000	20,000,000	9.5
2010	2010.07.05	2010.09.28	2011.01.26	〃	10,000,000	10,000,000	23.9

(Continued)

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

	Issued in 2007	Issued in 2009	Issued in 2010
Over one year	25%	-	-
Over two years	50%	60%	60%
Over three years	75%	100%	100%
Over four years	100%	100%	100%
Over five years	100%	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 2nd year	2010 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	$ 4.30	5.30
Share price at grant date (dollars)	$ 27.02	27.02
Exercise price (dollars)	$ 27.10	27.10
Expected volatility	31.25%	31.25%
Expected life	2 years	3 years
Risk-free interest rate	0.73%	0.86%

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

(Continued)

2. For the years ended December 31, 2013 and 2012, the related outstanding units and weighted-average exercise price of employee stock options were as follows：

	2013		2012	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	$ 21.76	11,385	18.41	17,891
Granted	-	-	-	-
Exercised	18.85	(5,088)	9.90	(5,595)
Expired	-	(143)	-	(911)
Outstanding at the end	22.94	6,154	21.76	11,385
Exercisable as of December 31		2,702		2,445

As of December 31, 2013 and 2012, and January 1, 2012, the Group's compensatory outstanding employee stock options were as follows:

	2013.12.31				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	$ 9.5	412	0.75	412	$ 9.5
2011.01.26	23.9	5,742	2.07	2,290	23.9

	2012.12.31				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2009.09.30	$ 9.9	2,445	1.75	2,445	$ 9.9
2011.01.26	25.0	8,940	3.07	-	25.0

	2012.1.1				
	Outstanding			Exercisable	
Issue date	Range of exercise price (expressed in dollars)	Shares (in thousands)	Weighted- average of remaining duration (years)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
2007.07.16	$ 10.0	7	0.54	7	$ 10.0
2009.09.30	10.1	8,230	2.75	349	10.1
2011.01.26	25.5	9,654	4.07	-	25.5

(Continued)

3. Compensation cost for employee stock options

For the years ended December 31, 2013 and 2012, the compensation cost for employee stock options amounted to $5,832 and $66,992, respectively, which had been recorded under operating costs and operating expenses.

(q) Earnings per share ("EPS")

For the years ended December 31, 2013 and 2012, the Company's earnings per share were calculated as follows：

	2013		
	Profit	**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**
Basic EPS—retroactively adjusted：			
Profit belonging to common shareholders	$ 1,811,510	754,141	$ 2.40
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employees' bonuses	-	8,162	
Employee stock options	-	2,282	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 1,811,510	764,585	$ 2.37

	2012		
	Profit	**Weighted-average number of outstanding shares of common stock (in thousands)**	**EPS (in dollars)**
Basic EPS—retroactively adjusted：			
Profit belonging to common shareholders	$ 1,554,253	672,994	$ 2.31
Diluted EPS：			
Effect of potentially dilutive common stock：			
Employees' bonus	-	6,064	
Employee stock options	-	6,273	
Common shareholders' profit plus the effect of potentially dilutive common stock	$ 1,554,253	685,331	$ 2.27

(Continued)

(r) Non-operating income and expenses

1. Other income

For the years ended December 31, 2013 and 2012, the details of other income were as follows：

		2013	2012
Interest income	$	16,813	4,594
Dividend income		35,335	29,624
Rent income		31,728	3,847
	$	**83,876**	**38,065**

2. Other gains and losses

For the years ended December 31, 2013 and 2012, the details of other gains and losses were as follows:

		2013	2012
Foreign exchange gains (losses)	$	109,419	(41,176)
Losses on disposals of investments		(398,190)	(68,081)
Gains on disposal of property, plant and equipment		306,530	210
Gains on financial assets or liabilities at fair value through profit (loss)		409,837	(185,788)
Impairment loss on financial assets		-	(190,129)
Other		(167,949)	17,064
	$	**259,647**	**(467,900)**

3. Finance cost

For the years ended December 31, 2013 and 2012, the details of finance cost were as follows：

		2013	2012
Interest expense on bank borrowings	$	102,469	123,052
Less：capitalized interest expense		(21,791)	(20,106)
	$	**80,678**	**102,946**

(Continued)

(s) Financial instruments

1. Categories of financial instruments

(1) Financial assets

	2013.12.31	2012.12.31	2012.1.1
Current financial assets at fair value through profit or loss	$ 1,162,001	1,501,172	1,623,860
Current available-for-sale financial assets	584,716	512,068	-
Non-current available-for-sale financial assets	489,152	491,281	713,723
Loan and receivables：			
Cash and cash equivalents	1,966,881	3,025,657	799,376
Non-current bond investment without active market	190,000	534,783	344,783
Notes and accounts receivable, net (included the related parties)	650,438	1,049,355	652,822
Other current assets	57,043	231,072	129,850
Other non-current assets	43,257	42,867	42,942
Subtotal	2,907,619	4,883,734	1,969,773
Total	**$ 5,143,488**	**7,388,255**	**4,307,356**

(2) Financial liabilities

	2013.12.31	2012.12.31	2012.1.1
Current financial liabilities at fair value through profit or loss	$ -	417	-
Financial liabilities measured at amortized cost：			
Payable	1,457,366	1,757,637	1,831,831
Long-term borrowings	4,266,910	7,208,862	6,491,294
Subtotal	5,724,276	8,966,499	8,323,125
Total	**$ 5,724,276**	**8,966,916**	**8,323,125**

2. 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, 2013 and 2012, and January 1, 2012, the maximum exposure to credit risk amounted to $5,143,488, $7,388,255 and $4,307,356, 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 convertible bonds etc issued by publicly traded stocks company and high-credit-quality company. However, the credit risk involving securities and convertible bonds is not expected to be significant.

(Continued)

(2) Disclosures about concentrations of risk

As of December 31, 2013 and 2012, and January 1, 2012, the Group's notes and account receivables were concentrated on 6, 4 and 5 customers, whose accounts represented 69%, 64% and 66% 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 loss on account receivables periodically and accrues allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation.

3. 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
As of December 31, 2013						
Non-derivative financial liabilities						
Secured bank loans	$ 3,495,910	3,650,855	596,767	585,589	2,137,605	330,894
Unsecured bank loans	771,000	792,073	13,309	521,394	257,370	-
Accounts payable	635,119	635,119	635,119	-	-	-
Other payables	822,247	822,247	822,247	-	-	-
	$ 5,724,276	5,900,294	2,067,442	1,106,983	2,394,975	330,894
As of December 31, 2012						
Non-derivative financial liabilities						
Secured bank loans	$ 4,028,862	4,174,218	1,190,609	933,260	1,782,477	267,872
Unsecured bank loans	3,180,000	3,270,460	563,615	1,575,231	1,131,614	-
Accounts payable	1,121,867	1,121,867	1,121,867	-	-	-
Other payables	635,770	635,770	635,770	-	-	-
	$ 8,966,499	9,202,315	3,511,861	2,508,491	2,914,091	267,872
Derivative financial liabilities						
Forward exchange contracts	$ 417	417	417	-	-	-
As of January 1, 2012						
Non-derivative financial liabilities						
Secured bank loans	$ 4,366,294	4,539,657	1,072,842	1,203,133	1,676,550	587,132
Unsecured bank loans	2,125,000	2,211,692	36,003	774,137	1,401,552	-
Accounts payable	1,090,011	1,090,011	1,090,011	-	-	-
Other payables	741,820	741,820	741,820	-	-	-
	$ 8,323,125	8,583,180	2,940,676	1,977,270	3,078,102	587,132

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

(Continued)

4. Currency risk

(1) Exposure to currency risk

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

	2013.12.31			2012.12.31			2012.1.1		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets									
Monetary items									
USD	$ 28,836	29.81	$ 859,613	121,188	29.04	3,519,298	36,884	30.28	1,116,857
EUR	73	41.09	3,003	568	38.49	21,864	164	39.18	6,416
JPY	169,390	0.2839	48,088	5,251	0.3364	1,769	155,644	0.3906	60,795
GBP	8	49.28	417	30	46.83	1,414	9	46.73	430
HKD	64	3.84	245	64	3.75	242	66	3.90	256
			$ 911,366			3,544,587			1,184,754
Non-monetary items									
USD	-	-	$ -	405	29.04	11,755	339	30.28	10,251
Financial liabilities									
Monetary items									
USD	9,655	29.81	287,809	16,381	29.04	475,695	19,286	30.28	583,983
EUR	118	41.09	4,842	260	38.49	10,004	355	39.18	13,901
JPY	281,294	0.2839	79,856	474,890	0.3364	159,754	522,534	0.3906	204,102
GBP	8	49.28	370	10	46.83	482	13	46.73	613
AUD	37	26.59	979	-	-	-	-	-	-
			$ 373,856			645,935			802,599

(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, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc for the years ended December 31, 2013 and 2012 would have increased (decreased) the net profit after tax by $22,306 and $137,685, respectively, and other comprehensive income by $0 and $484, respectively. The analysis assumes that all other variables remain constant.

5. 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 $17,363 and $19,176 for the years ended December 31, 2013 and 2012, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(Continued)

6. Fair value

(1) Fair value and carrying amount

The Group's management believes the carrying amounts of its financial assets and financial liabilities amortised cost are agreed to its fair value approximately.

(2) Valuation techniques and assumptions used in fair value determination

The Group uses the following methods in determining the fair value of its financial assets and liabilities:

i) The fair value of financial assets and liabilities traded in active markets is based on quoted market prices. These include stocks listed on domestic markets and convertible bond.

ii) Investors can require the investment trust company to redeem the monetary fund and others with standard terms and conditions of the close-end funds at any time. The fair value is base on the net value of the fund.

iii) The fair value of derivative instruments is based on quoted prices. When quoted prices are unavailable, the fair value of non-option derivative instruments is determined using a discounted cash flow analysis calculated based on the applicable yield curve through the expected life of the derivative instruments. The fair value of option derivatives is determined using option pricing models.

iv) For all other financial assets and financial liabilities, the fair value is determined using a discounted cash flow analysis based on expected future cash flows.

(3) Discount rate to determine the fair value

To derive interest cash flow from variable interest rate for the years ended December 31, 2013 and 2012 were as follows:

	2013	**2012**
Short-term and long-term borrowings	1.62%~1.73%	1.62%~2.14%

(4) Fair value hierarchy

The table below analyses the financial instruments measured at fair value classified by measurement method. The definitions of fair value hierarchy were as follows：

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

– Level 2： inputs other than quoted prices included within 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 assets or liability that are not based on observable market data (unobservable inputs).

(Continued)

		Level 1	Level 2	Level 3	Total
As of December 31, 2013					
Financial assets at fair value through profit or loss	$	1,162,001	-	-	1,162,001
Available-for-sale financial assets		734,772	304,096	35,000	1,073,868
	$	**1,896,773**	**304,096**	**35,000**	**2,235,869**
As of December 31, 2012					
Financial assets at fair value through profit or loss	$	1,501,172	-	-	1,501,172
Available-for-sale financial assets		501,755	491,594	10,000	1,003,349
	$	**2,002,927**	**491,594**	**10,000**	**2,504,521**
Financial liabilities at fair value through profit or loss	**$**	**-**	**417**	**-**	**417**
As of January 1, 2012					
Financial assets at fair value through profit or loss	$	1,599,992	23,868	-	1,623,860
Available-for-sale financial assets		225,562	488,161	-	713,723
	$	**1,825,554**	**512,029**	**-**	**2,337,583**

For the year ended December 31, 2013, the carrying amount of available-for-sale financial assets was NT$2,102 because the shares of stocks were listed on the market in July, 2013, and the fair value were acquired from the active market periodically. Therefore, it was reclassified from level 2 to level 1.

There were no financial assets fair value level transfers for the year ended December 31, 2012.

(5) Sensitivity analysis and the movement in fair value measurements of financial assets in Level 3

The movement in fair value measurements of financial assets in Level 3 for the years ended December 31, 2013 and 2012 were as follows：

		Available-for-sale financial assets
		Unquoted equity instruments
Balance as of January 1, 2013	$	10,000
Purchased		25,000
Balance as of December 31, 2013	**$**	**35,000**
Balance as of January 1, 2012	$	-
Purchased		10,000
Balance as of December 31, 2012	**$**	**10,000**

For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions by 3% would have the following effects:

		Other comprehensive income	
		Favourable	Unfavourable
Balance as of December 31, 2013			
Available-for-sale financial assets	**$**	**1,050**	**(1,050)**
Balance as of December 31, 2012			
Available-for-sale financial assets	**$**	**300**	**(300)**

(Continued)

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

(t) Concentration 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.

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 it contractual obligations that arises principally from the Group’s accounts receivable, investments in securities and investments in bond.

   (1) Notes and accounts receivable

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

(Continued)

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, stocks and convertible bonds issued by publicly-traded stocks companies and companies with good credit, there are no incompliance issues and therefore no significant credit risk.

(3) Guarantees

As of December 31, 2013 and 2012, and January 1, 2012, there were no guarantees.

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, 2013, the Group has unused credit lines for short-term and long-term borrowings amounted to $3,157,153 and $2,594,000, 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.

(Continued)

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.

(u) 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.

For the years ended December 31, 2013 and 2012, the Group's return on common equity was 12.39% and 12.67%, respectively. The Group's debt ratio at the reporting date were as follows：

	2013.12.31	2012.12.31	2012.1.1
Debt ratio	$ 29.46%	39.15%	45.82%

As of December 31, 2013, 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, 2013 and 2012, 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 and outstanding balance between the Group and related parties were as follows：

	Rental expense		Other payable		
	2013	2012	2013.12.31	2012.12.31	2012.1.1
Key management of the Group	$ 144	144	-	-	-

2. Borrowings to related parties

As of December 31, 2013, the borrowing to related parties of the Group was collected.

2013

(Continued)

Interest income	$ 526

There were no such transactions as of December 31 and January 1, 2012.

3. Services expenses

For the years ended December 31, 2013 and 2012, the related-parties provided medical service to the Group. The amounts of services expenses and outstanding balance between the Group and related parties were as follows：

	Service expense		Other payable		
	2013	2012	2013.12.31	2012.12.31	2012.1.1
Other related-parties	$ 150	360	-	30	30

(c) Transactions with key management personnel

For the years ended December 31, 2013 and 2012, key management personnel compensation were comprised as below：

	2013	2012
Short-term employee benefits	$ 200,791	175,640
Post-employment benefits	717	703
Share-based payments	1,155	10,719
	$ 202,663	187,062

(8) Pledged assets

The carrying amount of pledged assets were as follows：

Pledged assets	Pledged to secure	2013.12.31	2012.12.31	2012.1.1
Other non-current assets	Gas deposits	$ 3,000	3,000	3,000
Other non-current assets	Customs guarantee	20,541	20,423	20,284
Property, plant and equipment	Long-term borrowings	5,113,371	8,356,291	6,080,312
Investment property	Long-term borrowings	1,096,479	-	-
Prepayments for business facilities	Long-term borrowings	765	243,120	1,013,384
		$ 6,234,156	8,622,834	7,116,980

(9) Commitments and contingencies

(a) Contingencies： None.

(b) Commitment：

	2013.12.31	2012.12.31	2012.1.1
The unrecognized commitment of acquisition of property, plant and equipment	$ 851,593	1,090,152	380,444
The unused letters of credit	$ 52,847	129,048	171,392

(Continued)

(10) Important damage losses： None.

(11) Important subsequent events： None.

(12) Others

(a) The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2013 and 2012：

	2013			2012		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	$ 903,458	471,602	1,375,060	860,029	484,177	1,344,206
Labor and health insurance	69,021	28,467	97,488	59,330	24,460	83,790
Pension	32,849	14,150	46,999	29,188	31,578	60,766
Others	40,728	14,875	55,603	50,063	64,473	114,536
Depreciation	1,690,754	93,078	1,783,832	1,166,865	89,949	1,256,814
Amortization	14,134	24,008	38,142	17,560	32,646	50,206

(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：

Number	Name of lenders	Name of borrowers	Account name	Nature of relationship	Maximum balance for the period (note 1)	Ending balance (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrowers (note 2)	Transaction amounts	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limitation on fund financing
													Name	Value		
0	The Company	Inventec Energy Corporation	-	Yes	250,000	250,000	-	2%	2	-	Operation working	-	Commercial Paper	250,000	Net equity x20%= 2,978,315	Net equity x40%= 5,956,631

Note 1: The credit amount of lending.

Note 2: Purposes of lending were as follows:

1. Business relationship
2. Short-term financing

2. Guarantees and endorsements for other parties： None.

(Continued)

3. Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included):

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Maximum percentage of ownership in midterm (%)	Note
				Shares (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)		
The Company	EPISTAR Corporation/Stock	None	Current financial assets at fair value through profit or loss	3,957	227,131	0.42	227,131	1.72	
〃	Capital Money Market Fund	〃	〃	5,587	88,065	-	88,065	-	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	7,591	100,094	-	100,094	-	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	9,818	120,067	-	120,067	-	
〃	Allianz Global Investors All Seasons Return Fund of Bond Funds	〃	〃	17,970	248,209	-	248,209	-	
〃	Allianz Global Investors All Seasons Harvest Fund of Bond Funds	〃	〃	8,861	98,903	-	98,903	-	
〃	Union Money Market Fund	〃	〃	10,080	130,123	-	130,123	-	
〃	Yuanta Asia Pacific (ex-Japan) Investment Grade Government Bond Index Fund (A)	〃	〃	10,000	86,548	-	86,548	-	
〃	Mega Diamond Money Market Fund	〃	〃	5,138	62,861	-	62,861	-	
					1,162,001		1,162,001		
〃	ITEQ CORPORATION/Stock	None	Current available-for-sale financial assets	15,475	482,037	4.66	482,037	4.66	
〃	MAG. LAYERS Scienific-Technics Co., Ltd./Stock	〃	〃	2,024	92,479	2.45	92,479	2.45	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	400	10,200	0.10	10,200	0.10	
					584,716		584,716		
〃	Inventec Solar Energy Corporation /Stock	None	Non-current available-for-sale financial assets	33,000	214,896	11.00	214,896	11.00	
〃	Shin Sheng Ⅲ Venture Capital Investment Corp. /Stock	〃	〃	9,000	89,200	11.03	89,200	11.03	
〃	Tainergy Tech Co., Ltd./Stock	〃	〃	1,043	29,730	0.45	29,730	3.46	
〃	CDIB CME Fund Ltd. /Stock	〃	〃	2,500	25,000	3.33	25,000	3.33	
〃	IntelliEPI Inc. (Cayman) /Stock	〃	〃	33	2,102	0.11	2,102	1.93	
〃	MagiCap Venture Capital Co., Ltd. /Preferred Stock A	〃	〃	1,000	10,000	0.91	10,000	0.91	
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd. /Stock	Subsidiary's main client	〃	75	118,224	0.03	118,224	0.03	
					489,152		489,152		
The Company	MagiCap Venture Capital Co., Ltd./ Preferred Stock B	None	Non-current bond investment without active market	190,000	190,000	17.35	Note	17.35	

Note： The redeemable preferred stock was the nature of bond, which was recognised as non-current bond investment 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：

Company holding securities	Security type and name	Account	Counter -party	Relation -ship	Beginning		Purchase		Sale				End (Note)	
					Shares (Units) (in thousands)	Amount	Shares (in thousands)	Amount	Shares (Units) (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	EPISTAR Corporation	Current financial assets at fair value through profit or loss	-	-	16,006	1,365,001	-	-	12,049	679,659	1,027,546	(347,887)	3,957	227,131
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	4,113	50,000	26,253	320,000	20,548	250,795	250,000	795	9,818	120,067
〃	Bright Led Electronics Corp. / Convertible Bond	Non-current bond investment without active market	Bright Led Electronics Corp.	-	4	344,783	-	-	4	344,783	344,783	-	-	-

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

(Continued)

5. Information on acquisition of real estate with purchase amount exceeding 300 million or 20% of the Company's paid-in capital：

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment term	Counter-party	Rela-tions-hips	Prior Transaction of Related Counter-party				Price Refer-ence	Purpose of Acqui-sition	Other Terms
							Owner	Rela-tions-hips	Transfer Date	Amount			
The Company	Land and Buildings in Kueishan Hsiang	2013.07.03	1,040,358 (Untaxed VAT)	Paid	Hi-Chang Industrial Co., Ltd.	None	-	-	-	-	Market value	To create synergy with Fab C and promote operation efficiency	-

6. Information regarding receivables from disposal of real estate exceeding 300 million or 20% of the Company's paid-in capital：

Company name	Types of property	Transfer date	Original purchases date	Carrying value	Amount	Receivable item	Gain on disposal	Counter-party	Rela-tion-ships	Purpose of acquisition	Price refer-ence	Other terms
The Company	Land in Kueishan Hsiang	2013.02.18	2008.04.30	221,266	527,809	Received	306,543	NUTRITEC-ENJOY CORPORATION	None	Activation of assets	Market value	-

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

Company name	Related party	Nature of relationships	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			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	(4,606,242)	(45) %	1-2 Month	-	-	99,041	23%	(None)
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent Com-pany	Purchase	4,606,242	100 %	1-2 Month	-	-	(99,041)	(100)%	(None)

Note: The amounts of the transaction and the ending balance had been offset in the consolidated statements.

8. Information regarding receivables from related-parties exceeding 100 million or 20% of the Company's paid-in capital：None.

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, 2013：

No (Note 1)	Company Name	Counter Party	Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms (Note 3)	Percentage of total consolidated net sales or assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	4,606,242	-	43.95%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related parties	99,041	-	0.47%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related parties	99,041	-	0.47%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating cost	4,606,242	-	43.95%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	42,752	-	0.41%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	42,752	-	0.41%

(Continued)

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.

(b) Information on investments：

1. The followings are the information on investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2013			Maximum percentage of ownership in midterm	Net income (loss) of the investee	Investment income (loss) recognised by the Company	Note
				December 31, 2013	December 31, 2012	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%	6,062	100.00%	(4,085)	(4,085)	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	412,013	100.00%	51,827	51,827	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	789,455	581,464	43,770	34.52%	386,229	44.36%	(363,709)	(160,065)	-

Note: The amount had been offset in the consolidated statements.

(c) Information on investment in Mainland China： None.

(14) Segment financial information

(a) The Group, which engages in researching, developing, manufacturing, and selling of GaAs wafers, is considered as a single operating segment.

(b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the years ended December 31, 2013 and 2012 were as follows：

	2013	2012
Revenue		
Revenue from external customers	$ 10,481,303	11,237,964
Interest expense	$ 80,678	102,946
Depreciation and amortization	1,821,974	1,307,020
Share of loss of associates and joint ventures accounted for using equity method	(160,065)	(78,339)
Assets		
Investments accounted for using equity method	386,229	324,861
Capital expenditures in noncurrent assets	2,834,364	3,335,607

(Continued)

The income before income tax, assets and liabilities of the operating segment above were consistent with the related accounts shown in the consolidated balance sheets and consolidated statements of comprehensive income of the Group.

(c) Segment information by products and services

The 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, 2013 and 2012 were as follows:

Area		**2013**	**2012**
External Customers:			
America	$	581,433	858,602
Asia		4,352,072	4,711,742
Africa		3,131,621	3,722,053
Taiwan		2,179,400	1,698,426
Europe		235,889	247,141
Australia		888	-
Total	**$**	**10,481,303**	**11,237,964**

Area		**2013**	**2012**
Non-current Assets:			
Taiwan	$	14,181,360	13,311,048
America		117	131
Total	**$**	**14,181,477**	**13,311,179**

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, 2013 and 2012, sales to customers greater than 10% of net revenue were as follows:

		2013 Net revenue amount	**Percentage of net revenue (%)**	**2012 Net revenue amount**	**Percentage of net revenue (%)**
Operating revenue of the Group-A company	$	3,131,621	30	3,722,053	33
Operating revenue of the Group-B company		1,562,959	15	2,035,327	18
Operating revenue of the Group-C company		1,350,569	13	1,189,765	11

(Continued)

	$ 6,045,149	58	6,947,145	62

(15) First-time adoption of International Financial Reporting Standards have been applied

As discussed in note 4 (a), the Group's first IFRS consolidated financial statements that is covered by parts of the period by the first IFRS (Accredited by FSC) annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" have been applied.

The preparation of the consolidated financial statements for the year ended December 31, 2012 and the consolidated balance sheets as of December 31, 2012 and January 1, 2012 (conversion date) adopted the IFRS' Accounting Policies.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Company is provided in the note below.

(a) The reconciliation of consolidated balance sheet items as of December 31 and January 1, 2012.

	2012.12.31			2012.1.1		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Assets						
Cash and cash equivalents	$ 3,025,657	-	3,025,657	799,376	-	799,376
Current financial assets at fair value through profit or loss (2)	1,501,172	-	1,501,172	1,599,992	23,868	1,623,860
Current available-for-sale financial assets	512,068	-	512,068	-	-	-
Notes and accounts receivable, net	1,049,355	-	1,049,355	652,822	-	652,822
Inventories	2,101,205	-	2,101,205	1,893,835	-	1,893,835
Other current assets	376,873	-	376,873	259,098	-	259,098
Deferred tax assets－current (6)	298,495	(298,495)	-	360,481	(360,481)	-
Total current assets	8,864,825	(298,495)	8,566,330	5,565,604	(336,613)	5,228,991
Non-current available-for-sale financial assets (1), (2)	143,775	347,506	491,281	228,417	485,306	713,723
Financial assets carried at cost－noncurrent (2)	366,674	(366,674)	-	500,523	(500,523)	-
Non-current bond investment without active market	534,783	-	534,783	344,783	-	344,783
Investments accounted for using equity method (1),(3)	324,861	-	324,861	442,289	158,428	600,717
Property, plant and equipment (1), (7)	13,228,466	(1,610,695)	11,617,771	11,266,742	(1,672,429)	9,594,313
Intangible assets	82,708	-	82,708	117,652	-	117,652
Deferred tax assets (6)	1,994	316,168	318,162	89,731	381,403	471,134
Prepayments for business facilities (7)	-	1,610,700	1,610,700	-	1,672,429	1,672,429
Other non-current assets	42,867	-	42,867	42,942	-	42,942
Total non-current assets	14,726,128	297,005	15,023,133	13,033,079	524,614	13,557,693
Total assets	$ 23,590,953	(1,490)	23,589,463	18,598,683	188,001	18,786,684
Liabilities						
Current financial liabilities at fair value through profit or loss	$ 417	-	417	-	-	-
Accounts payable	1,121,867	-	1,121,867	1,090,011	-	1,090,011
Other payables	763,376	-	763,376	932,349	-	932,349
Long-term liabilities, current portion	1,650,185	-	1,650,185	1,007,672	-	1,007,672
Other current liabilities (4)	50,507	27,832	78,339	35,650	21,777	57,427
Total current liabilities	3,586,352	27,832	3,614,184	3,065,682	21,777	3,087,459
Long-term borrowings	5,558,677	-	5,558,677	5,483,622	-	5,483,622
Deferred tax liabilities (6)	-	12,815	12,815	-	14,740	14,740
Other non-current liabilities (5)	20,907	29,332	50,239	4,246	17,331	21,577
Total non-current liabilities	5,579,584	42,147	5,621,731	5,487,868	32,071	5,519,939
Total liabilities	9,165,936	69,979	9,235,915	8,553,550	53,848	8,607,398
Equity						
Ordinary share	7,541,877	-	7,541,877	6,485,930	-	6,485,930
Capital surplus	3,763,045	-	3,763,045	1,707,122	-	1,707,122
Retained earnings (1),(2),(3),(4),(5),(6)	3,154,109	48,655	3,202,764	2,073,743	149,313	2,223,056
Other equity interest (1),(2),(6)	(34,014)	(120,124)	(154,138)	(221,662)	(15,160)	(236,822)
Total equity	14,425,017	(71,469)	14,353,548	10,045,133	134,153	10,179,286
Total liabilities and equity	$ 23,590,953	(1,490)	23,589,463	18,598,683	188,001	18,786,684

(Continued)

(b) The reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012.

	2012		
	ROC GAAP	Effect of Transition to IFRSs	IFRSs
Operating revenue	$ 11,237,964	-	11,237,964
Operating costs (4)	(7,597,780)	(4,238)	(7,602,018)
Gross profit from operations	3,640,184	(4,238)	3,635,946
Selling expenses	(176,229)	(1,131)	(177,360)
Administrative expenses	(476,165)	(3,052)	(479,217)
Research and development expenses	(530,490)	(743)	(531,233)
Total operating expenses (1), (4),(5)	(1,182,884)	(4,926)	(1,187,810)
Net operating income	2,457,300	(9,164)	2,448,136
Non-operating income and expenses：			
Other income (2)	26,460	11,605	38,065
Other gains and losses (1),(2),(3)	(374,135)	(93,765)	(467,900)
Finance costs	(102,946)	-	(102,946)
Share of loss of associates and joint ventures accounted for using equity method	(78,339)	-	(78,339)
Total non-operating income and expense	(528,960)	(82,160)	(611,120)
Profit before tax	1,928,340	(91,324)	1,837,016
Total tax expense (6)	(280,811)	(1,952)	(282,763)
Profit	1,647,529	(93,276)	1,554,253
Other comprehensive income：			
Other comprehensive income, before tax, exchange differences on translation (1)	$ (1,422)	(9,294)	(10,716)
Other comprehensive income, before tax, available-for-sale financial assets (2)	189,070	(95,501)	93,569
Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans (5)	-	(8,894)	(8,894)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	-	86	86
Income tax expense related to components of other comprehensive income (6)	-	1,257	1,257
Other comprehensive income, net	187,648	(112,346)	75,302
Comprehensive income	**$ 1,835,177**	**(205,622)**	**1,629,555**
Profit, attributable to：			
Profit, attributable to owners of parent	**$ 1,647,529**	**(93,276)**	**1,554,253**
Comprehensive income attributable to：			
Comprehensive income, attributable to owners of parent	**$ 1,835,177**	**(205,622)**	**1,629,555**
Earnings per common share (expressed in dollars)			
Basic earnings per share	**$ 2.45**	**(0.14)**	**2.31**
Diluted earnings per share	**$ 2.41**	**(0.14)**	**2.27**

(c) Note to reconciliation of consolidated statement of cash flow：

The consolidated statement of cash flow prepared by the accounting principles generally accepted in the Republic of China, the interest and dividends received and interest paid are recognized as cash flows from

(Continued)

operating activities, and they are not required to separately disclose the interest received and dividends received. For the year ended December 31, 2012, the Group's interest received amounting to $3,982, the dividend received amounting to $29,624, interest paid amounting to $98,612 and income taxes paid amounting to $193,382 should be disclosed separately, and the expression of interest and dividends received were recognised as cash flows from investing activities; interest paid was recognised as cash flows used in financing activities; and income tax paid was recoginsed as cash flows from operating activities according to the of International Accounting Standards 7 "Cash Flow Statement"("IAS 7").

In addition to the above differences, the preparation of the Group's consolidated statement of cash flow prepared in the accounting principles generally accepted in the Republic of China and International Financial Reporting Standard have no significant differences.

(d) Notes to reconciliation of the significant differences:

(1) Under IFRSs, the functional currency of a foreign subsidiary is identified so that an IFRSs adjustment is made to recognise non-current available-for-sale financial assets, investment accounted for using equity method, retained earnings, exchange difference on translation of foreign financial statements, and property, plant and equipment as of December 31, 2012. For the year ended December 31, 2012, this adjustment is made to recognise operating expenses and other gains and losses.

(2) Under IFRSs, investment in unlisted and emerging stock companies is measured in accordance with IAS 39. As of December 31, 2012, such measurement resulted in adjustment in current financial assets at fair value through profit or loss, financial assets carried at cost-noncurrent, non-current available-for-sale financial assets, unrealized gains (losses) on available-for-sale financial assets and retained earnings. For the year ended December 31, 2012, this adjustment is made to recognise other gains and losses, and other income.

(3) Under IFRSs, an adjustment is made for the sale by the Group of its equity ownership in investments accounted for using equity method and gain on disposal of investment. As of December 31, 2012, this adjustment is made to recognize investments accounted for using equity method and retained earnings. For the year ended December 31, 2012, this adjustment is made to recognise other gains and losses.

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. As of December 31, 2012, this adjustment is made to recognise retained earnings and other current liabilities. For the year ended December 31, 2012, this adjustment in made to recognise operating costs and operating expenses.

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that as of January 1 and December 31, 2012, an adjustment is made to recognise retained earnings and other non-current liabilities. For the year ended December 31, 2012, this adjustment is made to recognise operating expense and other comprehensive income before tax, by actuarial gains (losses) on defined benefit plans.

(6) Under IFRSs, as of December 31, 2012, an adjustment is made to recognise deferred income tax assets－current, deferred income tax assets, deferred income tax liabilities, retained earnings and unrealized gains (losses) on available-for-sale financial assets. For the year ended December 31, 2012, this adjustment is made to recognise income tax expense.

(Continued)

(7) Under IFRSs, as of December 31, 2012, a reclassification is made from property, plant and equipment to prepayments for business facilities.

(8) Under the R.O.C GAAP, actuarial gains and losses may be recognised immediately as statement of operations. Under IFRS 1, "First-time Adoption of International Financial Reporting Standards," the main optional exemption adopted by the Group is in the area of accounting for employee benefits, under which, the Group elected to recognise all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

(9) The above-mentioned adjustments were summarized：

Consolidated balance sheets

		2012.12.31	2012.1.1
Exchange differences on translation of foreign financial statements	$	22,139	1,496
Financial instruments:			
Current financial assets at fair value through profit or loss		(15,217)	8,651
Current available-for-sale financial assets		11,605	-
Associate:			
Investments accounted for using equity method		60,088	171,880
Available-for-sale financial assets		21,250	-
Employee benefits:			
Other current liabilities		(27,832)	(21,777)
Other non-current liabilities		(29,332)	(17,331)
Effect of tax		5,954	6,394
Retained earnings adjustments	$	48,655	149,313

Consolidated statements of comprehensive income

		2012
Exchange differences on translation of foreign financial statements		
exchange gain	$	20,644
Selling expenses		(2)
Financial instruments:		
Other gains and losses		(23,868)
Other income		11,605
Associate:		
Other gains and losses		(90,541)
Employee benefits:		
Operating costs		(4,238)
Selling expenses		(1,129)
Administrative expenses		(3,051)
Research and development expenses		(744)
Pre-tax adjustments	$	(91,324)

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	2013	2012	Difference	
			Amount	%
Current assets	5,688,964	8,566,330	(2,877,366)	-34%
Property, Plant and Equipment	12,636,304	11,617,771	1,018,533	+9%
Intangible assets	64,248	82,708	(18,460)	-22%
Other assets	2,721,988	3,322,654	(600,666)	-18%
Total assets	21,111,504	23,589,463	(2,477,959)	-11%
Current liabilities	2,327,448	3,614,184	(1,286,736)	-36%
Non-current liabilities	3,892,479	5,621,731	(1,729,252)	-31%
Total liabilities	6,219,927	9,235,915	(3,015,988)	-33%
Equity attributable to owners of parent	14,891,577	14,353,548	538,029	+4%
Share capital	7,392,754	7,541,877	(149,123)	-2%
Capital surplus	3,728,358	3,763,045	(34,687)	-1%
Retained earnings	3,671,483	3,202,764	468,719	+15%
Other equity interest	98,982	(154,138)	253,120	+164%
Non-controlling Interests	-	-	-	-
Total equity	14,891,577	14,353,548	538,029	+4%

7.1.2. Effect of Change on Financial Condition:

1. Current assets: The decrease on current assets was mainly due to a decrease in cash and cash equivalents for debts repayment and lower inventory level on year-end.
2. Current liabilities: The decrease on current liabilities was mainly due to less accounts payable and less current portion of long-term debt.
3. Non-current liabilities: The decrease on Non-current liabilities was mainly due to more repayment of long-term borrowings.
4. Other equity Interest: The increase on other equity interest came from the increase in market price of fair value of available-for-sale financial assets.

7.1.3. Future Response Actions:

The above-mentioned changes on financial condition resulted from fluctuations in business cycle and finance costs savings that was reasonable.

7.2. Finance Performance

7.2.1. Analysis of Finance Performance

Unit: NT$ thousands

Item \ Year	2013	2012	Difference	
			Amount	%
Operating revenue	10,481,303	11,237,964	(756,661)	-7%
Operating costs	(7,249,118)	(7,602,018)	(352,900)	-5%
Gross profit from operations	3,232,185	3,635,946	(403,761)	-11%
Operating expenses	(1,122,570)	(1,187,810)	(65,240)	-5%
Net operating income	2,109,615	2,448,136	(338,521)	-14%
Non-operating income and expenses	102,780	(611,120)	713,900	+117%
Profit before tax	2,212,395	1,837,016	375,379	+20%
Tax expense	(400,885)	(282,763)	118,122	+42%
Profit	1,811,510	1,554,253	257,257	+17%
Other comprehensive income, net	262,888	75,302	187,586	+249%

7.2.2. Effect of Change on the Company's Future Business:

1. Non-operating expenses and losses: The change on non-operating expenses and losses in 2013 was mainly due to the disposal of real estate, more gain on financial assets at fair value through profit or loss, and less impairment loss than 2012.
2. Tax expense: The increase on tax expenses was mainly due to more taxable income in 2013.
3. Other comprehensive income, net: The increase on other comprehensive income came from an in-crease in market price of fair value of available-for-sale financial assets.

7.2.3. 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	2013	2012	Variance (%)
Cash Flow Ratio (%)	214.76%	82.07%	+161.68%
Cash Flow Adequacy Ratio (%)	87.11%	59.84%	+45.59%
Cash Flow Reinvestment Ratio (%)	15.42%	10.00%	+54.12%
Analysis of financial ratio change: 2013 operating cash inflow increased mainly due to less material procurement and lower inventory level.			

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
1,966,881	2,322,676	(3,081,557)	1,208,000	—	—

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

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

7.4.1. Major Capital Expenditure for the Current Year

In 2013, our capital expenditures for acquisition of land and buildings is NT$ 2,241,045 thousand, for machinery and equipment is NT$483,368 thousand, and for facilities is NT$137,210 thousand.

7.4.2. The Effect on Finance and Sales

The increase in capital expenditures of 2013 was primarily for acquisition of land, building, machine and equipment for capacity expansion. The source of funds came from 2012 GDR offering, working capital and bank financing. The above-mentioned capital expenditures were to spend for future growth in operation, capacity and profitability by reducing unit cost from scale.
The Company's will finance by equity market, working capital and other long-term financial facilities to sustain a healthy financial ratios and financial structure.

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 and green energy 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

Unit: NT$ thousands

Investee	Investment Cost	Shareholdings (%)	Investment Income (Loss) Recognized by the Company	Main Causes for Profits or Losses	Improvement Plans
WIN SEMI. USA, INC.	8,203	100.00	(4,085)	WIN SEMI. USA, INC. employees were granted the Employee Stock Options from the Company to be recognized as a compensation cost and resulted in the net loss.	—
Win Semiconductors Cayman Islands Co., Ltd.	227,636	100.00	51,827	—	—
Inventec Energy Corporation	789,455	34.52	(160,065)	Despite2013 sales revenues increased 50% year-over-year, Inventec Energy Corporation (IEC) was experiencing a loss due to ASP lower than expected and gross margin -14%.	With the recovery of solar industry, the ASP is stabilizing as the better status of supply and demand. Additionally, IEC has completed an equity financing in the end of 2013 for the purpose of capacity expansion and strategic alliance with Inventec Group. Therefore, IEC is expecting to grow in business from the synergy with Inventec Group gradually from 2nd quarter of 2014.

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. Analysis of 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 $17,363 thousand and $19,176 thousand for the years ended December 31, 2013 and 2012, 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, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR and the JPY etc for the years ended December 31, 2013 and 2012 would have increased (decreased) the net profit after tax by $22,306 thousand and $137,685 thousand, respectively, and other comprehensive income by $0 thousand and $484 thousand, respectively. The analysis assumes that all other variables remain constant.

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.

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 R&D expenses of the Company in 2013 was NT$ 495,581 thousand and expect increased to 506,362 thousand in 2014.

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 are 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

A. The Structure of Risk Management

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.

The Group is exposed to the extent of the risks arising from financial instruments as below

1. Credit Risk

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

(1) Notes and accounts receivable

According to the credit policy, the Group analyse each new customer individually for their credit worthiness before granting the new customer standard payment terms and delivery terms. The Group's review includes external ratings of customers' financial information and bank references. Credit lines are established for each customer and reviewed periodically. The Group oversees the customer's credit risk based on the ageing 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, stocks and convertible bonds issued by publicly-traded stocks companies and companies with good credit, there are no incompliance issues and therefore no significant credit risk.

(3) Guarantees

As of December 31, 2013 and 2012, and January 1, 2012, there were no guarantees.

2. 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, 2013, the Group has unused credit lines for short-term and long-term borrowings amounted to $3,157,153 thousand and $2,594,000 thousand, respectively.

3. 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.

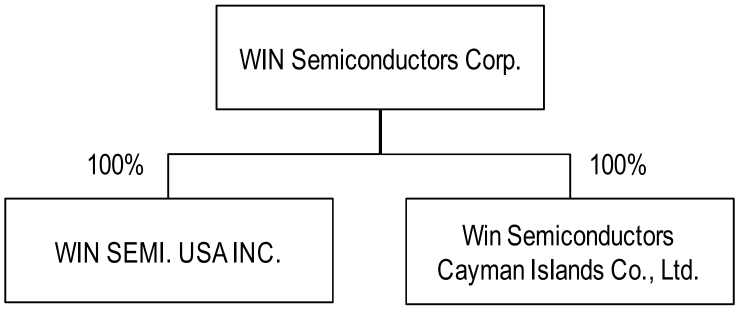
VIII. SPECIAL DISCLOSURE

8.1. Information Regarding Affiliates

8.1.1. Summary of Affiliates

A. Affiliates Overview

(1) Organization of Affiliates: Dec. 31, 2013



(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	Receive retail and customer orders for the European, North America and Australian regions

(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

(5) Directors, Supervisors, Presidents of Affiliates

Unit: Shares in thousands; %

Name of Affiliate	Position	Name or Representative	Shareholding	
			Shares	%
WIN SEMI. USA INC.	Director	Dennis Chen	0	0
	Director	Yu-Chi Wang		
Win Semiconductors Cayman Islands Co., Ltd.	Director	Dennis Chen	0	0

B. Operation Status of Affiliates

Fiscal Year 2013; Unit: NT$ thousands

Name of Affiliate	Capital	Total Assets	Total Liabili-ties	Net Equity	Sales	Oper-ating Income	Profit /Loss	EPS after Income Tax (NT dollars)
WIN SEMI. USA INC.	8,203	8,960	2,898	6,062	42,752	(4,305)	(4,085)	(4.09) (Note1)
Win Semicon-ductors Cayman Islands Co., Ltd.	227,636	527,172	115,159	412,013	4,746,595	49,809	51,827	7.40 (Note2)

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.

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

WIN Semiconductors Corp.

Chairman: Dennis Chen