Stock Code: 3105

Leading Global Communications

WIN | SEMICONDUCTORS

WIN Semiconductors Corp.

2012 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw

WIN's annual report is available at: http://www.winfoundry.com

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Title: Director of Finance Division
Tel: 886-3-397-5999
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Deputy Spokesman
Name: Lilith Wu
Title: Sr. Administrator
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Auditors
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Company's Website
http://www.winfoundry.com

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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Global economies experienced significant turbulence throughout 2012, with the on-going European debt crisis and uncertainty surrounding the US fiscal cliff slowing economic momentum late in the year. Based on estimates from the Chinese Institute of Economic Research, the 2012 global economic growth rate was only 1.19%. In contrast to the muted global growth in 2012, the GaAs industry expanded at a much faster pace as a result of continued strong demand for smartphones and tablets, increased penetration of 3G-networks and the growth of 4G LTE services in the US. Additionally, the increased use of Wi-Fi and Bluetooth technologies, stable growth in cellular base stations and backhaul networks along with increased demand for RF components used in fiber-optic and satellite communications also contributed to growth in the GaAs industry. According to estimates from IDC, the growth rate of global mobile phone shipments in 2012 was only 1.4%, however, sales of smartphones grew 45% during the same period with shipments increasing to 717million units from 494 million the previous year.

In 2012, WIN achieved record high sales, exceeding 10-billion NT$ revenue for the first time. Our sustained revenue growth comes from WIN's highly successful business model that supports diversified technologies, products and applications, as well as our advantage in manufacturing scale and unique market position. According to Strategy Analytics, WIN captured a 62.4% market share of the GaAs foundry industry in 2012.
2012 operating results and 2013 outlook are reported as follows:

A. Operating Performance in 2012

1. Operating Performance

The Company's 2012 non-consolidated revenues totaled NT$11,066,244 thousand, representing an increase of 26.78% compared to the year 2011. 2012 net income was NT$ 1,647,529 thousand, representing an increase of 28.85% compared to the prior year, and EPS for 2012 was NT$2.45.

2. Analysis of Receipts, Expenditures, and Profitability

Unit: NT$ thousands; %

Items			2012	2011
Interest Income & Interest Expense	Interest Income		4,570	800
	Interest Expense		102,946	58,346
Profitability	Return on Total Assets (%)		8.22	7.93
	Return on Stockholders' Equity (%)		13.47	13.52
	Ratio to Issued Capital (%)	Operating Income	31.86	25.73
		Pre-tax Income	25.57	18.03
	Profit Ratio (%)		14.89	14.65
	Earnings per Share ($)		2.45	2.04

3. Budget Implementation

The Company is not required to make public its 2012 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

As the world's largest six-inch GaAs wafer foundry with two state-of-the-art production facilities and a wide range of technical capabilities, WIN provides customers with market leading foundry services for the manufacturing of HBT and pHEMT monolithic microwave integrated circuits (MMICs). WIN's 7/24 non-stop production line provides customers with not only state-of-the-art semiconductor manufacturing technology but also design layout services and wafer–level automated circuit testing services. WIN's technology covers operating frequencies ranging from 0.1 to 100 GHz and meet most product needs of this fast-growing market. For example, HBT can be used in mobile phones, low-frequency wireless products, as well as wireless LAN applications. Our pHEMT technologies can be applied to the Local Multipoint Distribution (LMDS) market, radar applications for the Aerospace and Defense segment as well as meeting stringent performance requirements for switching applications in mobile phones and wireless LAN products. Furthermore, both our HBT and pHEMT technologies have already been widely incorporated into the optical fiber products critical to high-speed networks. In addition to our comprehensive portfolio of internally developed technologies, WIN also collaborates with strategic partners to develop customized technology solutions and provide these select customers with a market advantage. To sustain WIN's future growth, WIN continually invests in R & D activities to improve product quality and manufacturing yields, while also developing new technology platforms required for the next generation of MMIC products. This constant investment in operational and technological improvements has made WIN the preferred provider of GaAs foundry services.

B. Business Plan in 2013

Recently, several economic indicators suggest a stabilization of the global economy with some signs of improvement, and many research institutions have also raised their forecast for economic growth. For instance, the DGBAS forecasts global economic growth will reach 3.6% in 2013. Gallium arsenide market demand for 2013 is expected to grow along with the global economic recovery driven by increasing sales of complex handheld devices, greater 3G-network penetration, and the adoption of 4G LTE as a global standard. Additional growth drivers for GaAs products are the inclusion of high-performance Wi-Fi as standard in most smartphones and the accelerating replacement of feature phones with introductory smartphone products. In particular, global smartphone and 4G LTE phone shipments are expected to be the fastest growing segments, and IDC predicts that the compound annual growth rate (CAGR) for global smartphone shipments will be 23.2% from 2011 through 2016, and the CAGR for LTE phones will be 108.6% for the same period.

The company's operating principle is to 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, innovation, discipline and efficiency. Production and marketing policy is to continually provide diversified technologies, production capacity and cost advantages to fulfill end market requirements and to maintain close cooperative relationships amongst the entire supply chain. By taking this approach WIN today manufactures critical RF components used across the entire wireless market; from the latest and most advanced handsets, Wi-Fi modules, cellular base stations, fiber optic networks and satellite systems, to the next generation of RF applications, WIN has the strategy, capacity and technology required by our customers to be their preferred outsourcing partner.

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 will be achieved by investing in advanced process technologies that will allow WIN to expand the scope of its foundry services and markets in the pursuit of not only yearly growth of sales and production volume, but also profitability and bring superior returns to our shareholders.

C. Development Strategy

In the last decade the environment of the wireless industry has changed rapidly, and the speed at which new products are introduced is faster than ever. Also, industry demand patterns have shifted, with seasonality now dominated by new product introduction instead of the traditional holiday shopping season, which influences both consumer behavior and that of the supply chain. In response to this rapid change, WIN's strategy is to focus on providing total manufacturing solutions to our customers by developing advanced foundry technologies and services to meet customer needs. This intense focus provides significant added value for our customers, creating a differentiation in service instead of just price competition. Providing significant additional value added services enables WIN to develop deep and strong partnerships with our customers, resulting in high barriers to competition and expansion of WIN's leading position in the industry. WIN strictly adheres to the pure-play foundry model and provides integration services to magnify WIN's core competitiveness and help our customers reduce their time to market. This unique market position enables WIN to have strong partnerships with all of the GaAs IDM's and fabless design houses, thereby insulating our own operation from the risks of market volatility.

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

Competition is a key factor in driving company growth. WIN has been in a highly competitive environment for a long time and we constantly challenge ourselves to remain a market leader and improve our position in the industry. The volatility of the industry and changes in laws and cross-country regulations makes the business environment more challenging than ever. WIN will maintain its flexibility and efficiency in operations, adherence to effective cost controls and strengthen strategic customer relationships to maintain our 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.

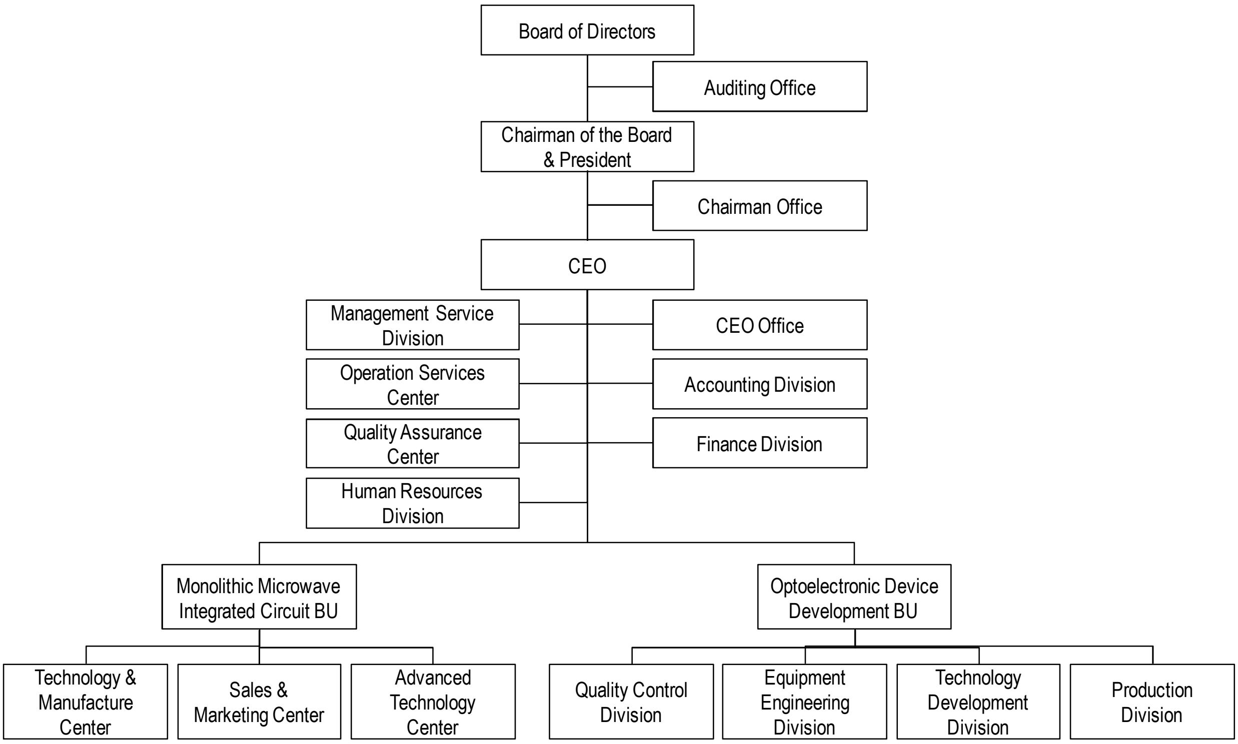
2.2. Company History

Year	Milestones
Oct.1999	WIN Semiconductors Incorporates in Taiwan
Jul. 2000	Facility construction complete for Corporate Offices & Fab #1
Nov. 2000	Completes production of Asia's 1st,6-inch,GaAs HBT MMIC wafer Completes production of Asia's 1st,6-inch,GaAs pHEMT wafer
Mar. 2001	Presents the world's 1st,6-inch,0.15μm GaAs pHEMT MMIC wafer
May 2001	Produced the worlds' 1st, 6-inch, 50μm thick pHEMT MMIC wafer
Sep. 2001	Awarded QS-9000 and ISO 9001 quality management system certification
Nov. 2001	Began foundry production for 0.15μm pHEMT
Jun. 2002	Production release of 2um HBT
Jun. 2002	First 0.5um switch pHEMT wafer for customer
Oct. 2002	Foundry production of 0.5-um power pHEMT started
Nov. 2002	ISO14001 and OHSAS 18001 Certified
Jan. 2003	Foundry production of customer specific 3um HBT started
Apr. 2003	Mr. Dennis Chen was unanimously elected chairman of our board
Dec. 2003	Shipped more than 1.5 million WLAN PAs in a single month
Sep. 2004	Pilot run of 0.5 um 35V pHEMT for CATV
May. 2005	Successfully developed HBT process for high efficiency, high performace 2G/3G cellphone application
Apr. 2007	Acquired additional Huaya land and factory in Science Park
Apr. 2007	Established MMIC and Optoelectronic business units, lead by PhD Y.C. Wang and PhD W.M. Chang respectively
Dec. 2007	Start making profit annually, yearend profit is NTD0.79 per share
Apr. 2008	Acquired additional land in Huaya Science Park
May. 2008	Successfully developed 0.25um pHEMT MMIC wafer process
Jun. 2008	Skyworks Solution announced WIN as their official GaAs foundry
Oct. 2008	First pilot run of HBT GaAs wafer in Fab B
Apr. 2009	Fab B formally announced for mass production
Jul. 2009	Successfully integrates HBT and pHEMT processes named as BiHEMT process
Sep. 2009	Company stock is offered in public
Oct. 2009	Initial public offering
Oct. 2009	Announcing strategic partnership with ANADIGICS
Apr. 2010	Acquired Fab B second phase land and factory
May. 2010	Start renovating Fab B second phase
Nov. 2010	Passed ISO/TS 16949 quality system certification
Dec. 2010	Developed high performance application for multiphase, multisystem cell phone switch process
Dec. 2010	Successfully developed world first 6" 0.1um MMIC wafer
Jan. 2011	Signed NTD4.8 Billion business loan contract with group of banks lead by International Mega Bank
May. 2011	Morgan Stanley Capital International enlists WIN Semiconductor Corp. in MSCI Index
Oct. 2011	GreTai Security Market (GTSM) awarded Contribution Excellence Golden Laurel Award to WIN Semiconductors
Nov. 2011	Awarded best supplier award from M/A COM Technology Solutions
Dec. 2011	Stock is offered publically in GTSM
Oct. 2012	WIN participates seasoned equity offering and offers Global Depositary Receipts

III. CORPORATE GOVERNANCE REPORT

3.1. Organization

3.1.1. Organization Chart



3.1.2. Major Corporate Functions

Department	Functions
Chairman Office	• Executing the project from Chairman & President.
CEO Office	• Business planning and analysis, integration of management system and business resources, management of business performance.
Audit Office	• Assisting internal business units to adjust and improve from deficiency of system implementation. • Regularly and irregularly implementing auditing activities to ensure the operation performance and progress of improvement in different business cycles. • Implementing checking and auditing based on internal control system.
Operation Services Center	• IT Department: Office and factory's automation, planning, management and maintenance of hardware and software information system. • Material Management department: Procurement of materials and equipment, management of warehouse. • Facility Division: Planning, set-up and maintenance of fab facility system.
Management Services Division	• Corporation Service Department: Provide general administration service. • ESH Department: Corporate environmental protection, planning of fire fighting, labor safety and sanitation policies and maintenance and management. • Legal Affairs Office: Writing, reviewing, negotiating and managing any contract and legal document of the Company. Coordination and prosecution of any corporate lawsuit case. Consultation and suggestion of any legal issue.
Quality Assurance Center	Coordination of product quality improvement and execution of quality control. • Implement the Company's quality policy. • Establish and maintain the quality systems. • Deal with customer's complaints. • Control the engineering change. • Establish the reliability systems.
Human Resource Division	• Setting up the human resource policy. • Setting up related rules, planning and executing the matters of employee recruitment, training, salary, compensation, welfare and performance. • Setting up, planning and executing any project of human resources.
Accounting Division	• Reviewing transaction documents and vouchers, conducting accounting close, tax filing, budgeting and book-keeping.
Finance Division	• Fund raising, cash control and management analysis, maintaining credit facility and bank relationship, stock affairs and investor relations.
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 GaAs MMIC epi. • R&D and manufacturing for GaAs solar cell epi. • R&D and manufacturing for III-V optoelectronic materials and components.

3.2. Directors, Supervisors and Management Team

3.2.1. Directors and Supervisors

A. Information Regarding Directors and Supervisors

Apr. 12, 2013

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Dennis Chen	06/24/2010	3	05/01/2003	11,175,571	1.87	21,737,971	2.87	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, Nam-chow Chemical Industrial Co., Ltd.	(Note 1)	VP	Steve Chen	Son
Director	Kou-I Yeh	06/24/2010	3	06/24/2005	55,642,791	9.27	30,042,791	3.97	800,408	0.11	0	0	• Honorary Doctorate in Management, Cheongju University, Korea • VP, San Aie Electronics Co., Ltd.	(Note 2)	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Shen-Yi Li	06/24/2010	3	06/24/2010	300,000	0.05	300,000	0.04	0	0	0	0	• PhD in Law, Chinese Culture University, Taiwan • LL.B., National Taiwan University School of Law, Taiwan • Qualified Arbitrator, Chinese Arbitration Association, Chairman of the Board, Consumer's Foundation, Taiwan, R.O.C. • Commissioner, Fair Trade Commission, Executive Yuan, Taiwan • Member, 2nd and 3rd Sessions, Control Yuan, Taiwan • General Secretary, Dharma Drum Mountain Humanity and Social Foundation • Adjunct Associate Professor, National Chengchi University • Adjunct Associate Professor, Chinese Culture University • Auditor, Ministry of Finance, Taiwan, R.O.C. • Attorney at Law • Member, Advisory Committee • Agency Against Corruption, Ministry of Justice	• Managing Partner Emeritus, Chien Yeh Law Offices • Independent Director, China Steel Corporation • Director Representative, Nan Ya Plastics Corporation • Independent Director, Entie Commercial Bank, Ltd. • Supervisor, Taoyuan International Airport Services Co., Ltd. • Member of Compensation Board, Capital Futures Corporation	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Yu-Chi Wang	06/24/2010	3	06/19/2008	716,243	0.12	2,157,243	0.28	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 Semi. Corp. • Director and CEO, WIN SEMI. USA, INC.	-	-	-
Director	William Chang	06/24/2010	3	06/19/2008	200,000	0.03	845,000	0.11	1,000	0.0001	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• BU General Manager, WIN Semiconductors Corp.	-	-	-
Independent Director	Cho-Shun Chang	06/24/2010	3	06/24/2010	0	0	0	0	0	0	0	0	(Note 3)	• CPA, Enrich CPAs & Co. • Chairman, ACE Venture Consulting Corporation • Independent Director, Formosa Laboratories, Inc.	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	Wei-Lin Wang	06/24/2010	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.	-	-	-
Supervisor	International Fiber Technology Co, Ltd.-	06/24/2010	3	10/12/1999	6,300,000	1.05	6,300,000	0.83	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.	-	-	-

Title	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
					Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	Mei-Lan Wang	06/24/2010	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 • Honorary Director, Ling Jiou Mountain Buddhist Society	-	-	-
Supervisor	Cheng-Li Huang	06/10/2011	2	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	-	-	-

Note1: Chairman and President of WIN Semiconductor Corp., Chairman of Inventec Energy Corporation, Chairman of WinMEMS Technologies Co., Ltd., Vice Chairman of HIWIN Technologies Corp., Director of Namchow Chemical Industrial Co., Ltd., Director of Inventec Solar Energy Corporation, Independent Director of Kinsus Interconnect Technology Corp., Independent Director of Tong Hsing Electronic Ind, Ltd., Director Representative of Shin Sheng III Venture Capital Investment Corporation, Director Representative of Navigator Business Publications Co., Ltd., Director of Namchow (British Virgin Islands) Ltd., Director of Nacia International Corp., Director of Shanghai Paulaner Restaurant & Drink Co., Ltd., Director of Ting Hao (Cayman Islands) Holding Corp., Director of Tianjin Namchow Oil & Fat Co., Ltd., Director of Namchow (Thailand) Ltd., Supervisor Representative of Dian Shui Lou Restaurant Business Co., Ltd. , Supervisor Representative of Infotel Inc., Supervisor Representative of Taipei Financial Center Corp., Director of WIN SEMI. USA, INC., Director of Win Semiconductors Cayman Islands Co., Ltd., Director of Shanghai Qiaohao Trading Co., Ltd., Director Tianjin Yoshi Yoshi Co., Ltd., Director of Guangzhon Namchow Oil & Fat Co., Ltd., Director of Mostro (Tailand) Ltd., Director of Hiwin Corporation, U.S.A., Director of ITEQ Corporation.

Note2: Director of Inventec Corporation, Director of WK Technology Fund VIII, Director of PK Venture Capital Corp., Director of PK II Venture Capital Corp., Director of Kou Hsieh Investment

Co., Ltd., Director of Fu Tai Investment Co., Ltd., Director Representative of Inventec Corporation (Hong Kong) Limited, Director Representative of Inventec Group Charity Foundation, Director of Royal Base Corporation, Director Representative of WK Technology Fund, Director Representative of WK Technology Fund IV, Director Representative of WK Technology Fund V, Director Representative of WK Technology Fund VI, Supervisor Representative of WK Technology Fund VII, Director of Inventec Solar Energy Corporation, Director Representative of Shin Sheng II Venture Capital Investment Corporation.

Note 3: Master Degree in Public Finance, National Chengchi University, Taiwan, CPA (1976~now), Supervisor & Director of Share Long Securities Co., Ltd., Supervisor of First Commercial Bank, Supervisor of First Financial Holding Co., Ltd., 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.

B. Major Shareholders of the Institutional Shareholders

Apr. 12, 2013

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. 12, 2013

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. 12, 2013

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
Kou-I Yeh			✓	✓	✓				✓	✓	✓	✓	✓	0
Shen-I Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Yu-Chi Wang	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
William Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Cho-Shun Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
International Fiber Technology Co, Ltd.- Representative: Shih-Chuan Hsieh			✓	✓	✓				✓	✓	✓	✓		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. 12, 2013

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Second Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Dennis Chen	12/16/2011	21,737,971	2.87	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.	(Note1)	VP	Steve Chen	Son
CEO	Yu-Chi Wang	09/28/2010	2,157,243	0.28	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	845,000	0.11	1,000	0.0001	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	-	-	-	-
Sr. Vice President	Chang-Hwang Hua	08/16/2004	910,000	0.12	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	0.0031	0	0	• PhD in Electrical Engineering, Pennsylvania State University, USA • Senior Principal Staff, Lockheed Martin Corp.	-	-	-	-
Vice President	Brian Lee	04/01/2010	967,000	0.13	0	0	0	0	• Master's Degree , University of Southern California, USA • Sales Manager, UMC, Taiwan	-	-	-	-

Title	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Second Degrees of Kinship		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Vice President	Steve Chen	07/01/2010	3,544,368	0.47	0	0	0	0	• Master's Degree in Business Administration, Rutgers, USA • Manager, Protek (Shanghai) Limited • Deputy Spokesman, ASUSTeK Computer Inc.	• Supervisor, Crystal Applied Technology Inc. • Supervisor Representative, CDIB CME Fund Ltd.	President	Dennis Chen	Father
Vice President	Kyle Chen	07/01/2010	540,000	0.07	0	0	0	0	• EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan • Fab Director, MXIC	-	-	-	-
Assistant Vice President	Annie Yu	03/15/2005	693,891	0.09	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	887,000	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	634,757	0.08	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	944,000	0.12	0	0	0	0	• MBA in Finance, Baruch College, USA • Account Manager, CIBC, Canada	• CFO, WIN SEMI. USA, INC.	-	-	-

Note1: Chairman and President of WIN Semiconductor Corp., Chairman of Inventec Energy Corporation, Chairman of WinMEMS Technologies Co., Ltd., Vice Chairman of HIWIN Technologies Corp., Director of Namchow Chemical Industrial Co., Ltd., Director of Inventec Solar Energy Corporation, Independent Director of Kinsus Interconnect Technology Corp., Independent Director of Tong Hsing Electronic Ind, Ltd., Director Representative of Shin Sheng III Venture Capital Investment Corporation, Director Representative of Navigator Business Publications Co., Ltd., Director of Namchow (British Virgin Islands) Ltd., Director of Nacia International Corp., Director of Shanghai Paulaner Restaurant & Drink Co., Ltd., Director of Ting Hao (Cayman Islands) Holding Corp., Director of Tianjin Namchow Oil & Fat Co., Ltd., Director of Namchow (Thailand) Ltd., Supervisor Representative of Dian Shui Lou Restaurant Business Co., Ltd. , Supervisor Representative of Infotel Inc., Supervisor Representative of Taipei Financial Center Corp., Director of WIN SEMI. USA, INC., Director of Win Semiconductors Cayman Islands Co., Ltd., Director of Shanghai Qiaohao Trading Co., Ltd., Director Tianjin Yoshi Yoshi Co., Ltd., Director of Guangzhon Namchow Oil & Fat Co., Ltd., Director of Mostro (Tailand) Ltd., Director of Hiwin Corporation, U.S.A., Director of ITEQ Corporation.

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; %

Title	Name	Remuneration: Base Compensation (A): The Company	Remuneration: Base Compensation (A): Companies in the Financial Reports	Remuneration: Severance Pay (B): The Company	Remuneration: Severance Pay (B): Companies in the Financial Reports	Remuneration: Bonus to Directors (C): The Company	Remuneration: Bonus to Directors (C): Companies in the Financial Reports	Remuneration: Allowances (D): The Company	Remuneration: Allowances (D): Companies in the Financial Reports	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): Companies in the Financial Reports	Relevant Remuneration Received by Directors Who Are Also Employees: Salary, Bonuses, and Allowances (E): The Company	Salary, Bonuses, and Allowances (E): Companies in the Financial Reports	Severance Pay (F) (Note 3): The Company	Severance Pay (F) (Note 3): Companies in the Financial Reports	Profit Sharing-Employee Bonus (G) (Note 1): The Company: Cash	Profit Sharing-Employee Bonus (G) (Note 1): The Company: Stock	Profit Sharing-Employee Bonus (G) (Note 1): Companies in the Financial Reports: Cash	Profit Sharing-Employee Bonus (G) (Note 1): Companies in the Financial Reports: Stock	Exercisable Employee Stock Options (H): The Company	Exercisable Employee Stock Options (H): Companies in the Financial Reports	New Restricted Employee Stock (I): The Company	New Restricted Employee Stock (I): Companies in the Financial Reports	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 2): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 2): Companies in the Financial Reports	Compensation Paid to Directors from an Invested Company other than the Company's Subsidiary
Chairman	Dennis Chen	0	0	0	0	42,134	42,134	250	250	2.57	2.57	53,463	60,427	216	216	30,708	0	30,708	0	1,088	1,088	0	0	7.69	8.12	540
Director	Kou-I Yeh																									
Director	Shen-Yi Li																									
Director	Yu-Chi Wang																									
Director	William Chang																									
Independent Director	Cho-Shun Chang																									
Independent Director	Wei-Lin Wang																									

Note 1: The 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 2013, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 167,000 thousand and NT$ 50,100 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 10, 2013.

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

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				
NT$ 2,000,000 ~ NT$ 5,000,000	Kou-I Yeh, Shen-Yi Li, Yu-Chi Wang, William Chang, Cho-Shun Chang, Wei-Lin Wang	Kou-I Yeh, Shen-Yi Li, Yu-Chi Wang, William Chang, Cho-Shun Chang, Wei-Lin Wang	Kou-I Yeh, Shen-Yi Li, Cho-Shun Chang, Wei-Lin Wang	Kou-I Yeh, Shen-Yi Li, Cho-Shun Chang, Wei-Lin Wang
NT$ 5,000,000 ~ NT$ 10,000,000				
NT$10,000,000 ~ NT$ 15,000,000			William Chang	William Chang
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	7	7	7	7

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	7,966	7,966	120	120	0.49	0.49	0
Supervisor	Mei-Lan Wang									
Supervisor	Cheng-Li Huang									

Note 1: The 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 2013, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 167,000 thousand and NT$ 50,100 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 10, 2013.

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	3

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">32,840</td><td rowspan="8">36,388</td><td rowspan="8">599</td><td rowspan="8">599</td><td rowspan="8">53,637</td><td rowspan="8">57,054</td><td rowspan="8">43,206</td><td rowspan="8">0</td><td rowspan="8">43,206</td><td rowspan="8">0</td><td rowspan="8">7.91</td><td rowspan="8">8.33</td><td rowspan="8">1,768</td><td rowspan="8">1,768</td><td rowspan="8">0</td><td rowspan="8">0</td><td rowspan="8">540</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>Vice President</td><td>Steve Chen</td></tr>
<tr><td>Vice President</td><td>Kyle Chen</td></tr>
</table>

Note 1: The 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 2013, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 167,000 thousand and NT$ 50,100 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 10, 2013.

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	8

D. Employee Bonus Granted to Management Team

Apr. 12, 2013; Unit: NT$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Managers	Chairman & President	Dennis Chen	0	47,670	47,670	2.89
	CEO	Yu-Chi Wang				
	BU GM	William Chang				
	Sr. Vice President	Chang-Hwang Hua				
	Vice President	Joseph Liu				
	Vice President	Brian Lee				
	Vice President	Steve Chen				
	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 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 2013, of which employee cash bonus were NT$ 167,000 thousand. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 10, 2013.

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	2011		2012	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements (Note 1)
Total Remuneration Paid to Directors	22,900	22,900	42,384	42,384
Ratio of Total Remuneration Paid to Directors to Net Income (Note 2)	1.79%	1.79%	2.57%	2.57%
Total Remuneration Paid to Supervisors	5,265	5,265	8,086	8,086
Ratio of Total Remuneration Paid to Supervisors to Net Income (Note 2)	0.41%	0.41%	0.49%	0.49%
Total Remuneration Paid to Presidents and Vice Presidents	81,049	81,049	130,281	137,245
Ratio of Total Remuneration Paid to Presidents and Vice Presidents to Net Income (Note 2)	6.34%	6.34%	7.91%	8.33%

Note 1: The 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 2013, of which employee cash bonus and appropriated directors' and supervisors' remuneration were NT$ 167,000 thousand and NT$ 50,100 thousand, respectively. The proposal is scheduled to be discussed and decided at the Company's Annual General Meeting (AGM) on June 10, 2013.

Note 2: 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

Directors and supervisors:
Remuneration for directors and supervisors is according to the ratios in Articles of Incorporation (1-3%) base on the annual earnings. The appropriated retained earnings is connected with the Company operation performance and the ratios of remuneration for directors and supervisors is also considerate about the operation performance and the future risks. The annual earning distribution status shall be submitted to the board of directors for discussion before being sent 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 employment performance assessment rules, the compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages, which is prepared by human resource division. The compensation for presidents and vice presidents shall be approval by the Compensation Committee and the Board of Directors meeting.
(2) The compensation policy is measured based on the employee's personal abilities, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The Company has control the future risks, therefore, the compensation policy has low correlation with future risks. The compensation package mainly includes the salaries, incentive and bonus, and welfares. The payment standards of compensation are as follows: the payment of salaries is according to the market averages of that position; the payment of incentive and bonus is related to the goals of employee and his/her department or the Company's operation performance; and the welfare system is planned by the demand of employees based on the related regulations and rules.

3.3. Implementation of Corporate Governance

3.3.1. Board of Directors Meeting Status

A total of 8(A) meetings of the Board of Directors were held in 2012. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Dennis Chen	8	0	100	Re-elected by AGM on Jun. 24, 2010
Director	Kou-I Yeh	4	1	50	
Director	Yu-Chi Wang	8	0	100	
Director	William Chang	7	1	88	
Director	Shen-Yi Li	8	0	100	Newly elected by AGM on Jun. 24, 2010
Independent Director	Cho-Shun Chang	8	0	100	
Independent Director	Wei-Lin Wang	7	1	88	

Other mentionable items:

1. If there are the 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 Directors' avoidance of motions in conflict of interest, the 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 when the matter is in conflict with interest of a director, he/she should not participate in discussion and voting.

3. Measures taken to strengthen the functionality of the Board:

The Company has elected two independent directors on the annual general shareholders' meeting in 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 and tracked the actions arising of the previous Board of the Directors meeting resolutions to fulfill the Board's functions.

3.3.2. Audit Committee

The Company has not set up audit committee.

3.3.3. Attendance of Supervisors for Board Meeting

A total of 8(A) meetings of the Board of Directors were held in 2012. 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	8	100	Newly elected by AGM on Jun. 24, 2010
Supervisor	Mei-Lan Wang	8	100	
Supervisor	Cheng-Li Huang	8	100	Newly elected by AGM on Jun. 10, 2011

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) Supervisors can attend the shareholders' meeting to communicate with attending 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.
   (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.

3.3.4. Corporate Governance Execution Status and Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
1. Shareholding Structure & Shareholders' Rights (1) Method of handling shareholder suggestions or complaints (2) The Company's possession of a list of major shareholders and a list of ultimate owners of these major shareholders (3) Risk management mechanism and "firewall" between the Company and its affiliates	(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 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) The Company has promulgated rules related to internal control such as "Operating Procedures for Transactions between Affiliated Enterprises, Related Parties and Group Enterprises" and "Operating Procedures for Supervision of Subsidiaries". The rules are made to strictly regulate transactions between the Company and its affiliates to set up the "firewall" and manage risk.	None
2. Composition and Responsibilities of the Board of Directors (1) Independent Directors (2) Regular evaluation of CPAs' independence	(1) The Company has two independent directors elected by shareholders. (2) The CPAs recuse 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.	None

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
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.	None
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)	The Company has designated the spokesman and deputy spokesman in charge of making external statements. The Company has designated appropriate departments to handle information collection, disclosure and update and has set up the website (http://www.winfoundry.com.tw). Investors can search the information regarding the Company's financials, business, investors' conference and corporate governance status from MOPS or the Company's website.	None
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 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.	None
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".		

<table>
<tr><th>Item</th><th>Implementation Status</th><th>Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons</th></tr>
<tr><td colspan="3">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. Please refer to note 1 for their training records.
(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.</td></tr>
</table>

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons
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 planing 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 sales & marketing center to handle and implement the customer policy. Our consolidated net revenue was NT$11,237,964 thousand in 2012, an increase of 26.25% compared to 2011, the sales returns and sales discounts and allowances were around 0.34% of total revenue. Therefore, the Company has implemented customer policy well. (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.		

Item	Implementation Status	Deviations from "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and reasons

(10) President, vice president, accounting manager, finance manager and internal auditor manager's training records in 2012:

Title	Name	Sponsoring Organization	Course	Training hours
President	Dennis Chen	Securities and Futures Institute, ROC	Independent Director Functions of Listed Company Forum	3
		Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
CEO	Yu-Chi Wang	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
BU General Manager	William Chang	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Vice President	Steve Chen	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Head of Finance	Joe Tsen	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Head of Accounting	Linna Su	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Internal Auditing Manager	Heidi Lin	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3

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 implemented corporate governance policy to protect rights of investors.

Note 1: Directors' and supervisors' training records in 2012: The directors' and supervisors' training records meet the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies".

Title	Name	Training Date	Sponsoring Organization	Course	Training Hours
Chairman	Dennis Chen	05/22/2012	Securities and Futures Institute, ROC	Independent Director Functions of Listed Company Forum	3
		09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Director	Kou-I Yeh	11/05/2012	Taiwan Corporate Governance Association	Corporate Governance, Risk and Compliance	3
Director	Shen-Yi Li	05/18/2012	Securities and Futures Institute, ROC	Independent Director Functions of Listed Company Forum	3
		09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
		11/16/2012	Taiwan Corporate Governance Association	The Segregation of Duties and Functions among Directors, Supervisors and Managers	3
Director	Yu-Chi Wang	09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Director	William Chang	09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Independent Director	Cho-Shun Chang	06/27/2012	ROC Certified Public Accountant Organization	How Certified Public Accountants to Cope with Criminal Litigations - From the Perspective of Witness	3
		09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
		10/12/2012	Securities and Futures Institute, ROC	Forum of Corporate Social Responsibility and Management Integrity of Listed Company	3
		12/27/2012	Securities and Futures Institute, ROC	(Independent) Director and Supervisor Practice Workshop - Financial Information and Business Decision-Making	3
Independent Director	Wei-Lin Wang	05/11/2012	Securities and Futures Institute, ROC	Independent Director Functions of Listed Company Forum	3
		09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
Supervisor	International Fiber Technology Co, Ltd.- Representative: Shih-Chuan Hsieh	09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3

Title	Name	Training Date	Sponsoring Organization	Course	Training Hours
Supervisor	Mei-Lan Wang	09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3
		10/08/2012	Securities and Futures Institute, ROC	Application Strategy and Trends of Global Patent and Intellectual Property	3
Supervisor	Cheng-Li Huang	08/21/2012	Accounting Research and Development Foundation in Taiwan	Post-IFRSs Finance Statements Analysis	3
		09/21/2012	Taiwan Corporate Governance Association	Business Mergers and Acquisitions & Directors Auditing Mergers and Acquisitions in Practice	3

3.3.5. Composition, Responsibilities and Operations of Compensation Committee

A. Members of the Compensation Committee

Name	Education	Experience
Wei-Lin Wang	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 • Assistant Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan • Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan
Cho-Shun Chang	Master Degree in Public Finance, National Chengchi University, Taiwan	• CPA (1976~now) • Supervisor & Director of Share Long Securities Co., Ltd. • Supervisor of First Commercial Bank • Supervisor of First Financial Holding Co., Ltd. • 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
Hai-Ming Chen	PhD in Management Science, National Chiao Tung University, Taiwan	• Professor, Department of Management Sciences & Director, Personnel Office, Tamkang University • Professor & Director, Graduate Institute of Management Sciences, Tamkang University • Adjunct Professor, School of Management, Fudan University • Adjunct Professor, Institute of Business and Management, National Chiao Tung University • Adjunct Professor, Management Science, National Chiao Tung University

Position (Note 2)	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 3)
		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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Yes
Independent Director	Cho-Shun Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Yes
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	3	N/A

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: Enter director, independent director or other in the position column.

Note 3: If the person has the position of director, state if conforming to the fifth paragraph of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

B. Duties of the Compensation Committee

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

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

C. Compensation Committee Meeting Status

1. The Compensation Committee has three members.
2. The tenure of the 1st session is from Sep. 19, 2011 to Jun. 10, 2013. A total of 2(A) meetings of the compensation committee were held in 2012. 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%	Newly elected on Sep. 19, 2011
Member	Cho-Shun Chang	2	0	100%	
Member	Hai-Ming Chen	2	0	100%	
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.					

3.3.6. Social Responsibility

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
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.	None
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.	(1) The Company continues to utilize all resources more efficiently and uses recyclable materials. (2) The Company has set up and got ISO14001 certification in 2002 based on the environmental, safety and health and features of each manufacturing process, products and services and maintain ISO 14001 certification periodically. All wastes are collected legally and cleaned by companies recognized by the Environment Protection Administration of Taiwan. (3) The Company has assigned dedicated environment protection personnel and declared related reports based on applicable laws and regulations to protect the environment.	None

Item	Implementation Status	Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
(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.	(4) The Company sets energy saving and carbon reducing emission as one of ESH goals, and regularly review the performance.	None
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.	(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.	None

Item	Implementation Status	Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons
(6) The Company, through commercial activities, non-cash property endowments, volunteer service or other free professional services, participates in community development and charities events.	(6) The Company participant in social community activities by cash sponsors to community and foundations.	None
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 (http://www.winfoundry.com). (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.	None
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 has not produced corporate social responsibility reports but the Company has implemented the corporate governance according to the Principles, please refer to the “corporate governance” section in this annual report.		
6. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below: None		

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

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
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.	(1) The Company has established internal control systems, accounting policy and related management policy to achieve the ethical corporate management. The directors, supervisors and management officers have signed the ethical statement.	
(2) Program for prevention of unethical conduct established by the Company including operational procedures, guidelines and training.	(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.	The Company has not established the programs to forestall unethical conduct, but has implemented its ethical corporate management policies based on the related systems and rules.
(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.	(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.	(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.	None

Item	Implementation Status	Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and Reasons
(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. (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.	(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 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 (4) The Company has established internal control systems, accounting policy and related management regulations to practice ethical corporate management and the internal auditor audit the related matters and had not investigated unusual events.	None
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.	None
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 respon-	The Company has disclosed the ethical corporate management status in the annual report, and set up department to handle information collection, disclosure and updated, and maintaining the Company's website	The Company has not promulgated its own ethical corporate management best practice principles, but the ethical corporate management status has been

<table>
<tr><th>Item</th><th>Implementation Status</th><th>Deviations from “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies” and Reasons</th></tr>
<tr><td>sible for the collection and disclosure of company information).</td><td>(http://www.winfoundry.com).</td><td>disclosed in the annual report.</td></tr>
<tr><td colspan="3">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”.</td></tr>
<tr><td colspan="3">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.</td></tr>
</table>

3.3.8. Corporate Governance Guidelines and Regulations

Please refer to the MOPS at newmops.twse.com.tw and the Company's website at www.winfoundry.com.

3.3.9. Other Important Information Regarding Corporate Governance

Please refer to the Company's website at www.winfoundry.com.

3.3.10. Internal Control System

A. Statement of Internal Control

WIN Semiconductors Corp.

Statement of Internal Control

March 22, 2013

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 22, 2013, with none of the six 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

3.3.11. Disclose Any Sanctions Imposed in Accordance with the Law upon the Company or Its Internal Personnel, Any Sanctions Imposed by the Company upon Its Internal Personnel for Violations of Internal Control System Provisions, Principal Deficiencies, and the State of Any Efforts to Make Improvements

None

3.3.12. Major Resolutions of Shareholders' Meeting and Board Meetings

A. Action Arising of Shareholders' Meeting on June 5, 2012

Major Resolutions	Action Arising
Report items: 1. 2011 business report. 2. Supervisor's review report on the 2011 business report and financial statements. 3. The status of implementation of investments. 4. Amendment to the Company's "Rules and Procedures of Board of Directors Meetings". 5. Private placement or unsecured convertible bond which is passed by 2011 AGM will be terminated	 - - - - -
Proposed resolutions: 1. Adoption of the 2011 business report and financial statements. 2. Adoption of the proposal for distribution of 2011 profits.	1. After the solicitation of opinions by the chairman, all attending shareholders unanimously agree to pass the proposal. 2. The cash dividends were paid on Aug. 10, 2012.
Discussion items: 1. Amendment to the Company's "Articles of Incorporation" 2. Amendment to the Company's "Rules and Procedures of Shareholders' Meeting" 3. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets" 4. The Company's proposal for issuance of up to 100,000,000 common shares for sponsoring issuance of global depositary receipts, for domestic rights offering, or issuance domestic or offshore convertible bonds amounted up to NT$8 billion is submitted for discussion.	1. Process by the amendment version 2. Process by the amendment version 3. Process by the amendment version 4. On Oct. 9, 2012, the Company issued 20 million GDRs, representing 100 million new common shares. The total proceeds from this offering amounted to US$ 105,080 thousand.

B. Major Resolutions of Board Meetings

Date	Major Resolutions
03/19/2012	1. Approval of the financial statements and consolidated financial statements for the year of 2011. 2. Approval of the business report for the year of 2011. 3. Recommendation of the distribution of earnings for the year of 2011. 4. Evaluation of independence and qualification of the Certified Public Accountants (CPA) to be engaged by the Company. 5. Approval of professional service fee of the CPA for year 2012. 6. Amendment to the "Articles of Incorporation", "Rules and Procedures of Shareholders' Meeting", "Rules and Procedures of Boards Meetings", and "Procedures for Acquisition or Disposal of Assets" of the Company. 7. Issuance of Internal Control Statement of the Company for the year of 2011. 8. Amendment to the Internal Control System, Rules and Procedures of Internal Control Self-check and Auditing Plan for the year of 2012. 9. Fund raising by the issuance of new shares for sponsoring issuance of Global Depositary Receipts, the issuance of new shares by in-cash capital increase and/or issuance of corporate convertible bond. 10. Proposal regarding disposal of shares in EPISTAR Corporation held by the Company. 11. Applications for extension of short-term and mid-term facilities with financial institutions to meet operation requirement of the Company. 12. The issuance of new shares for exercise by employees of Employee Stock Options during the first quarter of 2012. 13. Setting up timeframe for submitting proposals by shareholders of the Company for the annual shareholders meeting of 2012. 14. Payment adjustment, Employee Stock Trust Program of the year of 2012, Employee Bonus Distribution of the year of 2011, Quarterly Performance-based Bonus of the year of 2012, Year-end Special Bonus of the year of 2012 and Executives Retirement Guidelines of the Company.
04/26/2012	1. Approval of the financial statements and consolidated financial statements for the first quarter of 2012. 2. The material impact items and amounts in the financial statements made in accordance with IFRSs and seeking of opinion from the CPA. 3. Applications for extension of short-term facilities with financial institutions to meet operation requirement of the Company.
05/15/2012	1. Acquisition of land and buildings.
07/09/2012	1. Acquisition of land and buildings in Kueishan Industrial Park of Taoyuan Shien. 2. The issuance of new shares for exercise by employees of Employee Stock Options during the second quarter of 2012. 3. Applications or extension of short-term and mid-term facilities with financial institutions.
08/22/2012	1. Approval of the financial statements and consolidated financial statements for the first half of 2012. 2. The issuance of new shares for sponsoring issuance of Global Depositary Receipts. 3. The issuance of Global Depositary Receipts sponsored by Company's shareholders. 4. Applications or extension of short-term and mid-term facilities with financial institutions.
09/21/2012	1. Setting up of the record date of issuance of new shares for sponsoring Global Depositary Receipts. 2. The issuance of new shares for exercise by employees of Employee Stock Options during the third quarter of 2012. 3. Applications for mid-term facilities with financial institutions.

Date	Major Resolutions
10/26/2012	1. Approval of the financial statements and consolidated financial statements for the third quarter of 2012. 2. Amendment to the “Rules and Procedures of the Boards Meetings”, and enacting of the “Rules and Procedures of Assets Acquired by Merger and Acquisition”, “Risk Control Guidelines”, “Rules and Procedures of Incidental Material Events Reporting” and “Rules of Performance Appraisal for Internal Auditors” of the Company. 3. Applications for short-term facilities with financial institutions.
12/21/2012	1. Approval of budget plan of the Company for the year of 2013. 2. Approval of the auditing plan of the Company for the year of 2013. 3. Amendment to the accounting system and the “Rules of Monitoring and Managing Subsidiaries” of the Company. 4. Change of estimate of service life of M&E of the Company. 5. Application for short-term facility with Chuag Hua Bank. 6. The issuance of new shares for exercise by employees of Employee Stock Options during the fourth quarter of 2013.
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 “Procedures for Lending Funds to Other Parties” of the Company. 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.

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

None

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

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Internal Auditing Manager	Heidi Lin	Mar. 3, 2008	Dec. 26, 2012	Deceased

3.4. CPA Professional Fees

Levels of Amounts of CPA Professional Fees

CPA Firm	CPA's Name		Audit Period	Remark
KPMG	Fion Chen	Agnes Yang	Jan. 1, 2012~Dec. 31, 2012	-

Unit: NT$ thousands

	Bracket \ Item	Audit Fee	Non-Audit Fee	Total
1	Under NT$2,000 thousand			
2	NT$ 2,000 thousand ~ NT$ 4,000 thousand	2,820		2,820
3	NT$ 4,000 thousand ~ NT$ 6,000 thousand			
4	NT$ 6,000 thousand ~ NT$ 8,000 thousand			
5	NT$ 8,000 thousand ~ NT$ 10,000 thousand			
6	Over NT$10,000 thousand		11,024	11,024

3.4.1. When Non-Audit Fees Paid to the CPA, to the Accounting Firm of the CPA, and/or to Any Affiliated Enterprise of Such Accounting Firm Are One Quarter or more of the Audit Fees Paid thereto, the Amounts of Both Audit and Non-Audit fees as Well as Details of Non-Audit Services Shall be Disclosed

Unit: NT$ thousands

CPA Firm	CPA's Name	Audit Fee	Non-Audit Fee					Audit Period	Remark
			System Design	Registrations of Companies	Human Resource	Others	Subtotal		
KPMG	Fion Chen Agnes Yang	2,820	-	-	-	11,024	13,844	Jan. 1, 2012~ Dec. 31, 2012	The non-audit fee was the fee for GDRs issued project

3.4.2. When the Company Changes Its Accounting Firm and the Audit Fees Paid for the Fiscal Year in which such Change Took Place Are Lower than those for the Previous Fiscal Year, the Amounts of the Audit Fees before and after the Change and the Reasons shall be Disclosed

None

3.4.3. When the Audit Fees Paid for the Current Fiscal Year are Lower than those for the Previous Fiscal Year by 15 Percent or More, the Reduction in the Amount of Audit Fees, Reduction Percentage, and Reason(s) therefore Shall Be Disclosed

None

3.5. Replacement of CPA

None

3.6. The Company's Chairman, General Manager, or Any Managerial Office in Charge of Finance or Accounting Matters Has in the Most Year Held a Position at the Accounting Firm of Its CPA or at an Affiliated Enterprise of Such Accounting Firm

None

3.7. 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

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

Unit: Share

Title	Name	2012		As of Apr. 12, 2013	
		Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Chairman	Dennis Chen	0	0	0	0
Director	Kou-I Yeh	(25,000,000)	0	0	0
Director	Shen-Yi Li	0	0	0	0
Director	Yu-Chi Wang	(311,000)	0	(248,000)	0
Director	William Chang	(135,000)	0	0	0
Independent Director	Cho-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		
Sr. VP	Chang-Hwang Hua	(290,000)	0	(54,000)	0
VP	Joseph Liu	0	0	40,000	0
VP	Brian Lee	(133,000)	0	0	0
VP	Steve Chen	420,000	0	0	0
VP	Kyle Chen	0	0	540,000	0
Assistant VP	Annie Yu	(179,000)	0	(198,000)	0
Assistant VP	S.Y. Wang	(124,000)	0	120,000	0
Accounting Officer	Linna Su	(197,000)	0	60,000	0
Finance Officer	Joe Tsen	60,000	0	0	0

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

None

3.7.3. Shares Pledge

None

3.8. 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

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

Apr. 12, 2013; 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: Boon-Teik Koay	48,483,000	6.40	0	0	0	0	None	None	None
Kou-I Yeh	30,042,791	3.97	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
Li-Chuan Yeh	29,369,308	3.88	5,850,000	0.77	0	0	Kou-I Yeh Li-Cheng, Yeh	Within the 2nd degree of kinship of Li-Chuan Yeh	None
Li-Cheng Yeh	28,893,308	3.81	2,350,000	0.31	0	0	Kou-I Yeh Li-Chuan, Yeh	Within the 2nd degree of kinship of Li-Cheng Yeh	None
Deutsche Bank Trustee Account for Representative of Small Cap World Fund Inc.	28,575,000	3.77	0	0	0	0	None	None	None
Dennis Chen	21,737,971	2.87	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
Tien Ho Industrial Co., Ltd. Representative: Yu-Wen Chen	16,121,099	2.13	0	0	0	0	Dennis Chen	Within the 1st degree of kinship of the major shareholder of Tien Ho Industrial Co., Ltd.	None
Cathay Life Insurance Co., Ltd. Representative: Hong-Tu Tsai	14,621,000	1.93	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	
Inventec Corporation Representative: Tsu-Chin Lee	14,500,000	1.91	0	0	0	0	Kou-I Yeh	Director of Inventec Corporation	None
Fubon Life Insurance Co., Ltd. Representative: Peng-Yuan Cheng	12,580,000	1.66	0	0	0	0	None	None	None

3.8.2. Major Shareholders of the Institutional Shareholders

Apr. 12, 2013

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Inventec Corporation	Kou-I Yeh (7.10%), Shih Hsun Investment Co., Ltd. (3.89%), Lai Chun Investment Co., Ltd. (3.81%), Kou Hsieh Investment Co., Ltd. (3.29%), Fu Tai Investment Co., Ltd. (3.26%), Northern Region Branch, National Property Administration, MOF (3.21%), Fu-Tai Wang (2.78%), Lai-Chun Lu (2.69%), Shih Ching Lee (2.66%), Shih-I Wen (2.51%)
Tien Ho Industrial Co., Ltd.	Shun-Ping Chen (49.64%), Shun-Ting Chen (49.64%)
Nan Shan Life Insurance Company, Ltd. (Note)	First Commercial Bank Trustee Account for Representative of Ruen Chen Investment Holding Co., Ltd. (83.11%), Ruen Chen Investment Holding Co., Ltd. (7.55%), Ying Tzyong Tu (3.25%), Taishin Bank Trustee Account for Representative of Nan Shan Life Insurance Company, Ltd. (2.07%), Ruen Hua Dyeing & Weaving Co., Ltd. (0.28%), Ruentex Leasing Co., Ltd. (0.15%), Ji Pin Investment Co., Ltd. (0.11%), Bao YiInvestment Co., Ltd. (0.05%), Bao Hui Investment Co., Ltd. (0.05%), Bao Huang Investment Co., Ltd. (0.05%), Bao Chih Investment Co., Ltd. (0.05%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings Co., Ltd. (100%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd. (100%)

Note: As of Mar. 31, 2013.

3.8.3. Major Shareholders of the Major Shareholders that are Juridical Persons

Apr. 12, 2013

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Lai Chun Investment Co., Ltd.	iSee Taiwan Foundation (59.07%), Say-Li Wen (23.12%), Say-Yee Wen (11.56%), Say-Chih Wen (5.78%), Tai-Chun Wen (0.28%), Pao-Chih Chen (0.15%)
Shih Hsun Investment Co., Ltd.	Say-Chih Wen (19.27%), Say-Yee Wen (17.63%), Say-Li Wen (17.63%), Say-Ling Wen (19.93%), Lai-Chun Lu (25.44%)
Kou Hsieh Investment Co., Ltd.	Fu-Tai Wang (55.27%), Kou-I Yeh (29.51%), Li-Chuan Yeh (6.20%), Li-Cheng Yeh (6.20%), Kang Wei Yu (1.41%), Jun Wu (1.41%)
Fu Tai Investment Co., Ltd.	Fu-Tai Wang (65.29%), Kou-I Yeh (23.71%), Li-Chuan Yeh (4.74%), Li-Cheng Yeh (4.74%), Kang Wei Yu (0.76%), Jun Wu(0.76%)
Ruen Chen Investment Holding Co., Ltd. (Note)	Ruentex Development Co., Ltd. (25%), Ruentex Industries Limited (25%), Pou Chen Corporation (20%), Hui Hung Investment Co., Ltd. (18%), Chang Chun Investment Co., Ltd. (10%), Yi Tai Investment Co., Ltd. (4%)

Name of Juridical Persons	Major Shareholders of the Juridical Persons
Cathay Financial Holdings Co., Ltd. (Note)	Wan Bao Development Co., Ltd. (18.06%), Lin Yuan Investment Co., Ltd. (15.58%), Standard Chartered Bank Trustee Account for Representative of Vanguard Emerging Markets Stock Index Fund (1.19%), Wan Ta Investment Co., Ltd. (1.10%), Citibank Taiwan Trustee Account for Representative of GIC (1.10%), Labor Insurance Fund (0.98%), Po Han Investment Co., Ltd. (0.84%), Bai Hsing Investment Co., Ltd. (0.81%), Chunghwa Post Co., Ltd. (0.9%), Public Service Pension Fund Management Board (0.77%)
Fubon Financial Holding Co., Ltd. (Note)	Taipei City Government (14.10%), Ming Tung Corporation (9.04%), Tao Ying Corporation (7.95%), Richard M. Tsai (2.98%), Daniel M. Tsai (2.79%), Hung Fu Investment Co., Ltd. (2.74%), Chung Hsing Development Co., Ltd. (1.52%), Labor Insurance Fund (1.47%), Hsiang-Hsun Yang (1.46%), Wan-Tsai Tsai (1.37%)

Note: Major shareholders of the juridical persons were according to 2011 annual report of the company.

3.9. 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

Apr. 12, 2013; 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.	7,000	100.00	0	0	7,000	100.00
Inventec Energy Corporation	42,589	44.36	35	0.04	42,624	44.40

IV. CAPITAL OVERVIEW

4.1. Capital and Shares

4.1.1. Source of Capital Stock

Apr. 12, 2013; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	757,497,048 (Note)	242,502,952	1,000,000,000	Listed on GTSM

Note: As of Apr. 12, 2013, the Company's outstanding shares consisted of 757,497,048 shares of common stock, with $10 dollars par value, of which 40,000 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	Other
Oct. 1999	10	132,000,000	1,320,000,000	38,760,000	387,600,000	Set up by cash	None	Note 1
Apr. 2000	10	132,000,000	1,320,000,000	104,652,000	1,046,520,000	Share capital increase by cash	None	Note 2
Jul. 2000	10	132,000,000	1,320,000,000	125,400,000	1,254,000,000		None	Note 3
Aug. 2000	20	264,000,000	2,640,000,000	165,000,000	1,650,000,000		None	Note 4
Nov. 2000	11	264,000,000	2,640,000,000	180,000,000	1,800,000,000		None	Note 5
Dec. 2000	28	264,000,000	2,640,000,000	215,000,000	2,150,000,000		None	Note 6
Mar. 2002	20	264,000,000	2,640,000,000	235,000,000	2,350,000,000		None	Note 7
Aug. 2002	25.5	248,000,000	2,480,000,000	248,000,000	2,480,000,000		None	Note 8
May 2004	-	248,000,000	2,480,000,000	195,196,828	1,951,968,280	Share cancelled by capital reduction	None	Note 9
Oct. 2004	10	330,000,000	3,300,000,000	265,196,828	2,651,968,280	Share capital increase by cash	None	Note 10
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	Note 11
Oct. 2006	10	500,000,000	5,000,000,000	465,996,828	4,659,968,280	Share capital increase by cash	None	Note 12
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	Note 13
Feb. 2008	10	500,000,000	5,000,000,000	467,225,528	4,672,255,280		None	Note 14
May 2008	10	500,000,000	5,000,000,000	468,615,528	4,686,155,280		None	Note 15
Sep. 2008	20	1,000,000,000	10,000,000,000	593,615,528	5,936,155,280	Share capital increase by cash	None	Note 16
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	Note 17
Apr. 2010	10	1,000,000,000	10,000,000,000	598,293,528	5,982,935,280		None	Note 18
Jul. 2010	10	1,000,000,000	10,000,000,000	600,108,528	6,001,085,280		None	Note 19
Oct. 2010	10	1,000,000,000	10,000,000,000	605,018,535	6,050,185,350		None	Note 20
Feb. 2011	10	1,000,000,000	10,000,000,000	617,567,535	6,175,675,350		None	Note 21
May 2011	10	1,000,000,000	10,000,000,000	620,989,535	6,209,895,350		None	Note 22
Jul. 2011	10	1,000,000,000	10,000,000,000	622,572,035	6,225,720,350		None	Note 23
Oct. 2011	10	1,000,000,000	10,000,000,000	623,586,528	6,235,865,280		None	Note 24
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	Note 25
Apr. 2012	10	1,000,000,000	10,000,000,000	648,676,728	6,486,767,280	Conversion of shares	None	Note 26

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
Jul. 2012	10	1,000,000,000	10,000,000,000	648,698,928	6,486,989,280	by employee stock options	None	Note 27
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	Note 28
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	Note 29
Apr. 2013	10	1,000,000,000	10,000,000,000	757,457,048	7,574,570,480		None	Note 30

Note 1: Approved no. Jing (088) Shang Zi 137967, 10/16/1999
Note 2: Approved no. Jing (089) Shang Zi 111821, 04/19/2000
Note 3: Approved no. Jing (089) Shang Zi 123660, 07/10/2000
Note 4: Approved no. Jing (089) Shang Zi 131115, 08/25/2000
Note 5: Approved no. Jing (089) Shang Zi 143417, 11/20/2000
Note 6: Approved no. Jing (089) Shang Zi 148541, 12/27/2000
Note 7: Approved no. Jing So Shang Zi 09101085090, 03/14/2002
Note 8: Approved no. Jing So Shang Zi 09101286610, 08/21/2002
Note 9: Approved no. Jing So Shang Zi 09307086440, 05/31/2004
Note 10: Approved no. Jing So Shang Zi 09301178160, 10/14/2004
Note 11: Approved no. Jing So Shang Zi 09401065690, 04/20/2005
Note 12: Approved no. Jing So Shang Zi 09501240720, 10/24/2006
Note 13: Approved no. Jing So Shang Zi 09601264670, 10/30/2007
Note 14: Approved no. Jing So Shang Zi 09701037540, 02/19/2008
Note 15: Approved no. Jing So Shang Zi 09701110960, 05/12/2008
Note 16: Approved no. Jing So Shang Zi 09701226030, 09/05/2008
Note 17: Approved no. Jing So Shang Zi 09901010770, 01/22/2010
Note 18: Approved no. Jing So Shang Zi 09901087260, 04/30/2010
Note 19: Approved no. Jing So Shang Zi 09901164870, 07/22/2010
Note 20: Approved no. Jing So Shang Zi 09901236430, 10/19/2010
Note 21: Approved no. Jing So Shang Zi 10001025490, 02/10/2011
Note 22: Approved no. Jing So Shang Zi 10001088760, 05/02/2011
Note 23: Approved no. Jing So Shang Zi 10001163620, 07/19/2011
Note 24: Approved no. Jing So Shang Zi 10001239210, 10/17/2011
Note 25: Approved no. Jing So Shang Zi 10001290810, 12/29/2011
Note 26: Approved no. Jing So Shang Zi 10101066620, 04/16/2012
Note 27: Approved no. Jing So Shang Zi 10101145680, 07/19/2012
Note 28: Approved no. Jing So Shang Zi 10101216220, 10/22/2012
Note 29: Approved no. Jing So Shang Zi 10201013090, 01/17/2013
Note 30: Approved no. Jing So Shang Zi 10201070030, 04/19/2013

4.1.2. Shareholders Structure

Apr. 12, 2013

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	5	54	148	22,263	101	22,571
Shareholding (Shares)	28,791,000	132,738,813	87,859,681	415,445,468	92,662,086	757,497,048
Percentage	3.80%	17.52%	11.61%	54.84%	12.23%	100.00%

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

Apr. 12, 2013

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	530	181,741	0.02%
1,000 ~ 5,000	15,037	34,379,804	4.55%
5,001 ~ 10,000	3,175	26,634,022	3.52%
10,001 ~ 15,000	881	11,555,949	1.53%
15,001 ~ 20,000	828	15,569,397	2.06%
20,001 ~ 30,000	606	15,854,110	2.09%
30,001 ~ 40,000	306	11,224,492	1.48%
40,001 ~ 50,000	233	10,978,627	1.45%
50,001 ~ 100,000	448	33,030,146	4.36%
100,001 ~ 200,000	222	32,225,306	4.25%
200,001 ~ 400,000	108	30,769,805	4.06%
400,001 ~ 600,000	55	27,449,585	3.62%
600,001 ~ 800,000	35	24,118,754	3.18%
800,001 ~ 1,000,000	16	14,395,378	1.90%
1,000,001 or over	91	469,129,932	61.93%
Total	22,571	757,497,048	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. 12, 2013

Shareholder's Name	Shareholding	
	Shares	Percentage
Nan Shan Life Insurance Company, Ltd.	48,483,000	6.40%
Kou-I Yeh	30,042,791	3.97%
Li-Chuan Yeh	29,369,308	3.88%
Li-Cheng Yeh	28,893,308	3.81%
Deutsche Bank Trustee Account for Representative of Small Cap World Fund Inc.	28,575,000	3.77%
Dennis Chen	21,737,971	2.87%
Tien Ho Industrial Co., Ltd.	16,121,099	2.13%
Cathay Life Insurance Co., Ltd.	14,621,000	1.93%
Inventec Corporation	14,500,000	1.91%
Fubon Life Insurance Co., Ltd.	12,580,000	1.66%

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

Unit: NT$; Shares in thousands

Item		2011	2012	01/01/2013~04/30/2013 (Note 1)
Market Price per Share	Highest Market Price	31.60	52.80	36.00
	Lowest Market Price	24.40	26.40	29.60
	Average Market Price	28.69	38.07	32.82
Net Worth per Share	Before Distribution	15.49	19.13	20.25
	After Distribution	14.69	(Note 2)	Not applicable
Earnings per Share	Weighted Average Shares (thousand shares)	625,342	672,994	756,204
	Earnings per Share	2.04	2.45	1.04

Item			2011	2012	01/01/2013~04/30/2013 (Note 1)
Dividends per Share	Cash Dividends		0.80	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)		13.70	15.89	
	Price / Dividend Ratio (Note 4)		35.01	25.95 (Note 2)	
	Cash Dividend Yield Rate (Note 5)		2.86%	3.85% (Note 2)	

Note1: The data of net worth per share and earnings per share were from the latest audited financial statement.
Note2: The appropriation of earnings for 2012 shall be determined by the 2013 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 2012 profits was passed at the Board of Directors meeting on April 29, 2013. This proposal, a cash dividend of NT$ 1.5 per share, will be discussed at the annual shareholders' meeting on June 10, 2013.

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 distri-

buted 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 2012 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 2012 earnings appropriation plan was passed by the Board of Directors' meeting on Apr. 29, 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$ 1,136,246 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$ 2.45 per share.

D. Information of 2011 Earnings Set Aside to Employee Bonus and Directors' and Supervisors' Remuneration:

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

The 2011 earnings appropriation plan was passed by the stockholders' meeting on Jun. 5, 2012 as below:

(1) Employee cash bonus is NT$92,900 thousand.
(2) Appropriated directors' and supervisors' remuneration is NT$ 27,800 thousand.
(3) Stockholders' cash bonus is NT$518,874 thousands, and the undistributed earnings at the end of this period is NT$1,074,504 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$2.04.
4. The actual distribution of employee bonus and directors' and supervisors' remuneration above-mentioned was parallel with the recommended resolution of the stockholders' meeting.

4.1.9. Buyback of Treasury Stock

None

4.2. 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. 12, 2013)			12,500 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 2012	High	US$6.19
		Low	US$4.82
		Average	US$5.56
	Jan. 01, 2013~ Apr. 12, 2013	High	US$5.92
		Low	US$5.00
		Average	US$5.50

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

Apr. 12, 2013

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%	3.34%	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	17,859,800	2,595,720
Exercised Amount	95,000,000	179,143,500	64,893,000
Number of Shares yet to be Converted	0 (Note)	2,140,200	7,404,280
Adjusted Exercise Price for Those Who Have yet to Exercise Their Rights	NT$10.00	NT$9.90	NT$25.00
Unexercised Shares as a Percentage of Total Issued Shares	0%	0.2825%	0.9775%
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

Apr. 12, 2013; 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 (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Executive Officer	Vice President	C.C. Chang (Note 3)	12,869,000	1.6989%	10,521,400	25.0 10.1 (Note 5) 10.0 9.9 (Note 5)	113,532,140	1.3890%	2,347,600 (Note 4)	25.0 10.0 9.9	28,727,240	0.3099%
	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	14,794,000	1.9530%	11,166,400	25.0 10.1 (Note 5) 10.0 9.9 (Note 5)	119,978,240	1.4741%	3,627,600 (Note 4)	25.0 10.0 9.9	65,559,240	0.4789%
	Vice President	C.C. Chang (Note 3)										
	President	Dennis Chen										
	Vice President	Kyle Chen										
	Vice President	Steve Chen										
	Sr. Vice President	David Danzilio (Note 2)										
	Vice President	Brian Lee										
	Chief Engineer	Shinichiro Takatani										
	CEO	Yu-Chi Wang										
	Vice President	Dennis Williams (Note 2)										

Note 1: Alphabetically by executive officers' and employees' surnames.
Note 2: Employee of the subsidiary.
Note 3: Resigned.
Note 4: 500,000 shares cannot be exercised because the employee was resigned.
Note 5: The initial exercise price per share of 2009 Employee Stock Options is NT 10.70 dollars, the adjusted exercise price based on the distribution of cash dividends was NT 10.1 dollars in 2010 and NT 9.9 dollars in 2011.

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

A. 2012 Global Depositary Receipts

(1) Finance plan:

(a) Approved date and no.: 19 September 2012 Order No. Financial-Supervisory- Securities-Corporate-1010042074 of the Financial Supervisory Commission

(b) Total planned amount: NT$ 4,129,018 thousand

(c) 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). Please refer to offering plans for terms and conditions. The rest of source other than GDR will come from Company's operation cash flow.

(d) The Company has completed the funds offering at Oct 9, 2012, and has entered the information into the Market Observation Post System (MOPS).

(e) 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.

(f) 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

(2) The Status of Implementation of Capital Allocation Plans

(a) The status of implementation of fund use:

Unit: NT$ thousands

Item	Status of Implementation		Up to 03/31/2013
Procurement of raw materials	Amount	Planned	2,492,970
		Actual	2,019,199
	Achievement (%)	Planned	100.00%
		Actual	80.99%
Acquisition of machinery and equipment	Amount	Planned	1,431,024
		Actual	881,477
	Achievement (%)	Planned	87.46%
		Actual	53.87%
Total	Amount	Planned	3,923,994
		Actual	2,900,676
	Achievement (%)	Planned	95.03%
		Actual	70.25%

The Y2012 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 Mar. 31, 2013, the total of NT$2,900,676 thousand has been used in raw materials procurement and acquisition of machinery and equipment, representing 80.99% and 53.87% achievement of the plan, funded by GDR in NT$ 2,669,120 thousand and own working capital in NT$ 231,556 thousand. The remaining fund of GDR is NT$ 483,280 thousand. The 70.25% of total achievement of 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.

(b) Efficiency analysis

- Procurement of raw materials: The use of funds is partially for raw materials procurement. The estimation of interest saving for it will be US$1,355 thousand, equivalent to NT$40,650 thousand, per year. There is no material discrepancy from the plan in cost efficiency.
- 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	Period	Production Quantity	Shipment Quantity	Shipment Amount	Gross Profit	Operating Income
2013	GaAs wafers	2013 Planned	22,200	22,200	1,143,899	330,450	207,812
		2013Q1 Planned	5,550	5,550	285,975	82,613	51,953
		2013Q1 Actual	0	0	0	0	0
		2013Q1 Achievement	0%	0%	0%	0%	0%
2014		2014 Planned	44,310	44,310	2,199,151	675,346	439,337
2015		2015 Planned	50,160	50,160	2,438,777	781,395	519,793
2016		2016 Planned	56,400	56,400	2,662,554	856,012	570,537

The achievement of the plan for acquisition of machinery and equipment was slightly behind schedule due to the re-negotiation of payment terms with certain suppliers. The new machinery and equipment has been installed in the fourth quarter of 2012 and expects to contribute quarter over quarter before the end of 2013.

(iii) Effect upon shareholders' equity and the improvement action:

Gallium arsenide market demand for 2013 is expected to grow along with the global economic recovery driven by increasing sales of complex handheld devices, greater 3G-network penetration, and the adoption of 4G LTE as a global standard. Additional growth drivers for GaAs products are the inclusion of high-performance Wi-Fi as standard in most smartphones and the accelerating replacement of feature phones with introductory smartphone products. The overall progress of the plan was slightly behind schedule due to re-negotiate the payment terms with certain suppliers for the best of company's benefit. The raw materials procurement of the plan will be complete in the second quarter of 2013. Some of the new machinery and equipment has been installed and the rest of the plan will be complete in the end of 2013. There is no material impact for shareholders' equity.

V. OPERATIONAL HIGHLIGHTS

5.1. Industry Overview

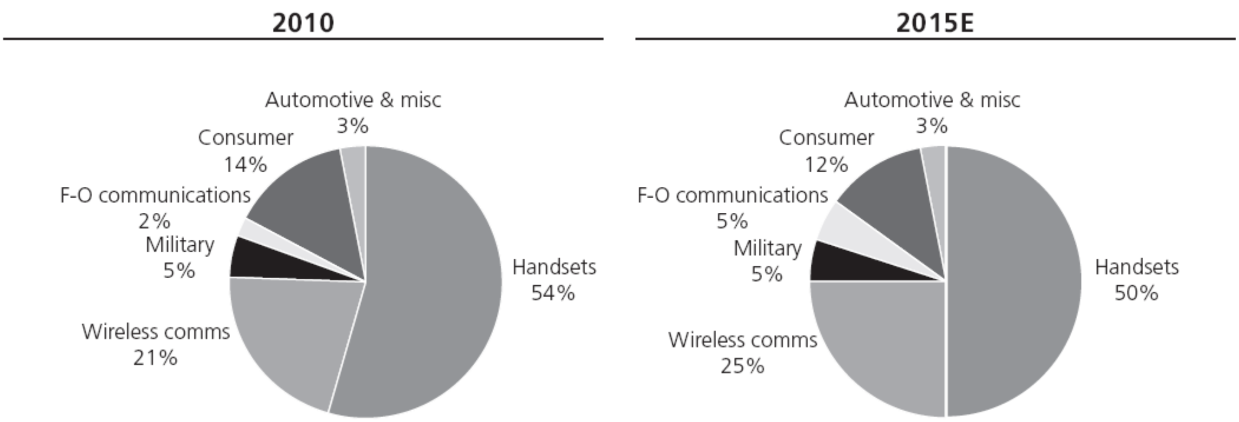
5.1.1. GaAs Industry Overview

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.

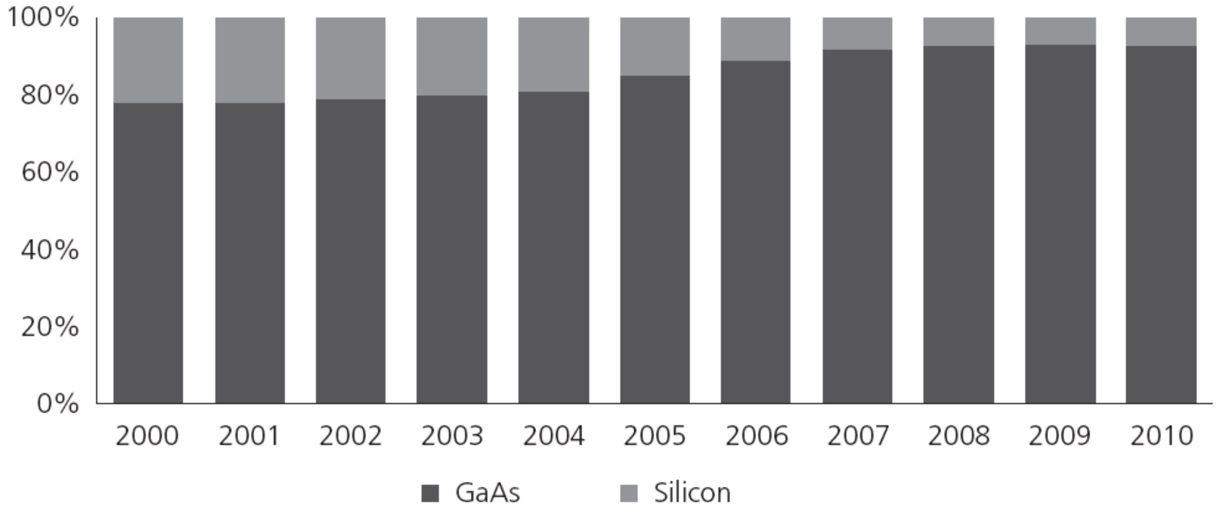
MMIC market segmentation



Source: GaAs & Compound Semiconductor Technologies "GaAs Industry Forecast—2010–2015", October 2011

GaAs has become the mainstream semiconductor material for PA in smartphones. In 2010, the share of GaAs PA represent 93% of total handset PA market, up from 78% in 2000 according to Strategy Analytics. GaAs's dominance is expected to continue as smartphones become more sophisticated.

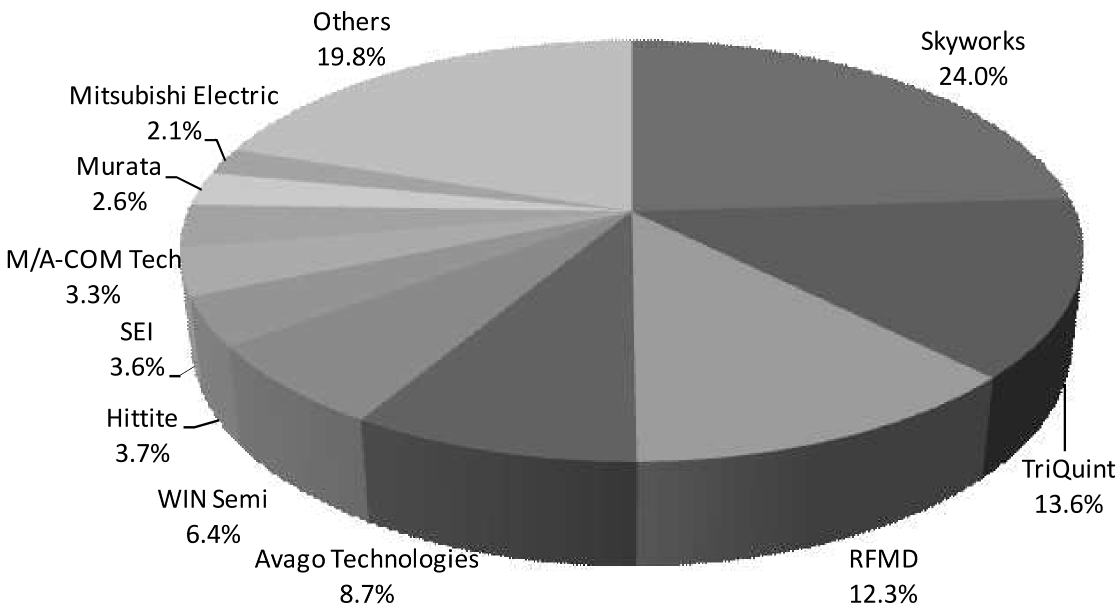
GaAs versus Silicon in handset PA (by dollar value)



Source: Strategy Analytics, GaAs presentation given by Strategy Analytics Asif Anwar at CS Mantech 2006

According to Strategy Analytics, the GaAs device market revenues grew at a CAGR of 12.2% between 2007–2012, reaching a market of US$5.9bn in 2012. In 2012, the top 5 GaAs device manufacturers took up 65% of the total market share, led by Skyworks at 24%.

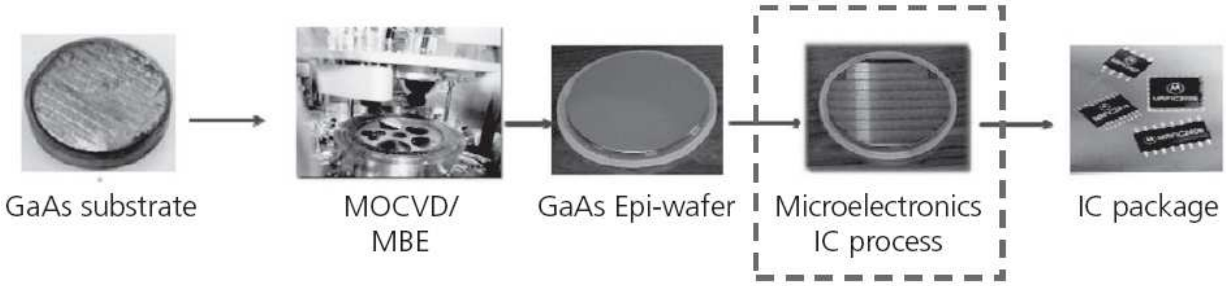
GaAs device manufacturer market share by revenue (2012)



Source: Strategic Analytics, "GaAs Device Industry Closes up in 2012" by Eric Hagham, March 2013

5.1.2. GaAs Value Chain

Manufacturing process

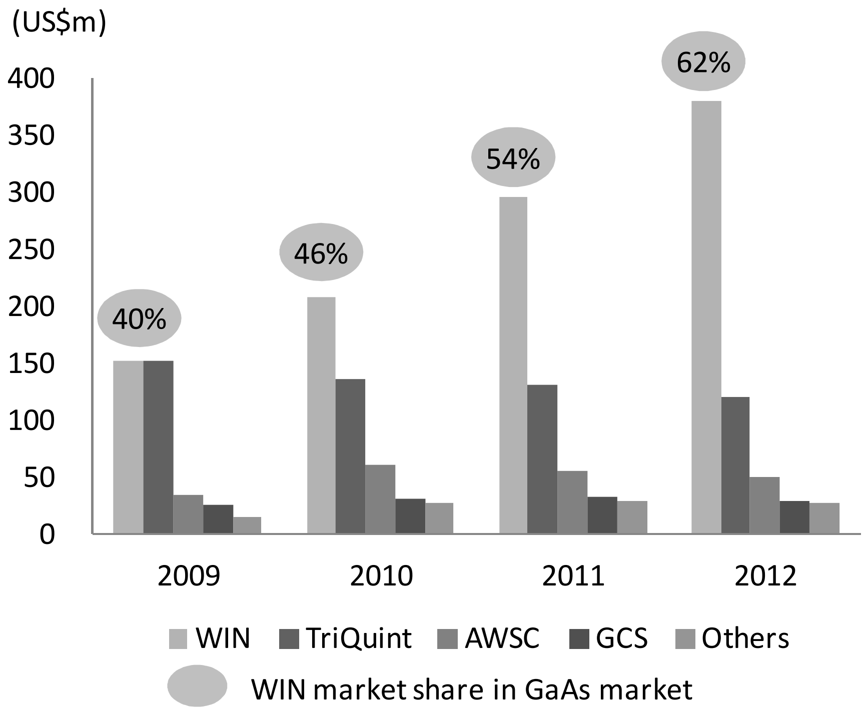


The manufacturing process of GaAs semiconductors can be divided into the stages as illustrated in the diagram. In the microelectronics IC process, companies who design the semiconductors are categorized into Integrated Design Manufacturers ("IDMs") and fables companies. IDMs have internal capacity to 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$608m in 2012.

5.1.3. GaAs Foundry Market Size

The GaAs OEM/ODM foundry players include WIN Semi, TriQuint, Advanced Wireless Semiconductor Co (AWSC) and GCS, which jointly accounting for 95% of the total market share in 2012, 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 2012 WIN Semi held 62% of GaAs foundry market share, up from 54% in 2011, Triquint held 20%, down from 24% in 2011, and AWSC holds 8%, down from 10% in 2011.

GaAs foundry historical market share

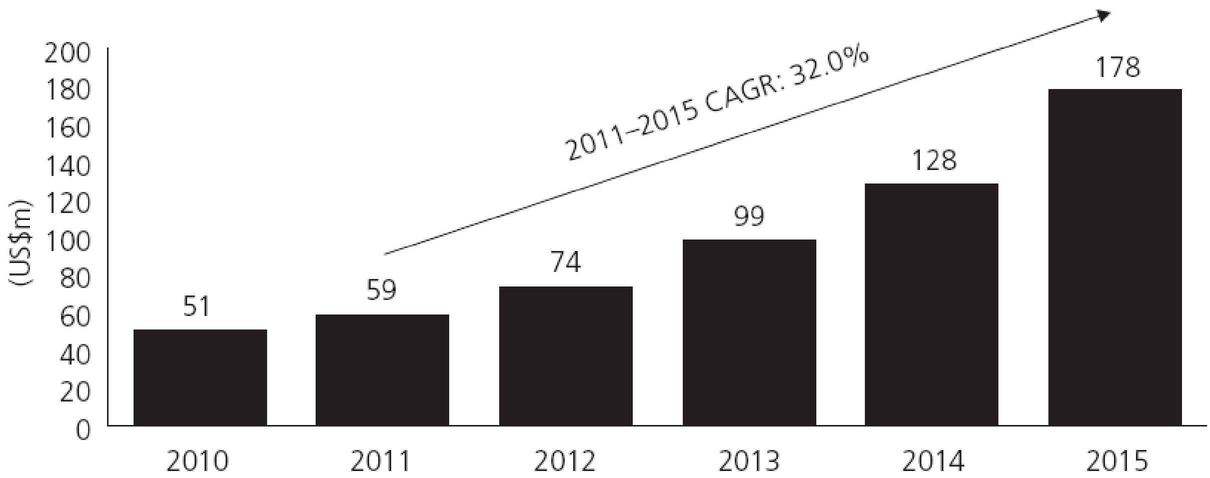


Source: Strategy Analytics

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, "Next Generation Wireless Infrastructure Networks", Eric Higham, June 2011

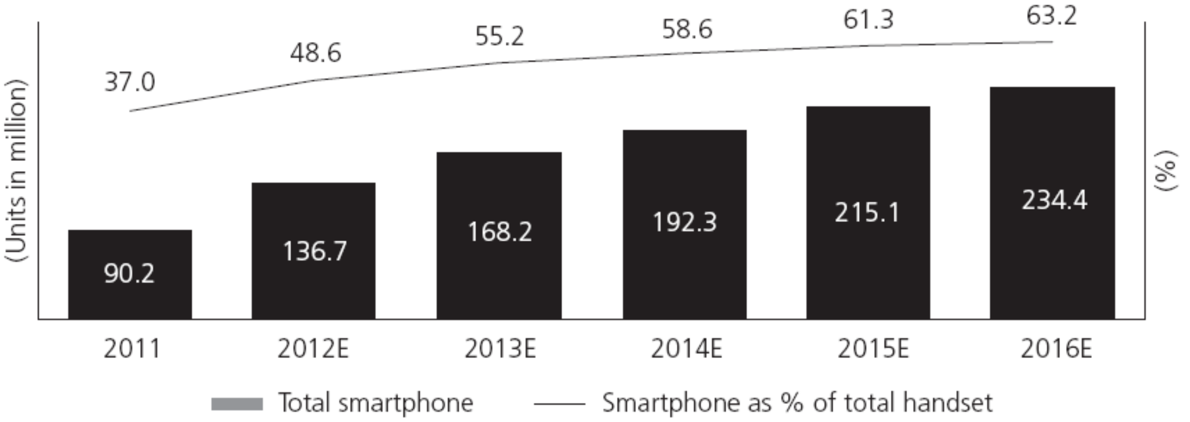
5.1.5. GaAs Semiconductor End Markets

The largest application for GaAs semiconductors is mobile handsets, and increasingly smartphones. According to IDC, the worldwide smartphone shipment reached a total of 722.4 million units in 2012, up 46.1% from 2011. The increasing smartphone 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 shipment for smartphone is expected to reach 1,516 million units in 2017, representing a CAGR of 20.5% from 2011 to 2017.

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. China's smartphone market was 90.2 million units in 2011 and is expected to reach 234.4 million units in 2016, representing a CAGR 21.1%, and 63.2% of total handset sales in China.

China smartphone market by shipment (m units)



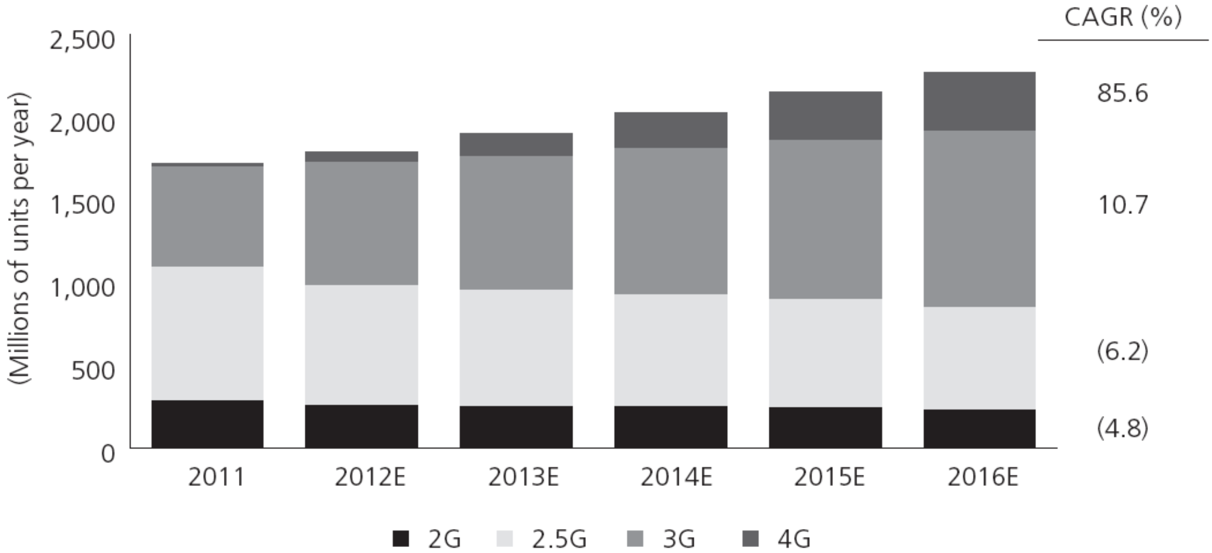
Source: IDC, "Asia/Pacific (excluding Japan) Mobile Phone 2012–2016 Forecast and Analysis", Kiranjeet Kaur, Melissa Chau and Wong Teck Zhung, May 2012

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 IDC, LTE smartphone sales are expected to grow by 106.9% CAGR from 2011–2016, reaching 337.8 million units in 2016 and commanding 27.1% of total smartphone shipment.

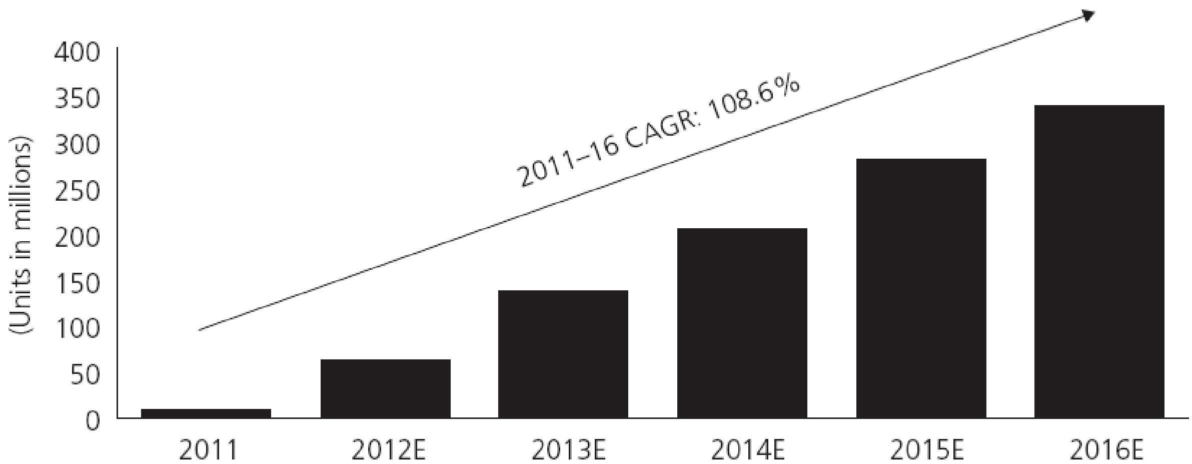
<u>Worldwide handset shipment by air interface</u>



Source: IDC, "Worldwide Mobile Phone 2012–2016 Forecast Update—June 2012", Ramon T. Llamas and William Stofega

Note: 2G group includes air interfaces of CMDA IS95a/b, GSM, iDEN, PDC, and TDMA; 2.5G group includes air interfaces of CDMA2000 1xRTT, EDGE, and GPRS; 3G group includes CDMA2000 1xEV-DO, HSPA, TD-SCDMA, and UMTS/WCDMA; 4G group includes LTE, TD-LTE and WiMAX

<u>LTE mobile phone shipment</u>

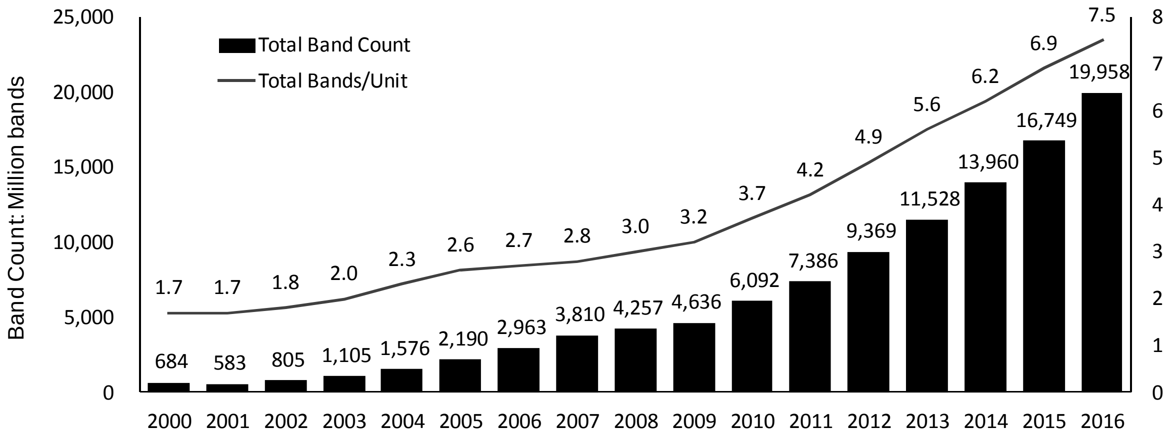


Source: IDC, "Worldwide Mobile Phone 2012–2016 Forecast Update—June 2012", Ramon T. Llamas and William Stofega

5.1.7. Estimated Number of Bands per Mobile Device

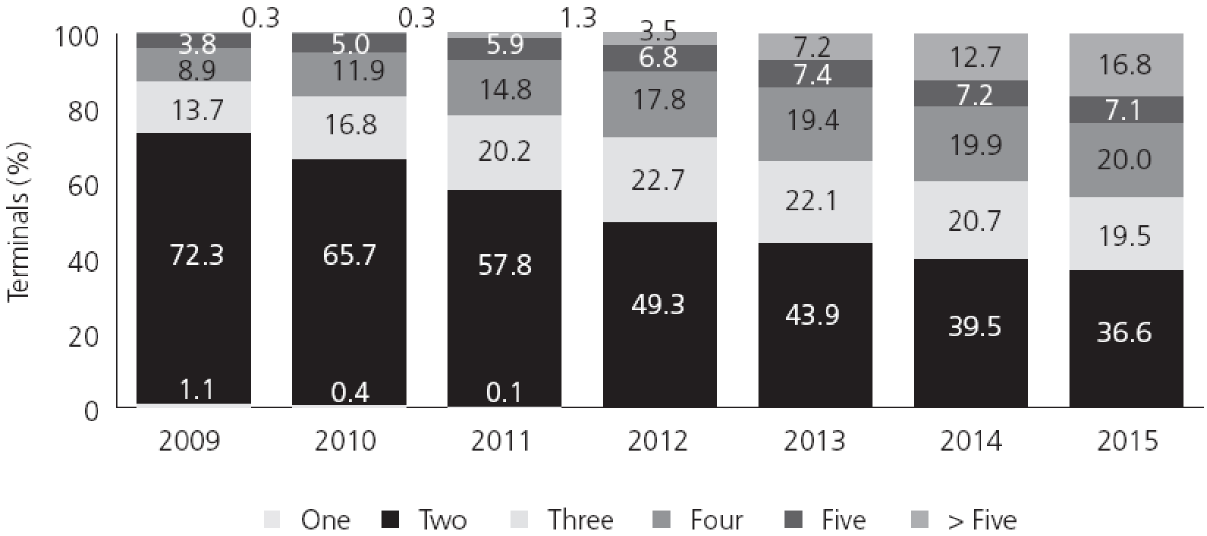
Usually, each 2G phone is built with 1–2 PAs whereas in a LTE smartphone it requires 7–8 PAs. As a result, the band count in a cellular terminal will expand from 7,386 million in 2011 to 19,958 million in 2016, and the bands per unit in a cellular terminal will expand from 4.2 in 2011 to 7.5 in 2016.

Number of band count



Source: Navian Inc, "Medium-term forecast of RF Circuit Trend & RF Devices / Modules Market in LTE Spread Period - RF Devices/Modules for Cellular Terminal 2012-2013", August 2012.

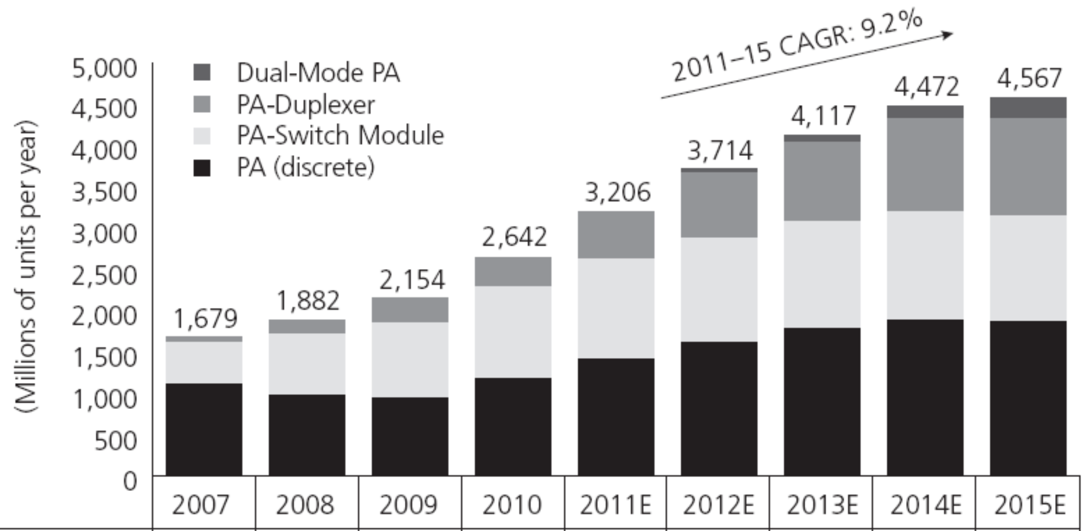
Number of non-contiguous bands



Source: Strategy Analytics, "Power Amplifier Forecast: 2009–2015", Eric Higham and Chris Taylor, January 2011, estimated from company reports

Combining the effects of growing smartphone shipment, and higher component count per device, the PA market for cellular is expected to grow from 3,206m units in 2011 to 4,568m units in 2015, representing a CAGR of 9.2%.

Cellular terminal PA forecast

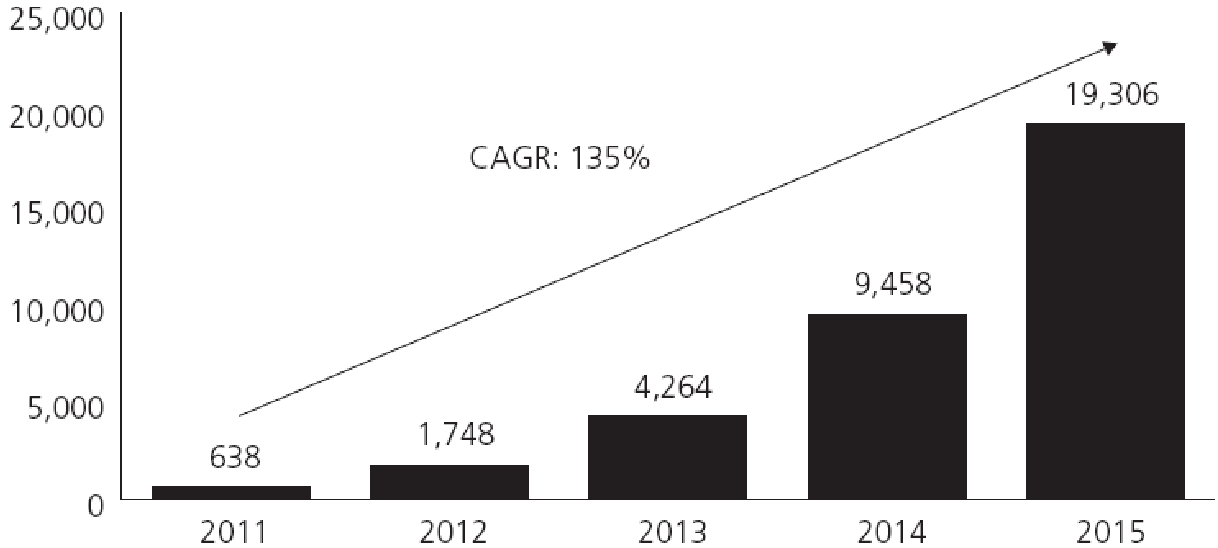


	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
Dual-Mode PA	0	0	0	0	6	41	82	146	248
PA-Duplexer	63	162	304	348	565	787	947	1,121	1,167
PA-Switch Module	501	746	901	1,105	1,210	1,268	1,306	1,318	1,272
PA (discrete)	1,115	974	949	1,189	1,425	1,618	1,782	1,887	1,880

Source: Strategy Analytics, "Power Amplifier Forecast: 2009–2015", Eric Higham and Chris Taylor, January 2011

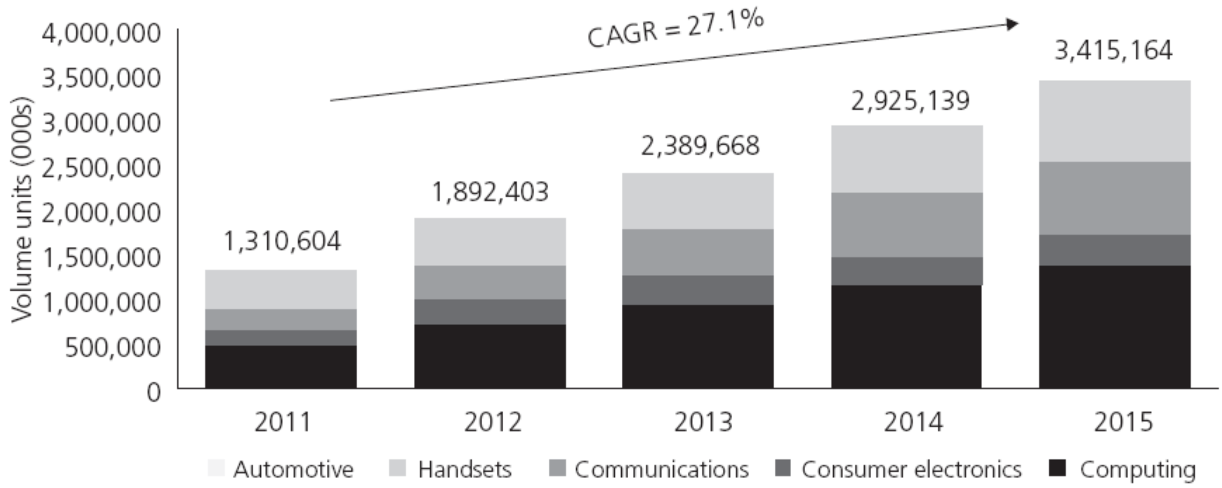
In addition to the strong growth in cellular terminal PA, the other applications such as wireless communication infrastructure systems and CATV/DBS video distribution systems, also face favourable drivers due to the significant growth in IP data and wider adoption of WiFi in consumer electronics and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

Worldwide mobile traffic data



Source: IDC, "Worldwide Internet Broadband Bandwidth Demand 2012-2015 Forecast", Matt Davis, February 2012

Wireless LAN shipment



Source: Gartner, "Market Trends—future platforms for Wi-Fi Growth, 2011–2015", Mark Hung, June 2011

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
Anadigics</td></tr>
<tr><td colspan="2">GaAs IC Design</td><td>Microsemi, RDA, M/A-COM, 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 2012, according to Strategy Analytics. According to IC Insights, a semiconductor market research organization, we were the top 12 company in IC foundry and top 9 in pure-play foundry in the world in 2012.

Top 12 2012 IC Foundries

2012 Rank	2011 Rank	Company	Foundry Type	Location	2010 Sales ($M)	2011 Sales ($M)	2011/2010 Change (%)	2012 Sales ($M)	2012/2011 Change (%)
1	1	TSMC	Pure-Play	Taiwan	13,307	14,600	10%	17,167	18%
2	3	GlobalFoundries	Pure-Play	U.S.	3,510	3,480	-1%	4,560	31%
3	4	Samsung	IDM	South Korea	1,205	2,190	82%	4,330	98%
4	2	UMC	Pure-Play	Taiwan	3,965	3,760	-5%	3,730	-1%
5	5	SMIC	Pure-Play	China	1,555	1,320	-15%	1,682	27%
6	6	Hua Hong Grace*	Pure-Play	China	627	850	36%	940	11%
7	7	TowerJazz	Pure-Play	Israel	510	611	20%	644	5%
8	8	Vanguard	Pure-Play	Taiwan	508	519	2%	582	12%
9	9	Dongbu	Pure-Play	South Korea	475	500	5%	540	8%
10	10	IBM	IDM	U.S.	430	420	-2%	435	4%
11	11	MagnaChip	IDM	South Korea	405	350	-14%	400	14%
12	12	WIN**	Pure-Play	Taiwan	221	298	35%	382	28%
—	—	Top 12 Total	—	—	26,718	28,898	8%	35,392	22%
—	—	Top 12 Share	—	—	87%	88%	—	90%	—
—	—	Other Foundry	—	—	4,017	3,972	-1%	3,918	-1%
—	—	Total Foundry	—	—	30,735	32,870	7%	39,310	20%

*Hua Hong NEC and Grace merged in 2012 (includes Shanghai Huali joint venture).

Source: IC Insights, company reports **GaAs foundry

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, 2011 and 2012 our consolidated net revenue was NT$8,901 million and NT$11,238 million, respectively. Our net income was NT$1,279 million for the year ended December 2011 and NT$1,648 million for the year ended 2012.

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 2012, according to Strategy Analytics. Our revenue grew at a CAGR of 32.9% from 2009 to 2012, approximately two times the growth rate of the worldwide GaAs revenue over the same period, according to Strategy Analytics.

We have the largest manufacturing capacity among GaAs foundries in the world and we plan to significantly increase our capacity in the near future. The monthly wafer output in our fabs increased from approximately 1,500 in 2005 to approximately 15,000 to 16,000 as of December 31, 2011. As of December 31, 2012, the monthly wafer output installed approximately 22,500. We plan to increase our fabs' capacities further to 24,000 in the middle of 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

GaAs technology enables wireless communication and other modern communication systems that utilize high frequency signal transmissions. GaAs is currently the dominant semiconductor material used in the mass production of RF communication chips. According to Strategy Analytics, revenue from the global GaAs industry grew at a CAGR of 12.2% from 2007 to reach approximately US$5.9 billion in 2012. The GaAs foundry market is expected to grow at a CAGR of 6.1% from 2012 to 2015, according to Strategy Analytics.

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.

In recent years, our products have gained exposure in China. China is in the early stages of adoption of 3G smartphones and the large size of the smartphone market in China presents a potentially huge market opportunity for GaAs chips and our business.

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 2004, we began to expand 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.
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. Invest in Capacity to Capture Market Growth and Maintain Leadership

Manufacturing capacity is a critical criterion by which a fabless design house or an IDM selects its foundry service partner. Although we already have the largest manufacturing capacity in the GaAs industry, our utilization rate is relatively high. We therefore plan to continue to expand our capacity to establish a manufacturing scale sufficient for increased mass production in response to future demand from our customers. We have entered into a contract to purchase land and buildings in Kuei Shan Hsiang, Tao Yuan Shien to build a new fab. We expect this new fab to contribute to our manufacturing capacity by the end of 2013. We believe we are one of the only two GaAs foundry service providers in the world who are currently planning significant capacity expansion. We believe that capacity expansion is an important step in our goal to become a one-stop, total solution foundry service provider.

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:

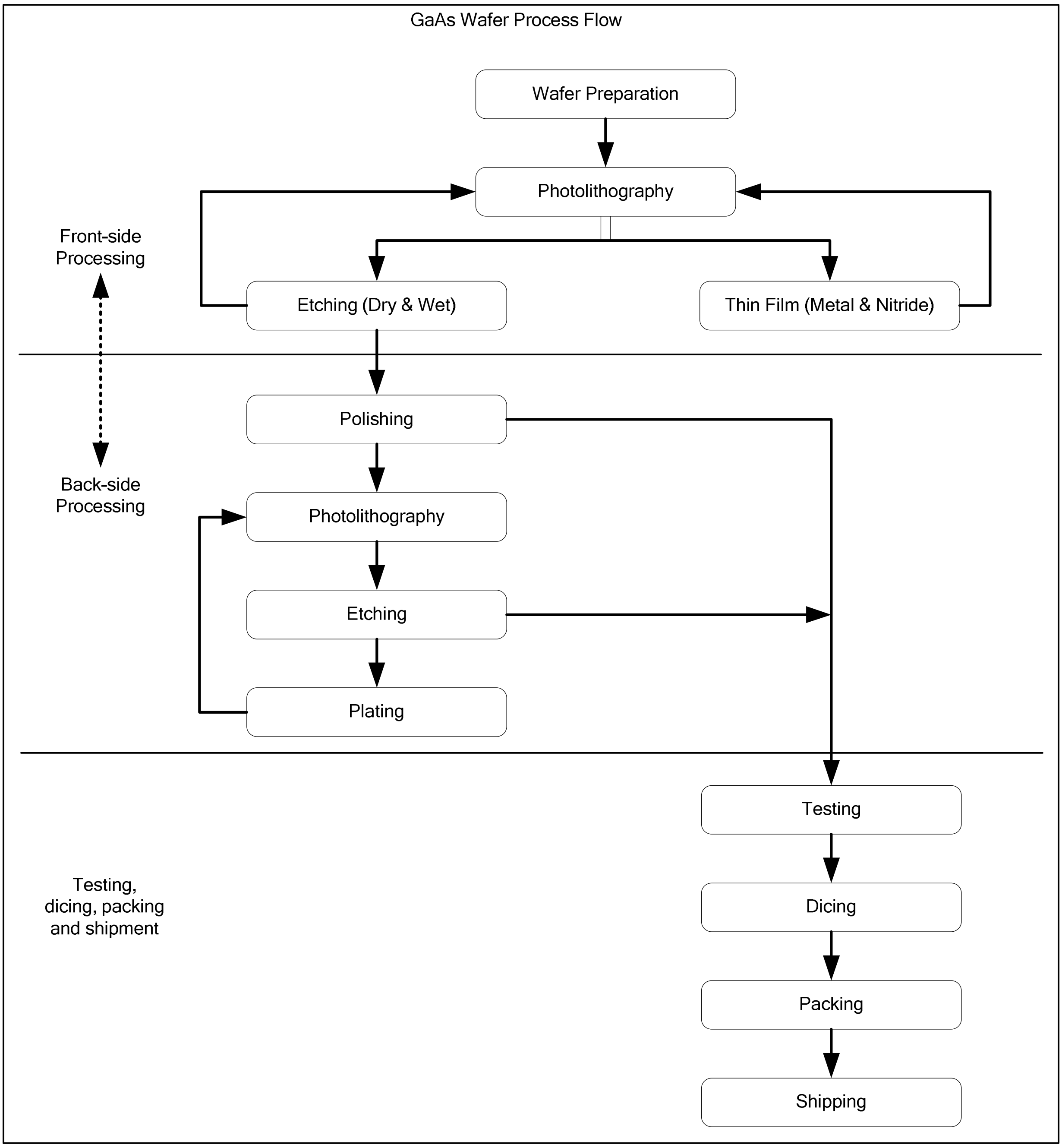
PRODUCTS	APPLICATIONS
Heterojunction Bipolar Transistor (HBT)	• Wi-Fi (802.11x) power amplifiers (PA) • GSM/EDGE PA • 3G UMTS/WCDMA PA • 4G LTE/WiMAX PA
Voltage-control oscillator (VCO) HBT	• Low phase noise oscillators for wireless communication infrastructure
BiHEMT (Integrate HBT and pHEMT)	• On-chip 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,		For the three months ended March 31,
	2011	2012	2013
Consolidated Sales	8,901,273	11,237,964	2,848,050
R&D Expenses	450,279	530,490	134,251
R&D Expenses / Sales (%)	5.1%	4.7%	4.7%

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 2013 and 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 50MHz to 100GHz. The following table summarizes the areas of our research and development efforts and the successfully developed technologies in recent years:

Research & development targeted applications	Technologies
• Power amplifiers for 2G/3G/4G cellular terminals • Power amplifiers for Wi-Fi 801.11x (a, b, g, n, ac)	• High linearity InGaP HBT • High ruggedness InGaP HBT • BiHEMT - integration of InGaP HBT and AlGaAs pHEMT
• RF switch for cellular phones and Wireless Local Area Network ("WLAN")	• Low insertion loss 0.5μm pHEMT
• Satellite communication (VSAT) broadband communication system • Point-to-point cellular backhaul link • 40Gbps fiber-optic communication	• 0.25μm pHEMT • 0.15μm pHEMT
• 1-40 GHz high linearity low noise amplifier ("LNA")	• 0.5μm E/D pHEMT • 0.25μm E/D pHEMT • 0.15μm pHEMT
• Ultra-high frequency (60-100GHz) communication systems • 100Gbps fiber-optic communication	• 0.1μm pHEMT

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 84.1%, 82.6% and 82.6% of our employees have bachelors' or other postgraduate degrees as of December 31, 2011, December 31, 2012 and March 31, 2013, respectively. The following table sets forth the number of our employees as of the dates indicated:

Year		December 31, 2011	December 31, 2012	March 31, 2013
Number of Employees	Executive Officer	176	185	188
	Staff	578	619	617
	Direct Employees	701	724	762
	Total	1,455	1,528	1,567
Average Age		30.76	31.37	31.51
Education Ratio (%)	Ph.D.	1.64%	1.96%	1.85%
	Masters	17.87%	18.19%	17.93%
	Bachelor's Degree	64.54%	62.43%	62.86%
	Senior High School	15.95%	17.41%	17.36%
	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.

VI. FINANCIAL INFORMATION

6.1. Five-Year Financial Summary

6.1.1. Condensed Balance Sheets

A. Condensed Balance Sheets - IFRS

Unit: NT$ thousands

Item \ Year		As of Mar. 31, 2013 (Note)
Current Assets		9,701,695
Property, plant and equipment		11,433,502
Intangible Assets		72,465
Other Assets		3,559,391
Total Assets		24,767,053
Current Liabilities	Before Distribution	3,747,266
	After Distribution	-
Non-current Liabilities		5,684,479
Total Liabilities	Before Distribution	9,431,745
	After Distribution	-
Total Equity attributable to Owners of Parent		15,335,308
Share Capital		7,574,570
Capital Surplus		3,806,061
Retained Earnings	Before Distribution	3,992,755
	After Distribution	-
Other Equity		(38,078)
Treasury Shares		-
Non-controlling Interests		-
Total Equity	Before Distribution	15,335,308
	After Distribution	-

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

B. Condensed Balance Sheets-ROC GAAP

Unit: NT$ thousands

Item \ Year		Five-Year Financial Summary (Note 1)				
		2008	2009	2010	2011	2012
Current Assets		1,355,499	2,678,954	4,038,366	5,389,991	8,615,576
Funds and Investments		1,105,749	1,521,637	1,823,887	1,686,042	1,614,561
Fixed Assets		6,557,460	7,179,301	8,684,263	11,266,537	13,228,340
Intangible Assets		-	-	132,526 (Note 3)	117,652	82,708
Other Assets		132,418	183,435 (Note 3)	205,736 (Note3)	132,673	44,861
Total Assets		9,151,126	11,563,327 (note3)	14,884,778	18,592,895	23,586,046
Current Liabilities	Before Distribution	737,918	1,985,481	3,346,540	3,059,894	3,581,445
	After Distribution	737,918	1,985,481	3,859,831	3,578,768	(Note 2)
Long-term Liabilities		2,178,000	2,703,357 (Note 3)	2,661,834	5,483,622	5,558,677
Other Liabilities		3,725	3,257	2,467	4,246	20,907
Total Liabilities	Before Distribution	2,919,643	4,692,095 (Note3)	6,010,841	8,547,762	9,161,029
	After Distribution	2,919,643	4,692,095 (Note 3)	6,524,132	9,066,636	(Note 2)
Capital Stock		5,936,155	5,979,695	6,175,675	6,485,930	7,541,877
Capital Surplus		1,250,000	1,279,456	1,358,492	1,707,122	3,763,045

Item \ Year		Five-Year Financial Summary (Note 1)				
		2008	2009	2010	2011	2012
Retained Earnings	Before Distribution	(960,304)	(400,860)	1,308,424	2,073,743	3,154,109
	After Distribution	(960,304)	(400,860)	795,133	1,554,869	(Note 2)
Unrealized Gain or Loss on Financial Instruments		3,471	7,665	29,303	(224,726)	(35,656)
Cumulative Translation Adjustments		2,161	5,276	2,043	3,064	1,642
Net Loss Unrecognized as Pension Cost		-	-	-	-,	-
Total Shareholders' Equity	Before Distribution	6,231,483	6,871,232	8,873,937	10,045,133	14,425,017
	After Distribution	6,231,483	6,871,232	8,360,646	9,526,259	(Note 2)

Note 1: The financial information has been audited by independent auditors.
Note 2: The appropriation of earnings for 2012 shall be determined by the 2013 regular shareholders' meeting.
Note 3: 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.

6.1.2. Condensed Statements of Income

A. Condensed Statements of Comprehensive Income - IFRS

Unit: NT$ thousands, except for earnings per share

Item \ Year	As of Mar. 31, 2013 (Note)
Operating Revenue	2,848,050
Gross Profit	916,061
Net Operating Income	615,919
Non-operating Income and Expenses	368,927
Profit before Tax	984,846
Profit from Continuing Operations	789,990
Profit from Discontinued Operations	-
Profit	789,990
Other Comprehensive Income, after Tax	116,061
Comprehensive Income	906,051
Profit, Attributable to Owners of Parent	789,990
Profit, Attributable to Non-controlling Interests	-
Comprehensive Income, Attributable to Owners of Parent	906,051
Comprehensive Income, Attributable to Non-controlling Interests	-
Earnings per Share	1.04

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

B. Condensed Statements of Income - ROC GAAP

Unit: NT$ thousands, except for earnings per share

Item \ Year	Five-Year Financial Summary (Note 1)				
	2008	2009	2010	2011	2012
Operating Revenue	3,666,182	4,702,982	6,857,038	8,728,814	11,066,244
Gross Profit	1,002,105	1,138,422	1,953,953 (Note 2)	2,631,871	3,468,464
Income from Operations	635,189	654,599	1,137,863 (Note 2)	1,669,141	2,402,604
Non-operating Income	24,470	80,206	703,961 (Note 2)	230,280	64,814
Non-operating Expenses	(169,816)	(171,738)	(132,540)	(729,714)	(539,102)
Income from Operations of Continued Segments - before Tax	489,843	563,067	1,709,284	1,169,707	1,928,316
Income from Operations of Continued Segments - After Tax	484,979	559,444	1,709,284	1,278,610	1,647,529
Income from Discontinued Departments	-	-	-	-	-
Extraordinary Gain or Loss	-	-	-	-	-
Cumulative Effect of Accounting Principle Changes	-	-	-	-	-
Net Income	484,979	559,444	1,709,284	1,278,610	1,647,529
Earnings per Share	0.93	0.94	2.84	2.04	2.45

Note 1: The financial information has been audited by independent auditors.
Note 2: Account in the financial statements as of and for the year ended December 31, 2011 has been reclassified to conform to the presentations of the financial statements as of and for the year ended December 31, 2012 for purposes of comparison.

6.1.3. Auditors' Opinions from 2008 to 2012

Year	CPA Firm	CPA's Name	Auditing Opinion
2008	KPMG	Fion Chen and Agnes Yang	Unqualified 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

6.2. Five-Year Financial Analysis

A. Financial Analysis - IFRS

Item \ Year			As of Mar. 31, 2013 (Note)
Financial Structure (%)	Debt Ratio		38.08%
	Long-term Funds to Property, Plant and Equipment		183.84%
Solvency (%)	Current Ratio		258.90%
	Quick Ratio		189.67%
	Times Interest Earned Ratio		32.08
Operating Ability	Accounts Receivable Turnover (turns)		10.85
	Days to Collect Accounts Receivable (day)		34
	Average Inventory Turnover (turns)		3.42
	Accounts Payable Turnover (turns)		6.93
	Average Days in Sales		107
	Property, Plant and Equipment Turnover (turns)		0.99
	Total Assets Turnover (turns)		0.47
Profitability	Return on Total Assets (%)		13.42%
	Return on Equity (%)		21.29%
	Ratio to Issued Capital (%)	Operating Income	8.13%
		Pre-tax Income	13.00%
	Profit Ratio (%)		27.74%
	Earnings per Share ($)		1.04
Cash Flow	Cash Flow Ratio (%)		27.98%
	Cash Flow Adequacy Ratio (%)		-
	Cash Reinvestment Ratio (%)		4.04%
Leverage	Operating Leverage		2.44
	Financial Leverage		1.04

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

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 + 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 Sales / Average Inventories
(4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payable
(5) Average Days in Sales = 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 after Tax + Interest Expense X (1 - Tax Rate)] / Average Assets
(2) Return on Equity = Profit after Tax / Average Equity
(3) Profit Ratio = Profit after Tax / Sales
(4) Earnings per Share = (Profit, Attributes to Owner 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 + 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)

B. Financial Analysis - ROC GAAP

Item			2008	2009	2010	2011	2012
Year			Financial Analysis in the Past Five Years (Note 1)				
Financial Structure (%)	Debt Ratio		31.90	40.58 (Note 2)	40.38	45.97	38.84
	Long-term Funds to Fixed Assets		128.24	133.36 (Note 2)	132.84	137.83	151.07
Solvency (%)	Current Ratio		183.69	134.93	120.67	176.15	240.56
	Quick Ratio		93.86	83.41	75.41	98.36	169.53
	Times Interest Earned Ratio		7.82	13.35	30.50	11.51	16.51
Operating Ability	Accounts Receivable Turnover (turns)		10.77	10.03	12.30	17.23	14.55
	Days to Collect Accounts Receivable (day)		34	36	30	21	25
	Average Inventory Turnover (turns)		5.15	4.43	4.19 (Note 2)	3.74	3.80
	Accounts Payable Turnover (turns)		7.32	5.80	5.63 (Note 2)	6.22	6.87
	Average Days in Sales		71	82	87	98	96
	Fixed Assets Turnover (turns)		0.75	0.68	0.86	0.88	0.90
	Total Assets Turnover (turns)		0.53	0.45	0.52	0.52	0.52
Profitability	Return on Total Assets (%)		7.13	5.48	13.19	7.93	8.22
	Return on Stockholders' Equity (%)		10.25	8.54	21.71	13.52	13.47
	Ratio to Issued Capital (%)	Operating Income	10.70	10.95	18.42 (Note 2)	25.73	31.86
		Pre-tax Income	8.25	9.42	27.68	18.03	25.57
	Profit Ratio (%)		13.23	11.90	24.83	14.65	14.89
	Earnings per Share ($)		0.93	0.94	2.84	2.04	2.45
Cash Flow	Cash Flow Ratio (%)		131.34	42.01 (Note 2)	77.49 (Note 2)	62.29	77.08
	Cash Flow Adequacy Ratio (%)		30.83	36.68 (Note 2)	50.41 (Note 2)	48.03 (Note 2)	54.08
	Cash Reinvestment Ratio (%)		7.95	6.01	16.04 (Note 2)	7.42 (Note2)	9.15
Leverage	Operating Leverage		2.85	3.46	2.89 (Note 2)	2.53	2.26
	Financial Leverage		1.02	1.02	1.04	1.04	1.04

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.

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 in Sales = 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) Profit Ratio = Net Income after Tax / Sales
(4) 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

Please refer to page 84 of this annual report.

6.4. Financial Statements for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report

Please refer to page 86 of this annual report.

6.5. Consolidated Financial Statements for the Years Ended December 31, 2012 and 2011, and Independent Auditors' Report

Please refer to page 129 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

2012 Supervisors' Report

The Board of Directors has prepared and submitted to us the Company's 2012 Business Report, Financial Statements, Consolidated Financial Statements, and proposal for allocation of profits. The CPA firm of KPMG was retained to audited WIN's Financial Statements and Consolidated Financial Statements and has issued an audit report relating to the Financial Statements and Consolidated Financial Statements. The Business Report, 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.

2013 Shareholders Meeting

WIN Semiconductors Corp.
Supervisors

Mei-Lan Wang

Cheng-Li Huang

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

March 22, 2013

2012 Supervisors' Report

The Board of Directors has prepared and submitted to us the Company's revised proposal for allocation of profits. The revised proposal for allocation of profits has 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.

2013 Shareholders Meeting

WIN Semiconductors Corpo.
Supervisors

Mei-Lan Wang

Cheng-Li Huang

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

April 29, 2013

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, 2011 and 2012, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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 "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of WIN Semiconductors Corp. as of December 31, 2011 and 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" and accounting principles generally accepted in the Republic of China.

We have audited the consolidated financial statements as of and for the years ended December 31, 2011 and 2012 on which we have expressed an unqualified opinion.

Taipei, Taiwan (the Republic of China)
March 22, 2013

<u>Note to Readers</u>

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

WIN Semiconductors Corp.

Balance Sheets

December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
Assets		
Current assets:		
Cash and cash equivalents (note 4(a))	$ 761,868	2,845,717
Financial assets at fair value through profit or loss (note 4(b))	1,599,992	1,501,172
Available-for-sale financial assets — current (note 4(b))	-	512,068
Notes and accounts receivable, net (note 4(c))	237,887	466,496
Account receivable — related parties (note 5)	280,103	536,618
Other financial assets — current (note 4(d))	129,844	209,446
Inventories (note 4(e))	1,893,835	2,101,205
Other current assets	125,981	144,359
Deferred income tax assets — current (note 4(l))	360,481	298,495
Total current assets	5,389,991	8,615,576
Funds and investments:		
Available-for-sale financial assets — noncurrent (note 4(b))	160,021	70,589
Financial assets carried at cost — noncurrent (note 4(b))	500,523	366,674
Long-term investments under equity method (note 4(f))	680,715	642,515
Investment in bonds with no active market — noncurrent (note 4(b))	344,783	534,783
Total funds and investments	1,686,042	1,614,561
Property, plant and equipment (notes 4(g), 5, 6 and 7):		
Cost:		
Land	802,337	1,765,464
Buildings	721,851	722,426
Machinery and equipment	9,149,329	10,381,768
Factory and equipment	1,887,456	2,753,996
Office equipment	108,858	113,101
Other equipment	156,446	231,158
	12,826,277	15,967,913
Less: accumulated depreciation	(3,232,169)	(4,486,888)
	9,594,108	11,481,025
Construction in progress	712,006	285,048
Prepayment for purchases of land and buildings	-	702,128
Prepayment for purchases of equipment	960,423	760,139
Net property, plant and equipment	11,266,537	13,228,340
Intangible assets (note 4(h))	117,652	82,708
Other assets:		
Refundable deposits	19,658	19,444
Restricted assets — noncurrent (note 6)	23,284	23,423
Deferred income tax assets — noncurrent (note 4(l))	89,731	1,994
Total other assets	132,673	44,861
Total Assets	$ 18,592,895	23,586,046

	2011	2012
Liabilities and Stockholders' Equity		
Current liabilities:		
Financial liabilities at fair value through profit or loss (note 4(b))	$ -	417
Accounts payable	1,090,011	1,121,867
Accrued expenses	720,428	662,949
Payable on equipment (note 5)	210,620	96,885
Current portion of long-term borrowings (notes 4(j) and 6)	1,007,672	1,650,185
Other current liabilities	31,163	49,142
Total current liabilities	3,059,894	3,581,445
Long-term liabilities:		
Long-term borrowings (notes 4(j) and 6)	5,483,622	5,558,677
Other liabilities:		
Accrued pension liabilities (note 4(k))	4,246	20,907
Total liabilities	8,547,762	9,161,029
Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):		
Common stock	6,485,930	7,541,877
Capital surplus:		
Capital surplus — additional paid-in capital	1,529,719	3,662,436
Capital surplus — long-term equity investments	28,469	-
Capital surplus — employee stock options	148,934	100,609
Total capital surplus	1,707,122	3,763,045
Retained earnings:		
Legal reserve	130,842	258,703
Special reserve	-	221,662
Retained earnings	1,942,901	2,673,744
Total retained earnings	2,073,743	3,154,109
Other stockholders' equity adjustments:		
Cumulative translation adjustments	3,064	1,642
Unrealized gain (loss) on financial instruments	(224,726)	(35,656)
Total other stockholders' equity adjustments	(221,662)	(34,014)
Total stockholders' equity	10,045,133	14,425,017
Commitments and contingencies (note 7)		
Total Liabilities and Stockholders' Equity	$ 18,592,895	23,586,046

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Operations

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2011	2012
Operating revenue	$	8,754,834	11,104,260
Less: sales returns		(9,180)	(11,983)
sales discounts and allowances		(16,840)	(26,033)
Net revenue (note 5)		8,728,814	11,066,244
Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m), 5 and 10)		(6,096,943)	(7,597,780)
Gross profit		2,631,871	3,468,464
Operating expenses (notes 4(h), 4(k), 4(m), 5 and 10)			
Marketing expenses		(86,521)	(78,579)
General and administrative expenses		(425,930)	(456,792)
Research and development expenses		(450,279)	(530,489)
		(962,730)	(1,065,860)
Operating income		1,669,141	2,402,604
Non-operating income and gains:			
Interest income		800	4,570
Dividend income		78,487	16,670
Gain on disposal of investments, net (note 4(b) and 4(f))		183	22,461
Gain on disposal of property, plant and equipment		-	210
Other income (notes 4(b) and 5)		150,810	20,903
		230,280	64,814
Non-operating expenses and losses:			
Interest expense (note 4(g))		(58,346)	(102,946)
Investment loss recognized under equity method (note 4(f))		(15,894)	(76,519)
Loss on disposal of property, plant and equipment		(14,688)	-
Exchange loss, net		(19,068)	(42,167)
Loss on valuation of financial assets, net (note 4(b))		(621,718)	(161,920)
Impairment loss (note 4(b) and 4(f))		-	(155,550)
		(729,714)	(539,102)
Income before income tax		1,169,707	1,928,316
Income tax benefit (expense) (note 4(l))		108,903	(280,787)
Net income	$	1,278,610	1,647,529

		2011 Before income tax	2011 After income tax	2012 Before income tax	2012 After income tax
Earnings per common share (expressed in dollars) (note 4(n)):					
Basic earnings per share	$	1.87	2.04	2.87	2.45
Diluted earnings per share	$	1.82	1.99	2.82	2.41

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
Balance on January 1, 2011	$	6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)									
Legal reserve		-	-	130,842	-	(130,842)	-	-	-
Cash dividend		-	-	-	-	(513,291)	-	-	(513,291)
Issuance of common stock		116,800	186,880	-	-	-	-	-	303,680
Exercise of employee stock options (note 4)		193,455	62,997	-	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 3)		-	91,671	-	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method		-	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method		-	7,058	-	-	-	-	-	7,058
Increase in capital surplus resulting from long-term investments under equity method		-	24	-	-	-	-	-	24
Change in unrealized gain or loss on financial instruments		-	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments		-	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011		-	-	-	-	1,278,610	-	-	1,278,610
Balance on December 31, 2011		6,485,930	1,707,122	130,842	-	1,942,901	3,064	(224,726)	10,045,133
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)									
Legal reserve		-	-	127,861	-	(127,861)	-	-	-
Special reserve		-	-	-	221,662	(221,662)	-	-	-
Cash dividend		-	-	-	-	(518,874)	-	-	(518,874)
Issuance of common stock		1,000,000	2,017,939	-	-	-	-	-	3,017,939
Exercise of employee stock options (note 5)		55,947	114,778	-	-	-	-	-	170,725
Compensation cost arising from employee stock options (note 3)		-	(51,857)	-	-	-	-	-	(51,857)
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method		-	-	-	-	-	-	4,789	4,789
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method		-	3,532	-	-	-	-	-	3,532
Decrease in capital surplus resulting from disposal of long-term investments under equity method		-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term investments under equity method		-	107	-	-	-	-	-	107
Adjustments arising from change in percentage of ownership in equity method		-	(131)	-	-	(48,289)	-	-	(48,420)
Change in unrealized gain or loss on financial instruments		-	-	-	-	-	-	184,281	184,281
Translation adjustments		-	-	-	-	-	(1,422)	-	(1,422)
Net income for the year ended December 31, 2012		-	-	-	-	1,647,529	-	-	1,647,529
Balance on December 31, 2012	$	7,541,877	3,763,045	258,703	221,662	2,673,744	1,642	(35,656)	14,425,017

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT$58,100 and NT$17,400, respectively, were recognized and accrued in the 2010 earnings.

Note 2: 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 3: For stock options granted to employees, compensation cost was recognized for the year ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus－employee stock options into capital surplus－additional paid-in capital.

Note 4: As the exercise price of the employees stock options is greater than book value as of December 31, 2011, the difference was credited to capital surplus－additional paid-in capital of NT$1,157.

Note 5: As the exercise price of the employees stock options is less than book value as of December 31, 2012, the difference was debited to capital surplus－additional paid-in capital of NT$539.

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		2011	2012
Cash flows from operating activities:			
Net income	$	1,278,610	1,647,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		975,883	1,256,723
Amortization		57,613	50,206
Amortization of cost of long-term borrowings		3,947	4,112
Loss on valuation of inventories and obsolescence		37,115	64,519
Investment loss recognized under equity method		15,894	76,519
Compensation cost arising from employee stock options		153,511	63,460
Deferred income tax (benefit) expense		(300,103)	150,351
Unrealized exchange loss on long-term borrowings		26,563	-
Loss (gain) on disposal of property, plant and equipment		14,688	(210)
Insurance claim on damaged and donated property, plant and equipment		-	54,610
Gain on disposal of investments		(183)	(22,461)
Impairment loss		-	155,550
Change in operating assets:			
Financial assets at fair value through profit or loss		1,873	183,016
Notes and accounts receivable		(24,489)	(228,609)
Account receivable－related parties		1,888	(256,515)
Other receivables－related parties		514	-
Other financial assets－current		(39,942)	(79,602)
Inventories		(627,472)	(341,201)
Other current assets		(25,211)	(19,311)
Change in operating liabilities:			
Financial liabilities at fair value through profit or loss		-	417
Accounts payable		218,532	31,856
Accrued expenses		146,640	(64,853)
Other current liabilities		(11,713)	17,979
Accrued pension liabilities		1,779	16,661
Net cash provided by operating activities		1,905,937	2,760,746
Cash flows from investing activities:			
Increase in available-for-sale financial assets－current		-	(367,034)
Payment for purchase of investment in bonds with no active market－noncurrent		-	(190,000)
Payment for purchase of available-for-sale financial assets－noncurrent		-	(25,192)
Proceeds from disposal of long-term investments under equity method		-	259,220
Payment for purchase of long-term investments under equity method		(123,764)	(287,591)
Payment for purchase of financial assets carried at cost－noncurrent		-	(10,000)
Payment for purchase of property, plant and equipment		(3,335,520)	(3,317,284)
Proceeds from disposal of property, plant and equipment		2,607	298
(Increase) decrease in refundable deposit		(1,451)	214
Increase in restricted assets－noncurrent		(156)	(139)
Payment for purchase of intangible assets		(49,319)	(18,307)
Net cash used in investing activities		(3,507,603)	(3,955,815)
Cash flows from financing activities:			
Decrease in short-term borrowings		(365,365)	-
Increase in long-term borrowings		4,017,000	1,899,000
Redemption of long-term borrowings		(1,606,610)	(1,185,544)
Payment of cash dividends		(513,291)	(518,874)
Issuance of common stock		303,680	3,028,928
Exercise of employee stock options		194,612	55,408
Net cash provided by financing activities		2,030,026	3,278,918
Net increase in cash and cash equivalents		428,360	2,083,849
Cash and cash equivalents at the beginning of year		333,508	761,868
Cash and cash equivalents at the end of year	**$**	**761,868**	**2,845,717**

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Statements of Cash Flows (Continued)

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		2011	2012
Additional disclosure of cash flow information:			
Interest paid (excluding capitalized interest)	$	57,072	102,725
Income tax paid	$	151,375	193,358
Supplemental schedule of non-cash investing and financing activities:			
Other current assets reclassified to plant, property and equipment	$	174	363
Inventories reclassified to plant, property and equipment	$	65,912	69,312
Other current assets reclassified to intangible assets	$	4,268	570
Unrealized gain (loss) on financial instruments	$	(254,029)	189,070
Translation adjustments	$	1,021	(1,422)
Reclassification of current portion of long-term borrowings	$	1,007,672	1,650,185
Purchase of property, plant and equipment			
Increase in property, plant and equipment	$	3,452,515	3,203,549
Add: payable on equipment—beginning of year		93,625	210,620
Less: payable on equipment—end of year		(210,620)	(96,885)
Cash paid	$	3,335,520	3,317,284
Disposal of property, plant and equipment			
Disposal of property, plant and equipment	$	107	298
Add: other financial assets—current—beginning of year		2,500	-
Cash received	$	2,607	298
Purchase of intangible assets			
Acquisition of intangible assets	$	38,471	14,692
Add: accrued expenses—beginning of year		15,335	4,487
Less: accrued expenses—end of year		(4,487)	(872)
Cash paid	$	49,319	18,307
Issuance of common stock			
Issuance of common stock	$	303,680	3,017,939
Add: Transaction cost of issuance of common stock recognized as accrued expense—end of year		-	10,989
Cash received	$	303,680	3,028,928

See accompanying notes to financial statements.

WIN Semiconductors Corp.

Notes to Financial Statements

December 31, 2011 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 under the laws of the Republic of China (ROC).

The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

As of December 31, 2011 and 2012, the Company had 1,455 and 1,528 employees, respectively.

(2) Summary of Significant Accounting Policies

The accompanying financial statements are prepared and presented in accordance with the “Guidelines Governing the Preparation of Financial Reports by Securities Issuers” and accounting principles generally accepted in the ROC. The major accounting policies and the basis of measurement used in preparing these financial statements are as follows:

(a) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

(b) Foreign currency transactions and translation of foreign financial statements

The Company’s functional and reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates on that date. The resulting unrealized exchange gains (losses) from such translations are reflected in the accompanying statements of operations. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into NT dollars at the foreign exchange rates prevailing at the date the fair value was determined. If the assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange gains (losses) from such translation are reflected in the accompanying statements of operations.

(Continued)

For foreign investee companies in which equity investments are accounted for by the equity method, their foreign currency financial statements are translated into the Company's reporting currency. The financial statements of foreign operations are re-measured, if their reporting currency is not their functional currency. The re-measurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the reporting currency. Translation differences resulting from such translation are accounted for as cumulative translation adjustments, which are reported as a separate component of stockholders' equity.

(c) Classification of current and noncurrent assets and liabilities

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months from the balance sheet date are classified as current assets; all other assets are classified as noncurrent.

Liabilities that are expected to be settled within 12 months from the balance sheet date are classified as current liabilities; all other liabilities are classified as noncurrent.

(d) Asset impairment

The Company assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit excluding the goodwill) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognized for an asset, whose carrying value is higher than the recoverable amount.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of canying value over the recoverable amount thereof.

(e) Cash and cash equivalents

Cash includes cash on hand and cash in bank. Cash equivalents represent highly liquid debt instruments such as commercial paper and bank acceptances with original maturities of three months or less. Cash equivalents also include other highly liquid investments which do not have a significant level of market risk related to potential interest rate changes.

(f) Financial instruments

Financial instrument transactions are accounted for using transaction-date accounting. At initial recognition, financial instruments are evaluated at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of financial instrument.

(Continued)

Subsequent to initial recognition, financial instruments are classified according to the purpose of holding or issuing as follows:

1. Financial assets/liabilities at fair value through profit or loss: These financial instruments are intended mainly for selling or repurchasing in the short term. Except for the derivatives held for hedging purposes and are considered to be effective, all derivatives are classified into this account. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

2. Available-for-sale financial assets: These are measured at fair value, and changes therein, other than impairment losses and unrealized foreign exchange gains or losses, are recognized directly in equity. When these financial assets are disposed or derecognized, the related cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in the subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets carried at cost: This pertains to investments in equity securities which are stated at original cost as its fair value cannot be reasonably estimated. If there is evidence of impairment, impairment loss is recognized, and this impairment loss cannot be reversed.

4. Investment in bonds with no active market: Investment in bonds with no active market is a non-derivative financial asset with fixed or determinable payment that is not quoted in the active market. This type of financial instrument is accounted for using the transaction-date accounting.

   This investment is measured by effective interest rate method and carried at amortized cost.

   If there is any objective evidence that impairment exists, impairment loss is recognized in profit or loss. In the subsequent period, if the impairment loss decreases, and such decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss been unrecognized at the date the impairment is reversed.

5. Notes and accounts receivable

   The evidence of impairment for notes and accounts receivable is considered at both individual and collective level. All individually significant receivables are assessed for specific impairment. All individually significant notes and accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Notes and accounts receivable that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

   In assessing collective impairment, the Company use 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 less than suggested by historical trends.

(Continued)

When a decrease in the amount of impairment loss is clearly attributable to an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to the extent of the decrease through profit or loss.

(g) Other financial assets

Other financial assets at fair value through profit or loss are financial assets, excluding cash and cash equivalents, restricted assets, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets carried at cost, notes and accounts receivable, long-term investments under equity method, and investment in bonds with no active market. These financial assets are measured at fair value, and changes in fair value are recognized in profit or loss.

(h) Inventories

Inventories are stated at the lower of cost or market value. Cost is calculated by using the weightd-average method. The cost of inventories includes the necessary expenditure and charges for bringing the inventory to the salable and usable condition. Market value is determined based on net realizable value or replacement cost. Net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs or completion and the selling expenses at the end of the period.

Fixed production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Unallocated overhead due to low production or idle plant capacity is recognized as cost of goods sold in the period in which such overhead is incurred. Variable production overhead is allocated to each unit of production on the basis of the actual use of the production facilities.

(i) Long-term investments under equity method

Long-term investments in which the Company own 20% or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policy decisions are accounted for using the equity method.

Goodwill arising from these long-term investments is tested for impairment annually. If any indication of impairment exists, an impairment test is performed immediately. Impairment loss is recognized for the excess of carrying value over the recoverable amount.

If an investee company issues new shares of stock and the investors/original shareholders do not purchase or acquire new shares proportionately, then the equity ownership ratio, and therefore the equity of the investors in net assets of the investee company, will change. The effect of such change in the equity ownership ratio is charged to the long-term investments accounts against additional paid-in capital arising from long-term investments. If the balance of additional paid-in capital from long-term investments is insufficient, then the difference is debited to the retained earnings account.

If an investee company purchases its own outstanding shares, its stockholders' equity and outstanding shares will change. If the purchase price is equal to the carrying amount of net equity in the investee, then the equity of the investors in net assets of the investee company will not change. If the purchase price differs from the carrying amount of net equity of the investee, then the equity of the investors in net assets

(Continued)

of the investee company will change and such change is charged to capital surplus.

If the long-term investment under equity method is disposed, the difference between the selling price and the book value of long-term investments under equity method is recognized as disposal gain or loss in the statements of operations. If there is capital surplus or cumulative translation adjustment resulting from long-term equity investments, such capital surplus or cumulative translation adjustment is proportionately debited/credited against the disposal gain/loss based on the disposal ratio.

The Company recognizes the investment income/loss using the equity method and prepares quarterly, semi-annual, and annual consolidated financial statements that include all investees which the Company has the power to control.

(j) Property, plant and equipment and depreciation

Property, plant, and equipment are recorded at cost less accumulated depreciation. For construction of buildings and purchase of machinery and equipment, the related interest costs incurred before commencing to use such assets are capitalized as part of the costs of related assets. Major repairs and maintenance, additions, enhancements and replacements, and the costs of dismantling, removing the items, and restoring the site on which they are located, are capitalized in the cost of related assets. Routine repair and maintenance are charged to current operations.

The removal and recovery obligation costs for fixed assets during the non-production period are accrued in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation (ARDF). Also any component of a fixed asset that is deemed to be a significant part of the fixed asset, is depreciated individually. The residual useful lives, depreciation method, and residual value of property, plant and equipment are evaluated at each financial year-end and any change thereof is accounted for as a change in accounting estimate.

Property, plant, and equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of the respective classes of assets are as follows:

(1) Buildings: 25 years

(2) Machinery and equipment: 2 to 10 years

(3) Factory and equipment: 2 to 10 years

(4) Office equipment: 3 to 5 years

(5) Other equipment: 1 to 5 years

Gains or losses on the disposal of such assets are accounted for as non-operating income and gains or expenses and losses.

(k) Intangible assets

In accordance with the ROC SFAS No. 37 “Intangible Assets” an intangible asset (other than an intangible asset acquired by way of a government grant which is measured at its fair value) is measured initially at cost. Subsequent to the initial recognition, an intangible asset is measured at cost, plus, the revaluation in-

(Continued)

crement revalued in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The amortizable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date they are made available for use. The estimated useful lives of the intangible assets 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

(l) Pension plans

1. Defined benefit pension plan

The Company has established employees non-contributory defined benefit pension plan (the Plan) covering full-time employees in the ROC. In accordance with the Plan, employees are eligible for retirement or are pension to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the employee's years of service.

Since 2001, the Company contributes an amount to the pension fund monthly based on government-approved rate of 2 % of paid salaries and wages. This fund is deposited in the Bank of Taiwan.

For the defined benefit pension plan, the Company adopted the ROC SFAS No. 18 "Accounting for Pensions" for its pension plan, which requires actuarial calculation of its pension liability using the balance sheet date as the measurement date. The excess of accumulated benefit obligation over the fair value of pension plan assets is deemed as the minimum pension liability and is recognized as accrued pension liability. The transitional net benefit obligation is amortized by straight-line method over the remaining service years of employees averaging 18 years.

2. Defined contribution pension plan

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the New Act) require the following categories of employees to be covered by the New Act that prescribes a defined contribution pension plan:

(1) Employees who were covered by the Plan and opted to be subject to the pension mechanism under the New Act; and

(2) Employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, the Company contributes an amount monthly to an individual labor pension fund account at the rate of 6% of the worker's monthly wages. The amount of contributions is recognized as expense on accrual basis.

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(m) Employee stock options

The Company have granted stock options to their employees. If the equity instruments under these agreements are granted after January 1, 2010, the employee stock options are accounted for according to ROC SFAS No. 39 “Share-based Payments”. Employee stock options that were granted, recognized and measured using intrinsic value method before January 1, 2010, are accounted for in accordance with Interpretation No. (92) 070, 071, and 072 of the ARDF.

Under these Interpretations, compensation cost is recognized based on the difference between the market price of the stock and the exercise price of the employee stock options on the measurement date, using the intrinsic value method. This compensation cost is charged to expense over the employee vesting period with corresponding increases in the stockholders’ equity.

Intrinsic value means the difference between the fair value of the shares, which the employee has the right to subscribe or has the right to receive, and the price at which the employee is required to pay for those shares.

(n) Revenue recognition

Revenue from sale of goods is recognized upon delivery when the significant risks and rewards of ownership are transferred to customers.

(o) Government grants

The Company adopted the ROC SFAS No. 29 “Accounting for Government Grants and Disclosure of Government Assistance”, under which, government grants are not recognized in the financial statements until there is reasonable assurance that both of the following conditions are met:

(i) the Company is able to comply to the terms of government grants; and

(ii) the grants will be received.

Government grants in the form of subsidies are recognized as revenue in a reasonable and systematic way over the periods when the related costs are expected to be incurred. However, government grants that are not realized yet are accounted for as deferred revenue.

(p) Income tax

The Company adopted the ROC SFAS No. 22 “Income Taxes” for the computation of income taxes, using the asset and liability method. Accordingly, deferred income tax is accounted for the differences between accounting and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects of the taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects of the deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets. In addition, the realization of deferred income tax assets is evaluated and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. Deferred income tax assets and liabilities are classified as either current or noncurrent based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any

(Continued)

assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

Investment tax credit granted for purchases of equipment, research and development expenses and the Company's investment in the Emerging Industry is recognized using the flow through method.

In accordance with the ROC Income Tax Act, the Company may retain the earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(q) Employee bonuses and directors' and supervisors' remuneration

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. Any difference between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss.

(r) Earnings per common share (EPS)

Earnings per common share is calculated by dividing net income by the weighted-average number of outstanding common shares. The weighted-average number of outstanding common shares is adjusted retroactively for the stock dividends to stockholders distributed out of retained earnings or capital surplus.

Stock options and common stock issued for employees' bonus are potential common stock. Only basic earnings per share is disclosed if these potential common shares of stock are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating the diluted earnings per share, the net income and weighted-average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the year.

(s) Operating segment

An operating segment is a component of an entity 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 same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available. The operating segment is disclosed in the consolidated financial statements. The Company discloses its segment reporting in the consolidated financial statements.

(3) Reason for and Effect of Accounting Changes

(a) The Company adopted the third revisions of the ROC SFAS No. 34 "Accounting for Financial Instruments" effective January 1, 2011 for the recognition, measurement and impairment of originated loans and receivables. The initial of this amended accounting principle had no significant impact on the financial statements as of and for the year ended December 31, 2011.

(b) The Company likewise adopted the ROC SFAS No. 41 "Disclosure of the Operating Segment" effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable

(Continued)

users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the ROC SFAS No. 20 "Segment Reporting". The Company discloses its segment reporting in the consolidated financial statements.

(4) Significant Account Disclosure

(a) Cash and cash equivalents

The components of cash and cash equivalents as of December 31, 2011 and 2012 were as follows:

		2011	**2012**
Cash on hand	$	534	482
Cash in bank		761,334	2,845,235
	$	**761,868**	**2,845,717**

(b) Financial instruments

The components of financial instruments as of December 31, 2011 and 2012 were as follows:

1. Financial assets/liabilities at fair value through profit or loss—current:

		2011	**2012**
Publicly traded stock	$	957,190	855,645
Publicly traded convertible bonds		21,350	25,075
Money market funds and bond funds		621,452	620,452
	$	**1,599,992**	**1,501,172**

	2011		**2012**	
	Nominal amount	**Book value**	**Nominal amount**	**Book value**
Derivative financial liabilities				
Forward exchange contracts	-	$ -	USD 8,000	(417)

(1) For the years ended December 31, 2011 and 2012, the valuation of financial assets at fair value through profit or loss—current resulted in a loss of $621,718 and a loss of $161,920, respectively.

(2) For the years ended December 31, 2011 and 2012, the gain on disposal of financial assets at fair value through profit or loss—current amounted to $183 and $4,314, respectively.

(3) The Company entered into derivative contracts during the years ended December 31, 2011 and 2012 to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria of hedge accounting. For the years ended December 31, 2011 and 2012, the gain on disposal of derivation financial instruments amounted to $3,426 and $183, respectively, which were recorded as other income.

(Continued)

2. Available-for-sale financial assets—current:

		2011	2012
Shares of stock:			
ITEQ CORPORATION	$	-	275,677
MAG. LAYGRS Scientific-Technics Co., Ltd.		-	72,393
Solar Applied Materials Technology Corp.		-	14,160
Speed Tech Corp. (Note)		-	149,838
	$	**-**	**512,068**

Note: In 2012, the Company reclassified long-term investments under equity method to available-for-sale financial assets—current, as discussed further in note 4(f).

On June 15, 2012, the Stockholders meeting of Speed Tech Corp. approved to reduce the capital of Speed Tech Corp. by 41.44%, and set August 14, 2012 as the effective date for this capital reduction. Therefore, the Company's shareholdings in this investee company, decreased by 8,909 thousand shares of stock.

(1) Unrealized gain on available-for-sale financial assets—current of $82,682, for the year ended December 31, 2012, was recognized as an adjustment to stockholders' equity.

(2) For the year ended December 31, 2012, the gain on disposal of available-for-sale financial assets—current amounted to $3,941.

There were no such transactions for the year ended December 31, 2011.

3. Available-for-sale financial assets—noncurrent:

		2011	2012
Tainergy Tech Co., Ltd. (Note 1)	$	60,775	70,589
Huga Optotech Inc. (Note 1 and Note 2)		99,246	-
	$	**160,021**	**70,589**

Note 1: In 2011, the Company reclassified financial assets carried at cost—noncurrent to available-for-sale financial asset—noncurrent, as discussed further in note 4(b).

Note 2: In 2012, following the share swap between EPISTAR Corp. and Huga Optotech Inc., the Company approved to swap all of the Company's equity shareholdings in Huga Optotech Inc. with the common shares of stock of EPISTAR Corp. based on the swap ratio of 4.85 shares to 1 share. On December 28, 2012, the Company had obtained legal ownership of 1,516 thousand common shares of stock of EPISTAR Corp. and recorded them as financial assets at fair value through profit or loss. This transaction resulted in a loss of $136,341, which was recognized as deduction of gain on disposal of investment.

(Continued)

The valuation of available-for-sale financial assets — noncurrent resulted in unrealized loss of $256,202 and unrealized gain of $101,599 in 2011 and 2012, respectively, which were-recognized as an adjustment to stockholders' equity.

4. Financial assets carried at cost — noncurrent:

Investee		**2011**	**2012**
Shares of stock:			
IntelliEPI Inc. (Cayman)	$	5,306	5,306
Shin Sheng III Venture Capital Investment Corporation		150,000	150,000
Inventec Solar Energy Corporation		330,000	186,151
MagiCap Venture Capital Co., Ltd.		-	10,000
		485,306	351,457
Conversion option:			
Bright Led Electronics Corp.		15,217	15,217
Total	$	500,523	366,674

As of December 31, 2012, the above-mentioned financial assets do not have publicly trading prices, and their fair value was difficult to determine. Therefore, these financial assets were stated at cost.

(1) For the years ended December 31, 2011 and 2012, the details of impairment loss incurred from valuation of financial assets carried at cost — noncurrent were as follows:

		2011	**2012**
Inventec Solar Energy Corporation	$	-	143,849

(2) The details of additions (deductions) for the years ended December 31, 2011 and 2012 to financial assets carried at cost — noncurrent were as follows:

	2011				**2012**		
	Shares (in thousands)		**Amount**	**Remark**	**Shares (in thousands)**		**Amount**
MagiCap Venture Capital Co., Ltd.	-	$	-		1,000	$	10,000
Inventec Energy Corporation	(8,505)		(86,904)	(Note 1)	-		-
Huga Optotech Inc.	(7,351)		(216,223)	(Note 2)	-		-
Tainergy Tech Co., Ltd.	(5,000)		(200,000)	(Note 2)	-		-
		$	(503,127)			$	10,000

Note 1: For the year ended December 31, 2011, the percentage of the Company's shareholdings in Inventec Energy Corporation increased to 20.58% due to its additional equity investment of $123,764. Therefore, the Company's equity investment in this investee company of $86,904 had been reclassified from financial assets carried at cost — noncurrent to long-term investments under equity method as of December 31, 2011.

Note 2: The shares of stock of Huga Optotech Inc. and Tainergy Tech Co., Ltd. have been officially listed in the public market on September 8, 2011 and August 16, 2011, respectively. Therefore, the Company reclassified its investments in the equity shares of

(Continued)

these investees of $416,223 from financial assets carried at cost—noncurrent to available-for-sale financial assets—noncurrent.

5. Investment in bonds with no active market—noncurrent:

Convertible bond:	Issue period	Nominal rate (%)	2011	2012
Bright Led Electronics Corp.	2010.4.9~ 2013.4.8	0%	$ 344,783	344,783
Preferred stock B:				
MagiCap Venture Capital Co., Ltd.	2012.11.23~2 019.11.22	-	-	190,000
			$ 344,783	534,783

In 2010, the Company purchased the convertible bonds of Bright Led Electronics Corp. at par value of $360,000 through private placement. Because of the stock conversion option embedded in this debt securities investment, the liability component (pertaining to the investment in bonds) was accounted for separately at its present value from the equity component (pertaining to the stock conversion option) thereof. The equity component (stock conversion option) was measured based on the difference between the purchase price of the bonds and the present value of the bonds. Under the terms of these bonds, the Company has the option to convert the bonds into common stock during the period from three months of the issue date to ten days before the maturity date; the stock conversion option was recorded as financial assets carried at cost—noncurrent.

In 2012, the Company purchased the preferred stock B of MagiCap Venture Capital Co., Ltd. for $190,000. Under the terms of preferred stock B, MagiCap Venture Capital Co., Ltd. has the option to redeem at any time these preferred stock B at $10.5263 dollars per share; the investment in these preferred stock B was recorded as investment in bonds with no active market—noncurrent.

(c) Notes and accounts receivable

	2011	2012
Notes receivable	$ 32	25
Accounts receivable	246,687	477,130
	246,719	477,155
Less: allowance for doubtful accounts and sales discounts	(8,832)	(10,659)
	$ 237,887	466,496

As of December 31, 2011 and 2012, the notes and accounts receivable were not pledged.

(d) Other financial assets—current

The components of other financial assets—current as of December 31, 2011 and 2012 were as follows:

(Continued)

	2011	2012
Other receivable from metal recycling	$ 121,099	196,398
Other	8,745	13,048
	$ 129,844	**209,446**

(e) Inventories

1. The components of inventories as of December 31, 2011 and 2012 were as follows:

	2011	2012
Raw materials	$ 1,031,051	1,092,348
Supplies	136,736	118,651
Work in process	563,134	506,751
Finished goods	162,914	383,455
	$ 1,893,835	**2,101,205**

2. For the years ended December 31, 2011 and 2012, the movement of allowance for obsolete inventories were as follows:

	2011	2012
Beginning balance	$ 71,245	71,410
Addition	37,115	64,519
Write-off	(36,950)	(38,498)
Ending balance	**$ 71,410**	**97,431**

3. For the years ended December 31, 2011 and 2012, the Company recognized related gain or loss on inventories as follows:

	2011	2012
Loss on valuation of inventories and obsolescence	$ 37,115	64,519
Income from sale of scraps	(17,265)	(27,017)
	$ 19,850	**37,502**

(f) Long-term investments under equity method

The components of long-term investments under equity method as of December 31, 2011 and 2012 were as follow:

		2011	
Investee	**Shareholding percentage (%)**	**Carrying value**	**Investment income (loss)**
WIN SEMI. USA, INC. (WIN USA)	100.00	$ 9,190	(3,151)

(Continued)

Investee	Shareholding percentage (%)	2011 Carrying value	2011 Investment income (loss)
Win Semiconductors Cayman Islands Co., Ltd. (Win Cayman)	100.00	321,395	76,951
Speed Tech Corp.	26.33	203,742	(24,647)
Inventec Energy Corporation	20.58	146,388	(65,047)
		$ 680,715	(15,894)

Investee	Shareholding percentage (%)	2012 Carrying value	2012 Investment loss
WIN SEMI. USA, INC. (WIN USA)	100.00	$ 8,969	(3,402)
Win Semiconductors Cayman Islands Co., Ltd. (Win Cayman)	100.00	308,685	(10,005)
Speed Tech Corp.	-	-	(14,751)
Inventec Energy Corporation	44.36	324,861	(48,361)
		$ 642,515	(76,519)

1. The details of additions (deductions) for the years ended December 31, 2011 and 2012 to long-term investments under equity method were as follows:

Investee	2011 Shareholding (in thousands)	2011 Amount	2011 Remark	2012 Shareholding (in thousands)	2012 Amount	2012 Remark
Inventec Energy Corporation	19,757	$ 210,668	(Note 3)	22,832	287,591	(Note 1)
Speed Tech Corp.	-	-		(61,500)	(188,991)	(Note 2)
		$ 210,668			98,600	

Note 1: During the meeting on June 21, 2012, the stockholders of Investec Energy Corporation approved a resolution to reduce capital by 30%. Therefore, the Company's shareholdings in this investee company decreased by 5,927 thousand shares of stock. On July 23, 2012, the Board of Directors of Investec Energy Corporation further approved a resolution to reduce capital, and set July 16, 2012 as the effective date for this capital reduction.

On July 23, 2012, the Board of Directors of Investec Energy Corporation also, approved to increase the capital stock of Investec Energy Corporation in cash, and set November 26, 2012 as the effective date for the capital increase. Therefore, the Company increased its equity investment in this investee by $287,591, divided into 28,759 thousand shares of stock. This additional equity investment increased the percentage of the Company's shareholding in Investec Energy Corporation to 44.36%.

Note 2: For the year ended December 31, 2012, the Company sold for $259,220 its ownership of the shares of stock of Speed Tech Corp., with carrying value of $122,921. The related capital surplus and other equity adjustment arising from this equity investment of $14,248 were proportionately credited based on the disposal ratio. The net gain on disposal of such investment amounted to $150,547 for the year ended December 31, 2012.

(Continued)

As the Company sold its ownership of some shares of stock of Speed Tech Corp., its shareholding percentage in this investee decreased from 26.33% to 9.20%. Such sale resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Because the restriction period of the private placement of the stock of Speed Tech Corp., is ended, the Company's equity investment in this investee company had been reclassified from long-term investments under equity method to available-for-sale financial assets—current, as discussed further in note 4(b).

Note 3: For the year ended December 31, 2012, the Company reclassified the financial assets carried at cost—noncurrent to long-term investments under equity method, as discussed further in note 4(b).

2. For the years ended December 31, 2011 and 2012, the details of impairment loss incurred from valuation of long-term investments under equity method were as follows:

	2011	2012
Inventec Energy Corporation	$ -	11,701

The financial instrument of long-term investments under equity method resulted in unrealized gain of $2,173 and $4,789 in 2011 and 2012, respectively, which were recognized as an adjustment to stockholder's equity.

(g) Property, plant and equipment

1. In 2012, the Company had entered into an agreement to purchase land and buildings from TAROKO TEXTILE CORPORATION for $1,080,000. he registration process for the transfer to the Company of the ownership of these land and buildings was completed as of July 17, 2012. Another, the Company had entered into an agreement to purchase land and buildings from BEST FRIEND TECHNOLOGY CO., LTD. for $1,250,000. As of December 31, 2012, the registration process for the transfer to the Company of the ownership of these land and buildings was not yet completed.

2. As of December 31, 2011 and 2012, the details of accumulated depreciation were as follows:

	2011	2012
Buildings	$ 162,011	189,774
Machinery and equipment	2,096,658	2,993,277
Factory and equipment	834,662	1,046,039
Office equipment	58,125	92,050
Other equipment	80,713	165,748
	$ 3,232,169	4,486,888

For the years ended December 31, 2011 and 2012, capitalized interest expenses amounted to $48,311 and $20,106, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.38%~1.79% and 1.67%~1.79%, respectively.

(Continued)

(h) Intangible assets

The movements in intangible assets for the years ended December 31, 2011 and 2012 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Original cost:					
Balance as of January 1, 2011	$	46,005	146,004	2,911	194,920
Additions		-	34,803	3,668	38,471
Disposal		-	(35,212)	(1,591)	(36,803)
Other (Note)		-	4,268	-	4,268
Balance as of December 31, 2011		46,005	149,863	4,988	200,856
Additions		-	14,242	450	14,692
Disposal		-	(42,061)	(3,518)	(45,579)
Other (Note)		-	570	-	570
Balance as of December 31, 2012	$	**46,005**	**122,614**	**1,920**	**170,539**

		Technical know-how	Computer software and information systems	Others	Total
Accumulated amortization:					
Balance as of January 1, 2011		639	61,046	709	62,394
Amortization		3,834	49,844	3,935	57,613
Disposal		-	(35,212)	(1,591)	(36,803)
Balance as of December 31, 2011		4,473	75,678	3,053	83,204
Amortization		3,834	44,595	1,777	50,206
Disposal		-	(42,061)	(3,518)	(45,579)
Balance as of December 31, 2012	$	**8,307**	**78,212**	**1,312**	**87,831**

		Technical know-how	Computer software and information systems	Others	Total
Carrying value:					
Balance on December 31, 2011	$	**41,532**	**74,185**	**1,935**	**117,652**
Balance on December 31, 2012	$	**37,698**	**44,402**	**608**	**82,708**

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

(i) Short-term borrowings

As of December 31, 2011 and 2012, the unused bank credit line for short-term borrowings amounted to $3,746,195 and $3,828,626, respectively. As of December 31, 2011 and 2012, the unused bank credit line for short-term borrowings and long-term borrowings amounted to $0 and $100,000, respectively.

(j) Long-term borrowings

As of December 31, 2011 and 2012, the details of long-term borrowings were as follows:

(Continued)

Nature		2011 Amount	2011 Annual interest rate (%)	2012 Amount	2012 Annual interest rate (%)
Syndicated loan agreement:					
China Development Industrial Bank and other twelve banks (Note 1)	$	1,503,127	1.74~1.80	744,006	1.79~1.84
Mega International Commercial Bank and other sixteen banks (Note 2)		3,626,000	1.60~1.70	4,800,000	1.62~1.73
Less: Unamortized issuing cost		(16,588)		(12,476)	
Subtotal		5,112,539		5,531,530	
Secured loans		723,755	1.69~2.14	297,332	1.69~2.14
Unsecured loans		655,000	1.59~1.78	1,380,000	1.62~1.78
Total		6,491,294		7,208,862	
Less: current portion		(1,007,672)		(1,650,185)	
	$	5,483,622		5,558,677	

As of December 31, 2011 and 2012, the unused credit lines for long-term borrowings amounted to $1,399,000 and $1,914,000, respectively. As of December 31, 2011 and 2012, the unused bank credit lines for long-term and short-term borrowing were disclosed further in note 4(i). The collateral for these long-term borrowings is disclosed in note 6.

Note 1: 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 NT$2,810,000 and is to be due in March 2015.

The significant terms of this syndicated loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is $900,000, and it is not a revolving loan. This is intended to repay an existing loan (including the amount used to finance the purchase of land and buildings) and for operation working capital.

(b) Tranche B: medium-term secured loans. The credit facility is $1,491,105, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

(c) Tranche C: medium-term secured loans. The credit facility is $418,895, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

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

(a) At the end of the semi-annual and annual reporting period, the current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 100%, interest coverage ratio shall not be lower than 200%, and net equity shall not be lower than $3,500,000.

(b) The collections of accounts receivable of the Company and its subsidiaries from 11 key customers and any other customers must be deposited into the foreign currency account with the managing bank. The deposit of such collections must exceed $100,000 every quarter starting from the first 3 months after the initial drawdown of the credit facility on Tranche A. If this covenant is breached, the Company should provide another set of accounts receivables from other customers to be identified by the managing bank, otherwise, the credit terms will be cancelled.

(c) The Company's production of GaAs wafers must reach 4,000 pieces per month and its quarterly rev-

(Continued)

enue must exceed $500,000 before the Tranche A credit facility or the funding period of the loan is fully consummated, whichever comes first.

On December 29, 2011, the Company signed the initial supplementary contract of a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The significant terms and conditions of this supplementary contract are as follows:

(a) At the end of the semi-annual and annual reporting period, the 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 assets shall not be lower than $6,000,000 starting from the effective date of the supplementary contract.

(b) Except for the amended financial covenant as described above, the other financial covenants and restrictions of the original seven-year syndicated loan agreement will remain to be effective.

As of December 31, 2011 and 2012, the Company was in compliance with the above financial covenants and restrictions.

Note 2: In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 and is due in February 2018.

The significant terms of this loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is $3,000,000 and it is not a revolving loan. This is intended to repay an existing loan and for the purchases of machinery and equipment.

(b) Tranche B: medium-term secured loans. The credit facility is $1,800,000, and it is a revolving loan. This is intended for operation working capital.

The related financial covenants and restrictions for the syndicated loan mentioned above were as follows: At the end 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, 2011 and 2012, the Company was in compliance with the above covenants and restrictions.

(k) Pension plans

Net retirement plan liabilities based on the actuarial calculation as of December 31, 2011 and 2012, were as follows:

		2011	2012
Benefit obligation:			
Vested benefit obligation	$	-	(14,560)
Nonvested benefit obligation		(26,456)	(37,490)
Accumulated benefit obligation		(26,456)	(52,050)

(Continued)

Projected effects of salary adjustments	(27,794)	(31,843)
Projected benefit obligation	(54,250)	(83,893)
Plan assets at fair value	32,673	33,654
Funding status	(21,577)	(50,239)
Unrecognized prior service cost	-	3,698
Unrecognized net transaction obligation	105	88
Unrecognized pension losses	17,226	25,546
Accrued pension liabilities	**$ (4,246)**	**(20,907)**

For the years ended December 31, 2011 and 2012, the vested benefit obligation amounted to $0 and $14,560, respectively.

The components of net periodic pension cost for 2011 and 2012 were as follows:

	2011	**2012**
Service cost	$ 1,710	1,744
Interest cost	841	1,085
Actual return on plan assets	(384)	(318)
Amortization	277	14,813
Net pension cost	**$ 2,444**	**17,324**

Actuarial assumptions at December 31, 2011 and 2012 were as follows:

	2011	**2012**
Discount rate	2.00%	1.75%
Rate of increase compensation	4.00%	4.00%
Expected long-term rate of return on plan assets	2.00%	1.75%

For the years ended December 31, 2011 and 2012, the details of the pension cost were as follows:

	2011	**2012**
Defined benefit pension plan cost	$ 2,444	17,324
Defined contribution pension plan cost	35,895	40,335

(I) Income tax

1. The Company is subject to ROC income tax at a maximum rate of 17% for the years ended December 31, 2011 and 2012. Also, the Company calculated the amounts of the basic tax in accordance with the "Income Basic Tax Act".

2. The components of income tax expense (benefit) for the years ended December 31, 2011 and 2012 were as follows:

(Continued)

	2011	2012
Current income tax expense	$ 191,200	130,436
Deferred income tax expense (benefit)	(300,103)	150,351
Income tax expense (benefit)	**$ (108,903)**	**280,787**

3. The deferred income tax expense (benefit) for the years ended December 31, 2011 and 2012 were as follows:

	2011	2012
Investment tax credits	$ 142,036	116,724
Loss carry-forwards	705	162,475
Pension expenses adjustmed for tax purpose	(300)	(2,832)
Depreciation expenses adjusted for tax purposes	(10,513)	(8,564)
Provision of allowance for inventory obsolescence	(448)	(4,447)
Unrealized valuation loss or gain on financial assets	(105,692)	(27,527)
Unrealized exchange loss or gain	(10,418)	1,644
Unrealized commission expense	(1,097)	(545)
Unrealized cost of goods sold	(2,905)	(2,127)
Unrealized sales discount and allowance	(928)	(311)
Unrealized investment loss or gain recognized under equity method	12,546	(2,280)
Valuation allowance for deferred income tax assets	(323,089)	(81,859)
Deferred income tax expense (benefit)	**$ (300,103)**	**150,351**

4. The income tax calculated on pre-tax financial income at statutory rate was reconciled with income tax expense as reported in the accompanying statements of operations for the years ended December 31, 2011 and 2012, as follows:

	2011	2012
Income tax calculated on pre-tax financial income at statutory income tax rate	$ 198,850	327,814
Investment tax credits	(35,601)	14,388
Research and development tax credits according to “Industrial Innovation Act”	(22,527)	(29,589)
Loss (gain) on disposal of investment	(31)	14,774
Dividend income	(13,343)	(2,706)
Meal expense disallowed for tax reporting purposes	1,421	1,734
Disposal of long-term investments under equity method adjusted for tax purposes	-	(18,592)
Impairment loss on financial assets	-	3,200
Investment loss recognized under equity method (domestic)	15,248	10,729
10% surtax on unappropriated earnings	66,429	41,021
Others	3,740	(127)
Valuation allowance for deferred income tax assets	(323,089)	(81,859)
Income tax expense (benefit)	**$ (108,903)**	**280,787**

(Continued)

5. The components of the deferred income tax assets (liabilities) as of December 31, 2011 and 2012 were as follows:

	2011	2012
Deferred income tax assets (liabilities) — current		
Allowance for obsolete inventories	$ 12,560	17,007
Unrealized commission expense	3,583	4,128
Unrealized cost of goods sold	2,905	5,032
Unrealized sales discount and allowances	1,210	1,521
Unused investment tax credits	115,704	182,880
Unused loss carry-forwards	162,475	-
Unrealized exchange loss (gain)	1,022	(622)
Unrealized valuation loss on financial assets	61,022	88,549
Deferred income tax assets, net — current	**$ 360,481**	**298,495**
Deferred income tax assets (liabilities) — noncurrent		
Unused investment tax credits	$ 183,900	-
Unrealized pension expense for tax purpose	719	3,551
Unrealized investment income recognized under equity method	(7,732)	(5,452)
Difference in depreciation expense between financial and tax purposes	(4,669)	3,895
Others	(628)	-
Less: Valuation allowance for deferred income tax assets	(81,859)	-
Deferred income tax assets, net — noncurrent	**$ 89,731**	**1,994**

6. According to the ROC Income Tax Act, operating loss can be carried forward for 10 consecutive years to reduce future taxable income. As of December 31, 2012, the Company had no unused loss carry-forwards.

7. The Company was granted investment tax credits for investment in research and development expenditures according to "Industrial Innovation Act". The investment tax credits can be used to reduce the income liability in the current year at an amount not exceeding 30% of the income tax liability. Also, the Company was granted investment tax credits for investment in certain high-tech industries for purchases of automatic machinery and equipment, for expenditures in research and development and employee training, and the Company's investment in Emerging Industry. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years at an amount not exceeding 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year. As of December 31, 2012, unused investment tax credits available to the Company were as follows:

(Continued)

Year granted		Unused investment tax credits	Expiry year
2009 (assessed)	$	86,074	2013
2010 (assessed)		57,915	2014
2011 (filed)		38,891	2015
	$	**182,880**	

8. Imputation credit account (ICA) and creditable ratio

	December 31		
		2011	2012
Unappropriated earnings after 1997	$	1,942,901	2,673,744
ICA	$	90,149	158,741

	2011	2012
Creditable ratio for earnings distributed to domestic shareholders	14.45% (actual)	10.71% (estimated)

9. As of December 31, 2012, the Company's income tax returns have been assessed by the local tax authorities through 2010, with no additional tax liabilities.

(m) Stockholders' equity

1. Common stock

As of December 31, 2011 and 2012, the Company's authorized share capital consisted of 1,000,000 thousand shares of common stock, with $10 dollars par value per share, of which 648,593 thousand shares and 754,188 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 for employee stock options.

In 2011 and 2012, the Company had issued 19,345 thousand shares and 5,595 thousand shares resulting from the exercise of employee stock options. The aforementioned stock issuance was authorized by and registered with the government authorities.

On October 27, 2011, the Company's Board of Directors approved to increase the common shares of stock in cash of $116,800 by issuing 11,680 thousand shares with $10 dollars par value per share. The aforementioned capital increase in cash was approved by and registered with the government authorities on December 9, 2011.

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

2. Capital surplus, legal reserve, and restrictions on appropriations of earnings

(Continued)

(1) Capital surplus:

According to the amended Company Act which was announced in January 2012, capital surplus should not be used except for covering the accumulated deficit or loss of the Company. The capital surplus includes the premium from issuance of shares over their par value and the income from endowments received. In addition, if the capital surplus is capitalized, the combined amount of any portions capitalized in any one year may not exceed 10% of the paid-in capital in accordance with the "Criteria Governing the Offering and Issuance of Securities by Securities Issuers".

(2) Legal reserve:

According to the amended Company Act which was announced in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of the paid-in capital. If it has no accumulated deficit, the Company may, in pursuant to a resolution approved by its stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

(3) 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 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.

On June 10, 2011 and June 5, 2012, respectively, the Company's stockholders approved a resolution to appropriate its earnings for 2010 and 2011 as follows:

		2010	**2011**
Cash dividends	$	513,291	518,874
Bonuses to employees		58,100	92,900
Remuneration to directors and supervisors		17,400	27,800

The above-mentioned appropriations of earning for 2010 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.

(Continued)

As of December 31, 2011 and 2012, the Company accrued and recognized employees' bonus amounting to $92,900 and $167,000, respectively, and directors' and supervisors' remuneration amounting to $27,800 and $50,100 respectively. The difference between the actual appropriation of 2011 and 2012 earnings for employees' bonus and directors' emoluments as approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized in profit or loss of the following year when the shareholders approved the appropriations of those earnings. In addition, the number of shares distributed to employees as 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.

3. Employee stock options:

The Company's Board of Directors approved a resolution to issue employee stock options, with the right for each unit of the options to purchase one share of the Company's common stock. 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)
2006:							
- 1st package	2006.11.30	-	2006.12.25	5 years	10,000,000	730,000	10.0
- 2nd package	2006.11.30	-	2007.07.20	〃		9,270,000	10.0
2007	2007.06.15	-	2007.07.16	〃	10,000,000	10,000,000	10.0
2008	2008.10.28	-	2009.08.20	7 years	10,000,000	10,000,000	10.0
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	9.9
2010	2010.07.05	2010.09.28	2011.01.26	〃	10,000,000	10,000,000	25.0

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

	Issued in 2006	Issued in 2007	Issued in 2008	Issued in 2009	Issued in 2010
Grant date	-	-	50%	-	-
Over one year	40%	25%	100%	-	-
Over two years	100%	50%	100%	60%	60%
Over three years	100%	75%	100%	100%	100%
Over four years	100%	100%	100%	100%	100%
Over five years	100%	100%	100%	100%	100%
Over six years	-	-	100%	-	-
Over seven years	-	-	100%	-	-

(Continued)

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
Price of each share (dollars)	$ 27.10	27.10
Expected life	2 years	3 years
Market value of per share (dollars)	$ 27.02	27.02
Expected volatility	31.25%	31.25%
Risk free interest rate	0.73%	0.86%

For the years ended December 31, 2011 and 2012, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2011		2012	
	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
Outstanding at the beginning	27,824	$ 10.50	17,891	$ 18.41
Granted	10,000	25.50	-	-
Exercised	(19,345)	10.06	(5,595)	9.90
Expired	(588)	-	(911)	-
Outstanding at the end	17,891	18.41	11,385	21.76

For the years ended December 31, 2011 and 2012, the compensation cost for employee stock options amounted to $153,511 and $63,460, respectively, which had been recorded under cost of goods sold and operating expenses in accordance with SFAS No. 39.

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

	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

The Company's employee stock options issued in 2006 through 2007 were recorded as compensation cost using the intrinsic value method. Under SFAS No. 39 the pro-forma net income and EPS for the year ended December 31, 2011 were as follows:

(Continued)

			2011
Net Income	Net income in statements of operations	$	1,278,610
	Compensation cost		(105)
	Pro-forma net income	$	1,278,505
Basic EPS (dollars)	EPS in statements of operations (after income tax)		2.04
	Pro-forma EPS		2.04
Diluted EPS (dollars)	EPS in statements of operations (after income tax)		1.99
	Pro-forma EPS		1.99

As of December 31, 2012, all of the Company's employee stock options issued in 2006 through 2007 had matured, so that no pro-forma information was disclosed.

(n) Earnings per share

For the years ended December 31, 2011 and 2012, the Company's earnings per share were calculated as follows:

(Shares expressed in thousands)

	2011 before income tax	2012 before income tax
Basic earnings per share		
Net income	$ 1,169,707	1,928,316
Weighted-average number of shares outstanding during the year	625,342	672,994
Basic earnings per share (dollars)	$ 1.87	2.87
Diluted earnings per share		
Net income	$ 1,169,707	1,928,316
Weighted-average number of shares outstanding during the year	625,342	672,994
Employees' bonuses	4,932	6,064
Employee stock options	11,247	5,831
Weighted-average number of shares outstanding during the year - diluted	641,521	684,889
Diluted earnings per share (dollars)	$ 1.82	2.82

	2011 after income tax	2012 after income tax
Basic earnings per share		
Net income	$ 1,278,610	1,647,529
Weighted-average number of shares outstanding during the period	625,342	672,994
Basic earnings per share (dollars)	$ 2.04	2.45
Diluted earnings per share		
Net income	$ 1,278,610	1,647,529

(Continued)

	2011 after income tax	2012 after income tax
Weighted-average number of shares outstanding during the year	625,342	672,994
Employees' bonuses	4,932	6,064
Employee stock options	11,247	5,831
Weighted-average number of shares outstanding during the year - diluted	641,521	684,889
Diluted earnings per share (dollars)	$ 1.99	2.41

(o) Disclosure of financial instruments

1. Fair value of financial instruments

(1) The fair values of financial assets and liabilities evaluated by the Company using public quote or a valuation method were as follows:

	2011			2012		
		Fair value			Fair value	
	Carrying value	Public quote value	Assessment value	Carrying value	Public quote value	Assessment value
Nonderivative financial instruments:						
Financial assets:						
Cash and cash equivalents	$ 761,868	-	761,868	2,845,717	-	2,845,717
Financial assets at fair value through profit or loss—funds	621,452	621,452	-	620,452	620,452	-
Financial assets at fair value through profit or loss—stocks	957,190	957,190	-	855,645	855,645	-
Financial assets at fair value through profit or loss—convertible bonds	21,350	21,350	-	25,075	25,075	-
Available-for-sale financial assets—current	-	-	-	512,068	512,068	-
Available-for-sale financial assets—noncurrent	160,021	160,021	-	70,589	70,589	-
Financial assets carried at cost—noncurrent	485,306	-	-	351,457	-	-
Investment in bonds with no active market—noncurrent	344,783	-	-	534,783	-	-
Notes and accounts receivable (including related parties)	517,990	-	517,990	1,003,114	-	1,003,114
Other financial assets—current	129,844	-	129,844	209,446	-	209,446
Restricted assets—noncurrent	23,284	-	23,284	23,423	-	23,423
Stock conversion option	15,217	-	-	15,217	-	-
Financial liabilities:						
Accounts payable	1,090,011	-	1,090,011	1,121,867	-	1,121,867
Accrued expense, payable on equipment and other current liabilities	962,211	-	962,211	808,976	-	808,976
Long-term borrowings (including current portion)	6,491,294	-	6,491,294	7,208,862	-	7,208,862
Off-balance-sheet financial instruments:						
Letters of credit	-	-	171,392	-	-	129,048
Derivative financial instruments:						
Financial liabilities:						
Forward exchange contracts	-	-	-	417	-	417

2. Methods and assumptions to measure the fair value of financial instruments

(1) As the maturity dates of short-term financial instruments, including cash and cash equivalents, notes and accounts receivable, other financial assets—current, restricted assets, accounts payable, accrued expenses, payable on equipment and other current liabilities are within one year of the balance sheet date, their book value is considered to be a reasonable basis for assessing their fair value.

(Continued)

(2) If publicly quoted market prices of financial assets and liabilities are available, then quoted price is adopted as the fair value. If market prices are not available, a valuation technique is adopted to determine the fair value. When adopting a valuation technique, the estimates and assumptions used are consistent with those used by financial market participants in setting prices for financial instruments.

(3) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

(4) Long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Company's credit spread, their fair value was estimated to be close to their carrying value.

(5) The fair value of investment in bonds with no active market is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques are identical to those adopted by other market participants.

(6) The fair value of letters of credit is based on the amount of the contract.

(7) The fair values of derivative financial instruments are assessed by valuation techniques. When adopting a valuation technique, the estimates and assumptions are close to those used by financial participants when setting prices for the financial instruments.

3. Disclosure of financial risks

(1) Market risk

The open-end mutual funds and securities held by the Company were measured at fair value and were recorded as financial assets at fair value through profit or loss and available-for-sale financial assets, respectively. Therefore, the Company bear the risk of changes in market price.

The Company are exposed to foreign currency risk on accounts receivables which are denominated in a currency other than New Taiwan dollars. However, this foreign currency risk will most likely be offset by the same risk related to those accounts payables which are denominated in a foreign currency. Therefore, the Company believe those exposures to foreign currency risk are low.

(2) Credit risk

The Company are exposed to potential credit risk through cash and cash equivalents, forwards, securities, and accounts receivable. Cash is deposited in different financial institutions. The Company own securities by purchasing publicly traded stocks. Derivative counterparties are limited to high-credit-quality financial institutions. However, the credit risk involving cash, derivatives and securities is not expected to be significant.

As of December 31, 2011 and 2012, the Company's notes and accounts receivables were concentrated on 4 and 3 customers, whose accounts represented 84% and 80% of total accounts receivables, respectively. In order to reduce the credit risk on these accounts receivable, the

(Continued)

Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible loss on accounts 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 Company's capital and operating funds are sufficient to fulfill all obligations. Therefore, the Company's management believes that they do not have any significant exposure to liquidity risk.

(4) Cash-flow risk related to the fluctuation of interest rates

The Company's short-term borrowings and long-term borrowings bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. If the market interest rate increases by 1%, the Company's future yearly cash outflow would increase by approximately $72,089.

(5) Transactions with Related Parties

(a) Name and relationship of related parties

Name	Relationship
Win Semiconductors Cayman Islands Co., Ltd. (Win Cayman)	100%-owned subsidiary of the Company
HIWIN Technologies Corp.	The vice-president is the Company's president
WinMEMS Technologies Co., Ltd.	The president is the Company's president
Directors, supervisors , general managers and vice general managers	Key management of the Company

(b) Significant transactions with related parties

1. Sales

	2011		2012	
	Amount	% of the net revenue	Amount	% of the net revenue
Win Cayman	$ 5,132,866	59	5,594,381	51

As of December 31, 2011 and 2012, the balance of accounts receivable resulting from the sales amounted to $280,103 and $536,618, respectively. The price for sales from related parties are not materially different from those of third-party customers.

2. Probe cleaning service and rent revenue

For the year ended December 31, 2011, the Company had provided probe cleaning service and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, which were billed monthly and were recorded as other income, amounted to $1,140 and $4,444, respectively. As of December 31, 2011, the receivables arising from these transactions were fully collected.

(Continued)

For the year ended December 31, 2012, the Company had provided probe cleaning service and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, which were billed monthly and were recorded as other income, amounted to $1,140 and $3,846, respectively. As of December 31, 2012, the receivables arising from these transactions were fully collected.

3. Property transaction

For the years ended December 31, 2011 and 2012, the Company purchased machinery from HIWIN Technologies Corp. worth $4,945 and $0, respectively. As of December 31, 2011 and 2012, the accounts payable arising from this transaction amounted to $580 and $0, respectively.

(c) Key management compensation

For the years ended December 31, 2011 and 2012, the remuneration of the Company's directors, supervisors, CEO and vice presidents were as follows:

		2011	2012
Salary	$	92,560	94,256
Bonus and special allowances		23,415	53,638
Other bonus		23,071	41,185

Please see note 4(m) for the details of the above remuneration, including estimated employees' bonus and directors' and supervisors' remuneration.

(6) Pledged Assets

The book values of the pledged assets as of December 31, 2011 and 2012 were as follows:

Pledged assets	Object		2011	2012
Restricted assets－noncurrent	Gas deposits	$	3,000	3,000
Restricted assets－noncurrent	Customs guarantee		20,284	20,423
Land	Long-term borrowings		599,602	1,562,729
Buildings	Long-term borrowings		554,635	527,100
Machinery and equipment	Long-term borrowings		4,337,722	4,358,130
Factory and equipment	Long-term borrowings		575,545	1,080,163
Office equipment	Long-term borrowings		8,930	4,417
Other equipment	Long-term borrowings		3,878	2,544
Construction in progress	Long-term borrowings		450,650	136,727
Prepayment for purchases of equipment	Long-term borrowings		562,734	242,570
		$	**7,116,980**	**7,937,803**

(7) Commitments and Contingencies

(a) As of December 31, 2011 and 2012, the unused letters of credit amounted to $171,392 and $129,048, respectively.

(b) As of December 31, 2011 and 2012, the Company entered into agreements to purchase land and buildings, construction of buildings and purchase of machinery equipment with contract prices aggregating to $2,025,976 and $2,668,810, of which $415,788 and $1,090,152, respectively, were unpaid.

(c) In 2010, the Company, together with a non-related party/entity, had jointly entered into a technical development cooperation agreement with the Ministry of Economic Affairs, which is effective until April 30, 2011. Under this agreement, the Company receives a cost reimbursement of $5,500 for every stage of development of solar generator carrier (including other cost reimbursement of $1,980 for a non-related party/entity).

(d) In 2008, the Company had entered into a syndicate loan agreement with China Development Industry Bank and the other thirteen banks. For the related commitments, please refer to note 4(j) under long-term borrowings.

(e) In 2011, the Company had entered into a syndicate loan agreement with Mega International Commercial Bank and the other seventeen banks. For the related information, please refer to note 4(j) under long-term borrowings.

(f) In order to obtain bank loans, the Company had issued promissory notes amounting to US$25,000 and NT$12,915,105 for the year ended December 31, 2011, and US$27,000 and NT$12,765,105 for the year ended December 31, 2012.

(8) Important Damage Losses: None.

(9) Important Subsequent Events: None.

(10) Others

(a) Total personnel expenses, depreciation and amortization for the years ended December 31, 2011 and 2012 were as follows:

		2011			2012	
	Cost of goods sold	**Operating expenses**	**Total**	**Cost of goods sold**	**Operating expenses**	**Total**
Personnel expenses						
Salaries	$ 679,553	294,679	974,232	855,791	384,957	1,240,748
Insurance	51,692	17,816	69,508	59,330	19,568	78,898
Pension	25,806	12,533	38,339	29,188	28,471	57,659
Others	65,616	130,348	195,964	50,063	59,166	109,229
Depreciation	911,327	64,556	975,883	1,166,865	89,858	1,256,723
Amortization	19,365	38,248	57,613	17,560	32,646	50,206

(b) Reclassification

Certain accounts in the financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentations of the financial statements as of and for the year ended December 31, 2012 for purposes of comparison. These reclassifications do not have a significant impact on the financial statements.

(Continued)

(c) The significant foreign currency financial assets and liabilities were as follows:

	2011 Foreign Currency	2011 Exchange rate	2011 NT$	2012 Foreign Currency	2012 Exchange rate	2012 NT$
Financial assets						
Monetary						
USD	$ 36,588	30.28	1,107,877	120,827	29.04	3,508,814
EUR	164	39.18	6,416	568	38.49	21,864
JPY	151,202	0.3906	59,060	554	0.3364	186
			$ 1,173,353			3,530,864
Non-monetary						
USD	$ 303	30.28	$ 9,190	309	29.04	8,969
Financial liabilities						
Monetary						
USD	$ 19,286	30.28	583,983	16,294	29.04	473,170
EUR	355	39.18	13,900	260	38.49	10,004
JPY	521,141	0.3906	203,558	472,693	0.3364	159,014
			$ 801,441			642,188

(11) Other Disclosure Items

(a) Related information on material transaction items:

1. Lending to other parties: None.

2. Guarantees and endorsements for other parties: None.

3. Information regarding securities held:

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end: Shares (in thousands)	Period-end: Carrying value	Period-end: Percentage of ownership (%)	Period-end: Market value (or net value)	Note
The Company	Pegatron Corporation/Stock	None	Financial assets at fair value through profit or loss－current	323	12,129	0.01	12,129	
〃	EPISTAR Corporation /Stock	〃	〃	16,006	843,516	1.72	843,516	
〃	I-Chiun Precision Industry Co., Ltd. /Convertible Bond	〃	〃	250	25,075	-	25,075	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	7,635	100,057	-	100,057	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	4,113	50,003	-	50,003	
〃	Union Money Market Fund	〃	〃	10,142	130,101	-	130,101	
〃	Capital Money Market Fund	〃	〃	7,668	120,101	-	120,101	
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	〃	6,863	80,112	-	80,112	
〃	Allianz Global Investors All Seasons Return Fund of Fund	〃	〃	7,239	100,076	-	100,076	
〃	ING Taiwan Money Market Fund	〃	〃	2,524	40,002	-	40,002	
					1,501,172		1,501,172	

(Continued)

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
〃	ITEQ CORPORATION/Stock	None	Available-for-sale financial assets－current	9,298	275,677	2.80	275,677	
〃	MAG. LAYERS Scienific-Technics Co., Ltd./Stock	〃	〃	1,931	72,393	2.44	72,393	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	400	14,160	0.10	14,160	
〃	Speed Tech Corp./Stock	〃	〃	12,591	149,838	9.20	149,838	
					512,068		512,068	
〃	Tainergy Tech Co., Ltd./Stock	None	Available-for-sale financial assets－noncurrent	7,130	70,589	3.46	70,589	
〃	Shin Sheng Ⅲ Venture Capital Investment Corp. /Stock	None	Financial assets carried at cost－noncurrent	15,000	150,000	11.03	(note 1)	
〃	Inventec Solar Energy Corporation /Stock	〃	〃	33,000	186,151	11.00	(note 1)	
〃	IntelliEPI Inc.(Cayman)/Stock	〃	〃	500	5,306	1.93	(note 1)	
〃	Bright Led Electronics Corp. /Convertible Right	〃	〃	-	15,217	-	(note 3)	
〃	MagiCap Venture Capital Co., Ltd.-Preferred Stock A	〃	〃	1,000	10,000	0.91	(note 1)	
					366,674			
〃	WIN SEMI. USA, INC./Stock	Subsidiary	Long-term investments under equity method	1,000	8,969	100.00	8,969	(note 2)
〃	Win Semiconductors Cayman Islands Co., Ltd./Stock	〃	〃	7,000	308,685	100.00	308,685	(note 2)
〃	Inventec Energy Corporation /Stock	Common chairman as the Company	〃	42,589	324,861	44.36	324,861	(note 2)
					642,515			
〃	Bright Led Electronics Corp. /Convertible Bond	None	Investment in bonds with no active market－noncurrent	4	344,783	-	(note 3)	
〃	MagiCap Venture Capital Co., Ltd./Preferred Stock B	〃	〃	19,000	190,000	17.35	(note 1)	
					534,783			
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd./Stock	Subsidiary's main client	Available-for-sale financial assets－noncurrent	75	73,185	0.03	73,185	

Note 1： The stock is not publicly traded, and has no active market price.

Note 2： The stock is not publicly traded, and has no active market price. Disclosure of the investment of the net equity.

Note 3： The convertible bond was purchased privately, and had no active market price.

(Continued)

4. Information regarding purchase or sale of securities for the period exceeding 100 million or 20% of the Company's paid-in capital:

Company holding securities	Security type and Name	Account	Counter-party	Countership	Beginning		Purchase		Sale				Security cost on 2012.12.31		Gain (loss) on valuation	Ending	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Carrying value	Gain (loss) on disposal	Shares (in thousands)	Amount		Shares (in thousands)	Amount
The Company	Speed Tech Corp.	Long-term investments under equity mothod (Note 1)	Fortune Share Limited and Da-chin Corp.	None	61,500	203,742	-	-	40,000	259,220	108,673 (note 1)	150,547	12,591 (note 3)	66,070 (note 1)	(14,751) (note 2)	12,591 (note 3)	149,838 (note 4)
〃	Inventec Energy Corporation	〃	-	〃	19,757	293,873	28,759	287,591	5,927 (note 5)	-	-	-	42,589	581,464	(208,314)	42,589	324,861 (note 5)
〃	Polaris Global ETF of Bond Securities Investment Trust Fund	Financial assets at fair value through profit or loss—current	-	〃	10,000	100,000	-	-	10,000	100,280	100,000	280	-	-	-	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	〃	19,540	236,000	18,169	220,000	33,596	406,513	406,000	513	4,113	50,000	3	4,113	50,003
〃	Fuh Hwa Yu Li Money market fund	〃	-	〃	3,843	50,000	23,751	310,000	19,959	260,213	260,000	213	7,635	100,000	57	7,635	100,057
〃	Polaris De-Bao Money Market Securities Investment Trust Fund	〃	-	〃	4,316	50,000	20,746	241,000	18,199	211,234	211,000	234	6,863	80,000	112	6,863	80,112
〃	Fuh Hwa Money Market Fund	〃	-	〃	9,677	135,000	10,724	150,000	20,401	285,492	285,000	492	-	-	-	-	-
〃	Capital Money Market Fund	〃	-	〃	3,216	50,000	18,578	290,000	14,126	220,262	220,000	262	7,668	120,000	101	7,668	120,101
〃	Union Money Market Fund	〃	-	〃	-	-	29,706	380,000	19,564	250,037	250,000	37	10,142	130,000	101	10,142	130,101
〃	Allianz Global Investors All Seasons Return Fund of Fund	〃	-	〃	-	-	7,239	100,000	-	-	-	-	7,239	100,000	76	7,239	100,076
〃	MagiCap Venture Capital Co., Ltd.-Preferred Stock B	Investment in bonds with no active market—noncurrent	-	〃	-	-	19,000	190,000	-	-	-	-	19,000	190,000	-	19,000	190,000

(Continued)

Note 1:For the year ended December 31, 2012, the Company sold for $259,220 its ownership of the shares of stock of Speed Tech Corp., with carrying value of $122,921. The related capital surplus and other equity adjustment arising from this equity investment of $14,248 were credited based on the disposal ratio. The net gain on disposal of such investment amounted to $150,547 for the year ended December 31, 2012, so that its shareholding percentage decreased from 26.33% to 9.20%. Such decrease in ownership resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Because the restriction period of the private placement of the stock of Speed Tech Corp., is ended, the Company's equity investment in this investee company had been reclassified from long-term investments under equity method to available-for-sale financial assets－current, as discussed further in note 4(f).

Note 2:For the year ended December 31, 2012, investment loss under equity method recognized by Speed Tech Corp.

Note 3:On June 15, 2012, the Stockholders meeting of Speed Tech Corp. approved to reduce the capital of Speed Tech Corp. by 41.44%, and set August 14, 2012 as the effective date for this capital reduction. Therefore, the Company's shareholdings in this investee company, decreased by 8,909 thousand shares of stock.

Note 4:As of December 31, 2012, this equity investment was measured at fair value.

Note 5:For the year ended December 31, 2012, the stockholders of Investec Energy Corporation approved a resolution to reduce capital by 30%. Therefore, the Company's shareholdings in the investee company, decreased 5,927 thousand shares of stock. On July 23, 2012, the Board of Directors of Investec Energy Corporation also, approved to increase the capital stock of Investec Energy Corporation in cash, and set November 26, 2012 as the effective date for the capital increase. Therefore, the Company increased its equity investment in Investec Energy Corporation by $287,591, divided into 28,759 thousand shares of stock. This additional equity investment increased the percentage of the Company's shareholding in this investee to 44.36%.

5. Information on acquisition of real estate with purchase amount exceeding 100 million or 20% of the Company's paid-in capital:

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Land and buildings in Xinpu Township	2012.5.17 (note 1)	1,080,000	Paid	TAROKO TEXTILE CORP.	None	-	-	-	-	Market value	Expansion	-
〃	Land and buildings in Kuei-shan Hsiang	2012.7.9 (note 1)	1,250,000 (note 2)	By the contract	BEST FRIEND TECHNOLOGY CO., LTD.	〃	-	-	-	-	〃	〃	-

Note1: It is the date of the agreement.

Note2: The Company had paid $700,000 and recorded the payment as prepayment for purchases of land and equipments in 2012. Remainder will be paid by the contract.

6. Information regarding receivables from disposal of real estate exceeding 100 million or 20% of the Company's paid-in capital: None.

7. Information regarding related-party 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	(5,594,381)	(51)%	1~2 Month	-	-	536,618	53%	
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	5,594,381	100%	1~2 Month	-	-	(536,618)	(100%)	

(Continued)

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

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent	Allowance for Bad Debts
					Amount	Action Taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	536,618	13.70%	-	-	536,618	-

9. Information regarding trading in derivative financial instruments: Please see note 4 (b).

(b) Information on the Company's long-term equity investments:

1. Relevant information about investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2012			Net Income (loss) of the Investee	Investment income (loss) recognized by the Company	Note
				December 31, 2012	January 1, 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 %	8,969	(3,402)	(3,402)	
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00 %	308,685	(10,005)	(10,005)	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	581,464	293,873	42,589	44.36%	324,861	(211,979)	(48,361)	

2. Lending to other parties: None.

3. Guarantees and endorsements for other parties: None.

4. Information regarding securities held: Please see note 11(a).

5. Information regarding purchase or sale of securities for the period exceeding 100 million or 20% of the Company's paid-in capital: None.

(Continued)

6. Information on acquisition of real estate for which the purchase amount exceeded 100 million or 20% of the Company's paid-in capital: None.

7. Information regarding receivables from disposal of real estate exceeding 100 million or 20% of the Company's paid-in capital: None.

8. Information regarding related-party purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: Please see note 11(a).

9. Information regarding receivables from related parties for which the amount exceeded 100 million or 20% of the Company's paid-in capital: None.

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

(c) Investment in China: None.

(12) Segment Financial Information

The information is disclosed in the consolidated financial statements instead of the individual financial statements.

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, 2012 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 ROC Statement of Financial Accounting Standards No. 7. 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. 22, 2013

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, 2011 and 2012, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. 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 "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2011 and 2012, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the Republic of China.

Taipei, Taiwan (the Republic of China)
March 22, 2013

Note to Readers

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated Balance Sheets

December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	2011	2012
Assets		
Current assets:		
Cash and cash equivalents (note 4(a))	$ 799,376	3,025,657
Financial assets at fair value through profit or loss (note 4(b))	1,599,992	1,501,172
Available-for-sale financial assets—current (note 4(b))	-	512,068
Notes and accounts receivable, net (note 4(c))	652,822	1,049,355
Other financial assets—current (note 4(d))	129,850	231,072
Inventories (note 4(e))	1,893,835	2,101,205
Other current assets	129,248	145,801
Deferred income tax assets—current (note 4(l))	360,481	298,495
Total current assets	5,565,604	8,864,825
Funds and investments:		
Available-for-sale financial assets—noncurrent (note 4(b))	228,417	143,774
Financial assets carried at cost—noncurrent (note 4(b))	500,523	366,674
Long-term investments under equity method (note 4(f))	442,289	324,861
Investment in bonds with no active market—noncurrent (note 4(b))	344,783	534,783
Total funds and investments	1,516,012	1,370,092
Property, plant and equipment (notes 4(g), 5, 6 and 7):		
Cost:		
Land	802,337	1,765,464
Buildings	721,851	722,426
Machinery and equipment	9,149,329	10,381,768
Factory and equipment	1,887,456	2,753,996
Office equipment	110,185	113,688
Other equipment	156,446	231,158
	12,827,604	15,968,500
Less: accumulated depreciation	(3,233,291)	(4,487,349)
	9,594,313	11,481,151
Construction in progress	712,006	285,048
Prepayment for purchases of land and buildings	-	702,128
Prepayment for purchases of equipment	960,423	760,139
Net property, plant and equipment	11,266,742	13,228,466
Intangible assets (note 4(h))	117,652	82,708
Other assets:		
Refundable deposits	19,658	19,444
Restricted assets—noncurrent (note 6)	23,284	23,423
Deferred income tax assets—noncurrent (note 4(l))	89,731	1,994
Total other assets	132,673	44,861
Total Assets	$ 18,598,683	23,590,952

	2011	2012
Liabilities and Stockholders' Equity		
Current liabilities:		
Financial liabilities at fair value through profit or loss (note 4(b))	$ -	417
Accounts payable	1,090,011	1,121,867
Accrued expenses	721,729	666,490
Payable on equipment (note 5)	210,620	96,885
Current portion of long-term borrowings (notes 4(j) and 6)	1,007,672	1,650,185
Other current liabilities	35,650	50,507
Total current liabilities	3,065,682	3,586,351
Long-term liabilities:		
Long-term borrowings (notes 4(j) and 6)	5,483,622	5,558,677
Other liabilities:		
Accrued pension liabilities (note 4(k))	4,246	20,907
Total liabilities	8,553,550	9,165,935
Stockholders' equity (notes 4(b), 4(f), 4(l) and 4(m)):		
Common stock	6,485,930	7,541,877
Capital surplus:		
Capital surplus—additional paid-in capital	1,529,719	3,662,436
Capital surplus—long-term equity investments	28,469	-
Capital surplus—employee stock options	148,934	100,609
Total capital surplus	1,707,122	3,763,045
Retained earnings:		
Legal reserve	130,842	258,703
Special reserve	-	221,662
Retained earnings	1,942,901	2,673,744
Total retained earnings	2,073,743	3,154,109
Other stockholders' equity adjustments:		
Cumulative translation adjustments	3,064	1,642
Unrealized gain (loss) on financial instruments	(224,726)	(35,656)
Total other stockholders' equity adjustments	(221,662)	(34,014)
Total stockholders' equity	10,045,133	14,425,017
Commitments and contingencies (note 7)		
Total Liabilities and Stockholders' Equity	$ 18,598,683	23,590,952

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Operations

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2011	2012
Operating revenue	$	8,927,370	11,276,342
Less: sales returns		(9,276)	(12,088)
sales discounts and allowances		(16,821)	(26,290)
Net revenue		8,901,273	11,237,964
Cost of goods sold (notes 4(e), 4(h), 4(k), 4(m), 5 and 10)		(6,096,943)	(7,597,780)
Gross profit		2,804,330	3,640,184
Operating expenses (notes 4(h), 4(k), 4(m), 5 and 10)			
Marketing expenses		(142,156)	(176,229)
General and administrative expenses		(434,524)	(476,165)
Research and development expenses		(450,279)	(530,490)
		(1,026,959)	(1,182,884)
Operating income		1,777,371	2,457,300
Non-operating income and gains:			
Interest income		813	4,594
Gain on disposal of property, plant and equipment		-	210
Gain on disposal of investments, net (note 4(b) and 4(f))		183	22,461
Dividend income		79,529	18,019
Other income (notes 4(b) and 5)		150,810	20,911
		231,335	66,195
Non-operating expenses and losses:			
Interest expense (note 4(g))		(58,346)	(102,946)
Investment loss recognized under equity method (note 4(f))		(114,698)	(78,339)
Loss on disposal of property, plant and equipment		(14,688)	-
Impairment loss (note 4(b) and 4(f))		-	(190,129)
Loss on valuation of financial assets, net (note 4(b))		(621,718)	(161,920)
Exchange loss, net		(29,525)	(61,821)
		(838,975)	(595,155)
Income before income tax		1,169,731	1,928,340
Income tax benefit (expense) (note 4(l))		108,879	(280,811)
Net income	$	1,278,610	1,647,529

	2011 Before income tax	2011 After income tax	2012 Before income tax	2012 After income tax
Earnings per common share (expressed in dollars) (note 4(n)):				
Basic earnings per share	$ 1.87	2.04	2.87	2.45
Diluted earnings per share	$ 1.82	1.99	2.82	2.41

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Retained Earnings	Cumulative Translation Adjustments	Unrealized Gain (Loss) on Financial Instruments	Total
Balance on January 1, 2011	$ 6,175,675	1,358,492	-	-	1,308,424	2,043	29,303	8,873,937
Appropriation of 2010 earnings approved by stockholders during their meeting in 2011 (note 1)								
Legal reserve	-	-	130,842	-	(130,842)	-	-	-
Cash dividend	-	-	-	-	(513,291)	-	-	(513,291)
Issuance of common stock	116,800	186,880	-	-	-	-	-	303,680
Exercise of employee stock options (note 4)	193,455	62,997	-	-	-	-	-	256,452
Compensation cost arising from employee stock options (note 3)	-	91,671	-	-	-	-	-	91,671
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	2,173	2,173
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	7,058	-	-	-	-	-	7,058
Increase in capital surplus resulting from long-term investments under equity method	-	24	-	-	-	-	-	24
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	(256,202)	(256,202)
Translation adjustments	-	-	-	-	-	1,021	-	1,021
Net income for the year ended December 31, 2011	-	-	-	-	1,278,610	-	-	1,278,610
Balance on December 31, 2011	6,485,930	1,707,122	130,842	-	1,942,901	3,064	(224,726)	10,045,133
Appropriation of 2011 earnings approved by stockholders during their meeting in 2012 (note 2)								
Legal reserve	-	-	127,861	-	(127,861)	-	-	-
Special reserve	-	-	-	221,662	(221,662)	-	-	-
Cash dividend	-	-	-	-	(518,874)	-	-	(518,874)
Issuance of common stock	1,000,000	2,017,939	-	-	-	-	-	3,017,939
Exercise of employee stock options (note 5)	55,947	114,778	-	-	-	-	-	170,725
Compensation cost arising from employee stock options (note 3)	-	(51,857)	-	-	-	-	-	(51,857)
Equity adjustment in unrealized gain or loss on financial instrument of investee accounted for long-term investments under equity method	-	-	-	-	-	-	4,789	4,789
Increase in net equity due to the recognition of compensation cost arising from employee stock options in long-term investments under equity method	-	3,532	-	-	-	-	-	3,532
Decrease in capital surplus resulting from disposal of long-term investments under equity method	-	(28,445)	-	-	-	-	-	(28,445)
Increase in capital surplus resulting from long-term investments under equity method	-	107	-	-	-	-	-	107
Adjustments arising from change in percentage of ownership in equity method	-	(131)	-	-	(48,289)	-	-	(48,420)
Change in unrealized gain or loss on financial instruments	-	-	-	-	-	-	184,281	184,281
Translation adjustments	-	-	-	-	-	(1,422)	-	(1,422)
Net income for the year ended December 31, 2012	-	-	-	-	1,647,529	-	-	1,647,529
Balance on December 31, 2012	$ 7,541,877	3,763,045	258,703	221,662	2,673,744	1,642	(35,656)	14,425,017

Note 1: The appropriations for 2010 employee's bonus, directors' and supervisors' remuneration amounting to NT$58,100 and NT$17,400, respectively, were recognized and accrued in the 2010 earnings.
Note 2: 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 3: For stock options granted to employees, compensation cost was recognized for the year ended 2011 and 2012. When employees exercised the employee stock options, the Company reclassified capital surplus－employee stock options into capital surplus－additional paid-in capital.
Note 4: As the exercise price of the employees stock options is greater than book value as of December 31, 2011, the difference was credited to capital surplus－additional paid-in capital of NT$1,157.
Note 5: As the exercise price of the employees stock options is less than book value as of December 31, 2012, the difference was debited to capital surplus－additional paid-in capital of NT$539.

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		2011	2012
Cash flows from operating activities:			
Net income	$	1,278,610	1,647,529
Adjustments to reconcile consolidated net income to net cash provided by operating activities:			
Depreciation		975,969	1,256,812
Amortization		57,613	50,206
Amortization of cost of long-term borrowings		3,947	4,112
Loss on valuation of inventories and obsolescence		37,115	64,519
Investment loss recognized under equity method		114,698	78,339
Compensation cost arising from employee stock options		160,569	66,992
Deferred income tax (benefit) expense		(300,103)	150,351
Unrealized exchange loss on long-term borrowings		26,563	-
Loss (gain) on disposal of property, plant and equipment		14,688	(210)
Insurance claim on damaged and donated property, plant and equipment		-	54,610
Gain on disposal of investments		(183)	(22,461)
Impairment loss		-	190,129
Change in operating assets:			
Financial assets at fair value through profit or loss		1,873	183,016
Notes and accounts receivable		(171,806)	(396,533)
Other financial assets－current		(39,948)	(79,596)
Inventories		(627,472)	(341,201)
Other current assets		(23,554)	(17,486)
Change in operating liabilities:			
Financial liabilities at fair value through profit or loss		-	417
Accounts payable		218,532	31,856
Accrued expenses		145,191	(62,613)
Other current liabilities		(8,640)	14,857
Accrued pension liabilities		1,779	16,661
Net cash provided by operating activities		1,865,441	2,890,306
Cash flows from investing activities:			
Increase in available-for-sale financial assets－current		-	(367,034)
Payment for purchase of investment in bonds with no active market－noncurrent		-	(190,000)
Payment for purchase of available-for-sale financial assets－noncurrent		-	(25,192)
Proceeds from disposal of long-term investments under equity method		-	259,220
Payment for purchase of long-term investments under equity method		(123,764)	(287,591)
Payment for purchase of financial assets carried at cost－noncurrent		-	(10,000)
Payment for purchase of property, plant and equipment		(3,335,544)	(3,317,300)
Proceeds from disposal of property, plant and equipment		2,607	298
(Increase) decrease in refundable deposit		(1,451)	214
Increase in restricted assets－noncurrent		(156)	(139)
Payment for purchase of intangible assets		(49,319)	(18,307)
Net cash used in investing activities		(3,507,627)	(3,955,831)
Cash flows from financing activities:			
Decrease in short-term borrowings		(365,365)	-
Increase in long-term borrowings		4,017,000	1,899,000
Redemption of long-term borrowings		(1,606,610)	(1,185,544)
Payment of cash dividends		(513,291)	(518,874)
Issuance of common stock		303,680	3,028,928
Exercise of employee stock options		194,612	55,408
Net cash provided by financing activities		2,030,026	3,278,918
Effect on cash due to changes in exchange rate		2,735	12,888
Net increase in cash and cash equivalents		390,575	2,226,281
Cash and cash equivalents at the beginning of year		408,801	799,376
Cash and cash equivalents at the end of year	**$**	**799,376**	**3,025,657**

See accompanying notes to financial statements.

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2011 and 2012
(Expressed in Thousands of New Taiwan Dollars)

		2011	2012
Additional disclosure of cash flow information:			
Interest paid (excluding capitalized interest)	$	57,072	102,725
Income tax paid	$	151,399	193,382
Supplemental schedule of non-cash investing and financing activities:			
Inventories reclassified to plant, property and equipment	$	65,912	69,312
Other current assets reclassified to plant, property and equipment	$	174	363
Other current assets reclassified to intangible assets	$	4,268	570
Unrealized gain (loss) on financial instruments	$	(254,029)	189,070
Translation adjustments	$	1,021	(1,422)
Reclassification of current portion of long-term borrowings	$	1,007,672	1,650,185
Purchase of property, plant and equipment			
Increase in property, plant and equipment	$	3,452,539	3,203,565
Add: payable on equipment－beginning of year		93,625	210,620
Less: payable on equipment－end of year		(210,620)	(96,885)
Cash paid	$	3,335,544	3,317,300
Disposal of property, plant and equipment			
Disposal of property, plant and equipment	$	107	298
Add: other financial assets－current－beginning of year		2,500	-
Cash received	$	2,607	298
Purchase of intangible assets			
Acquisition of intangible assets	$	38,471	14,692
Add: accrued expenses－beginning of year		15,335	4,487
Less: accrued expenses－end of year		(4,487)	(872)
Cash paid	$	49,319	18,307
Disposal of long-term investments under equity method			
Disposal of long-term investments under equity method	$	-	280,846
Less: other financial assets－current－end of year		-	(21,626)
Cash received	$	-	259,220
Issuance of common stock			
Issuance of common stock	$	303,680	3,017,939
Add: Transaction cost of issuance of common stock recognized as accrued expense－end of year		-	10,989
Cash received	$	303,680	3,028,928

See accompanying notes to financial statements.

(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 under the laws of the Republic of China (ROC).

The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

As of December 31, 2011 and 2012, the subsidiaries, which were classified according to their primary business activities and percentage of ownership, were as follows:

Investor	Subsidiary	Business activities	Percentage of the direct or indirect ownership by the Company 2011	2012
The Company	WIN SEMI. USA, INC.	Marketing	100%	100%
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Selling of GaAs wafers	100%	100%

As of December 31, 2011 and 2012, the Company and its subsidiaries (the "Consolidated Companies") had 1,462 and 1,534 employees, respectively.

(2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared and presented in accordance with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and accounting principles generally accepted in the ROC. The major accounting policies and the basis of measurement used in preparing these consolidated financial statements are as follows:

(a) Consolidation policies

The consolidated financial statements include the accounts of the subsidiaries in which the Company is able to exercise control over the subsidiaries' operations and financial policies. The operating activity of the subsidiary is included in the consolidated statements of operation from the date when the subsidiary is acquired and is excluded from the consolidated statements of operation when the Company loses its power to control the subsidiary. All significant intercompany balance and transactions are eliminated on consolidation.

(Continued)

(b) Foreign currency transactions and translation of foreign financial statements

The Consolidated Companies record transactions in their respective functional currencies. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates at that date. The resulting unrealized exchange gains (losses) from such translations are reflected in the accompanying consolidated statements of operations. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into NT dollars at foreign exchange rates prevalling at the dates the fair value was determined. If the financial assets or liabilities are evaluated at fair value through profit or loss, the resulting unrealized exchange gains (losses) from such translations are reflected in the accompanying statements of operations.

The financial statements of foreign operations are re-measured, if their reporting currency is not their functional currency. The re-measurement difference is recorded as foreign currency exchange gain/loss. Furthermore, those financial statements are translated into the reporting currency. Translation differences resulting from such translation are accounted for as cumulative translation adjustments, which are reported as a separate component of stockholders' equity.

(c) Classification of current and noncurrent assets and liabilities

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months from the balance sheet date are classified as current assets; all other assets are classified as noncurrent.

Liabilities that are expected to be settled within 12 months from the balance sheet date are classified as current liabilities; all other liabilities are classified as noncurrent.

(d) Asset impairment

The Consolidated Companies assess at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit excluding the goodwill) may have been impaired. If any such indication exists, the recoverable amount of the asset is estimated. Impairment loss is recognized for an asset, whose carrying value is higher than the recoverable amount.

Impairment loss recognized in prior periods for assets other than goodwill is reversed if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

Goodwill, intangible assets with indefinite useful life, and not-in-use intangible assets are subject to impairment test annually, and an impairment loss is recognized on the excess of canying value over the recoverable amount thereof.

(e) Cash and cash equivalents

Cash includes cash on hand and cash in bank. Cash equivalents represent highly liquid debt instruments such as commercial paper and bank acceptances with original maturities of three months or less. Cash

(Continued)

equivalents also include other highly liquid investments which do not have a significant level of market risk related to potential interest rate changes.

(f) Financial instruments

Financial instrument transactions are accounted for using transaction-date accounting. At initial recognition, financial instruments are evaluated at fair value plus, in the case of a financial instrument not reported at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of financial instrument.

Subsequent to initial recognition, financial instruments are classified according to the purpose of holding or issuing as follows:

1. Financial assets/liabilities at fair value through profit or loss: These financial instruments are intended mainly for selling or repurchasing in the short term. Except for the derivatives held for hedging purposes and are considered to be effective, all derivatives are classified into this account. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

2. Available-for-sale financial assets: These are measured at fair value, and changes therein, other than impairment losses and unrealized foreign exchange gains or losses, are recognized directly in equity. When these financial assets are disposed or derecognized, the related cumulative gain or loss in equity is transferred to profit or loss. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized in earnings. If, in the subsequent period, the amount of the impairment loss decreases, for equity securities, the previously recognized impairment loss is reversed to the extent of the decrease and recorded as an adjustment to equity; for debt securities, the amount of the decrease is recognized in profit or loss, provided that the decrease is clearly attributable to an event which occurred after the impairment loss was recognized.

3. Financial assets carried at cost: This pertains to investments in equity securities which are stated at original cost as its fair value cannot be reasonably estimated. If there is evidence of impairment, impairment loss is recognized, and this impairment loss cannot be reversed.

4. Investment in bonds with no active market: Investment in bonds with no active market is a non-derivative financial asset with fixed or determinable payment that is not quoted in the active market. This type of financial instrument is accounted for using the transaction-date accounting.

   This investment is measured by effective interest rate method and carried at amortized cost.

   If there is any objective evidence that impairment exists, impairment loss is recognized in profit or loss. In the subsequent period, if the impairment loss decreases, and such decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment loss been unrecognized at the date the impairment is reversed.

5. Notes and accounts receivable:

   The evidence of impairment for notes and accounts receivable is considered at both individual and

(Continued)

collective level. All individually significant receivables are assessed for specific impairment. All individually significant notes and accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Notes and accounts receivable that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Consolidated Companies use 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 less than suggested by historical trends.

When a decrease in the amount of impairment loss is clearly attributable to an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to the extent of the decrease through profit or loss.

(g) Other financial assets

Other financial assets at fair value through profit or loss are financial assets, excluding cash and cash equivalents, restricted assets, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets carried at cost, notes and accounts receivable, long-term investments under equity method, and investment in bonds with no active market. These financial assets are measured at fair value, and changes in fair value are recognized in profit or loss.

(h) Inventories

Inventories are stated at the lower of cost or market value. Cost is calculated by using the weightd-average method. The cost of inventories includes the necessary expenditure and charges for bringing the inventory to the salable and usable condition. Market value is determined based on net realizable value or replacement cost. Net realizable value is determined based on the estimated selling price in the ordinary course of business less the estimated costs or completion and the selling expenses at the end of the period.

Fixed production overhead is allocated to finished goods and work in progress based on the normal capacity of the production facilities. Unallocated overhead due to low production or idle plant capacity is recognized as cost of goods sold in the period in which such overhead is incurred. Variable production overhead is allocated to each unit of production on the basis of the actual use of the production facilities.

(i) Long-term investments under equity method

Long-term investments in which the Consolidated Companies own 20% or less than 20% of the investee's voting shares but is able to exercise significant influence over the investee's operating and financial policy decisions are accounted for using the equity method.

Goodwill arising from these long-term investments is tested for impairment annually. If any indication of impairment exists, an impairment test is performed immediately. Impairment loss is recognized for the excess of carrying value over the recoverable amount.

If an investee company issues new shares of stock and the investors/original shareholders do not purchase or acquire new shares proportionately, then the equity ownership ratio, and therefore the equity of

(Continued)

the investors in net assets of the investee company, will change. The effect of such change in the equity ownership ratio is charged to the long-term investments accounts against additional paid-in capital arising from long-term investments. If the balance of additional paid-in capital from long-term investments is insufficient, then the difference is debited to the retained earnings account.

If an investee company purchases its own outstanding shares, its stockholders' equity and outstanding shares will change. If the purchase price is equal to the carrying amount of net equity in the investee, then the equity of the investors in net assets of the investee company will not change. If the purchase price differs from the carrying amount of net equity of the investee, then the equity of the investors in net assets of the investee company will change and such change is charged to capital surplus.

If the long-term investment under equity method is disposed, the difference between the selling price and the book value of long-term investments under equity method is recognized as disposal gain or loss in the consolidated statements of operations. If there is capital surplus or cumulative translation adjustment resulting from long-term equity investments, such capital surplus or cumulative translation adjustment is proportionately debited/credited against the disposal gain/loss based on the disposal ratio.

(j) Property, plant and equipment and depreciation

Property, plant, and equipment are recorded at cost less accumulated depreciation. For construction of buildings and purchase of machinery and equipment, the related interest costs incurred before commencing to use such assets are capitalized as part of the costs of related assets. Major repairs and maintenance, additions, enhancements and replacements, and the costs of dismantling, removing the items, and restoring the site on which they are located, are capitalized in the cost of related assets. Routine repair and maintenance are charged to current operations.

The removal and recovery obligation costs for fixed assets during the non-production period are accrued in accordance with Interpretation (97) 340 issued by the Accounting Research and Development Foundation (ARDF). Also any component of a fixed asset that is deemed to be a significant part of the fixed asset, is depreciated individually. The residual useful lives, depreciation method, and residual value of property, plant and equipment are evaluated at each financial year-end and any change thereof is accounted for as a change in accounting estimate.

Property, plant, and equipment are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives of the respective classes of assets are as follows:

(1) Buildings: 25 years

(2) Machinery and equipment: 2 to 10 years

(3) Factory and equipment: 2 to 10 years

(4) Office equipment: 3 to 5 years

(5) Other equipment: 1 to 5 years

Gains or losses on the disposal of such assets are accounted for as non-operating income and gains or expenses and losses.

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(k) Intangible assets

In accordance with the ROC SFAS No. 37 “Intangible Assets” an intangible asset (other than an intangible asset acquired by way of a government grant which is measured at its fair value) is measured initially at cost. 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.

The amortizable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the estimated useful lives of intangible assets from the date they are made available for use. The estimated useful lives of the intangible assets 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

(l) Pension plans

1. Defined benefit pension plan

The Company has established employees non-contributory defined benefit pension plan (the Plan) covering full-time employees in the ROC. In accordance with the Plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the employee’s years of service.

Since 2001, the Company contributes an amount to the pension fund monthly based on government-approved rate of 2 % of paid salaries and wages. This fund is deposited in the Bank of Taiwan.

For the defined benefit pension plan, the Company adopted the ROC SFAS No. 18 “Accounting for Pensions” for its pension plan, which requires actuarial calculation of its pension liability using the balance sheet date as the measurement date. The excess of accumulated benefit obligation over the fair value of pension plan assets is deemed as the minimum pension liability and is recognized as accrued pension liability. The transitional net benefit obligation is amortized by straight-line method over the remaining service years of employees averaging 18 years.

2. Defined contribution pension plan

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the New Act) require the following categories of employees to be covered by the New Act that prescribes a defined contribution pension plan:

(1) Employees who were covered by the Plan and opted to be subject to the pension mechanism under the New Act; and

(2) Employees who commenced working after the enforcement date of the New Act.

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In accordance with the New Act, the Company contributes an amount monthly to an individual labor pension fund account at the rate of 6% of the worker's monthly wages. The amount of contributions is recognized as expense on accrual basis.

(m) Employee stock options

The Consolidated Companies have granted stock options to their employees. If the equity instruments under these agreements are granted after January 1, 2010, the employee stock options are accounted for according to ROC SFAS No. 39 "Share-based Payments." Employee stock options that were granted, recognized and measured using intrinsic value method before January 1, 2010, are accounted for in accordance with Interpretation No. (92) 070, 071, and 072 of the ARDF.

Under these Interpretations, compensation cost is recognized based on the difference between the market price of the stock and the exercise price of the employee stock options on the measurement date, using the intrinsic value method. This compensation cost is charged to expense over the employee vesting period with corresponding increases in the stockholders' equity.

Intrinsic value means the difference between the fair value of the shares, which the employee has the right to subscribe or has the right to receive, and the price at which the employee is required to pay for those shares.

(n) Revenue recognition

Revenue from sale of goods is recognized upon delivery when the significant risks and rewards of ownership are transferred to customers.

(o) Government grants

The Company adopted the ROC SFAS No. 29 "Accounting for Government Grants and Disclosure of Government Assistance", under which, government grants are not recognized in the financial statements until there is reasonable assurance that both of the following conditions are met:

(i) the Company is able to comply to the terms of government grants; and

(ii) the grants will be received.

Government grants in the form of subsidies are recognized as revenue in a reasonable and systematic way over the periods when the related costs are expected to be incurred. However, government grants that are not realized yet are accounted for as deferred revenue.

(p) Income tax

The Company adopted the ROC SFAS No. 22 "Income Taxes" for the computation of income taxes, using the asset and liability method. Accordingly, deferred income tax is accounted for the differences between accounting and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects of the taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects of the deductible temporary differences, operating loss carryforwards, and investment tax credit are recognized as deferred income tax assets.

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In addition, the realization of deferred income tax assets is evaluated and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly. Deferred income tax assets and liabilities are classified as either current or noncurrent based on the classification of related assets or liabilities. If the deferred income tax assets or liabilities are not related to any assets or liabilities, then the classification is based on the expected realization date of the deferred income tax asset or liability.

Investment tax credit granted for purchases of equipment, research and development expenses and the Company's investment in the Emerging Industry is recognized using the flow through method.

In accordance with the ROC Income Tax Act, the Company may retain the earnings arising after December 31, 1997, by paying a 10% surtax on the undistributed earnings. Such surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(q) Employee bonuses and directors' and supervisors' remuneration

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. Any difference between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimate and recognized in profit or loss.

(r) Earnings per common share (EPS)

Earnings per common share is calculated by dividing net income by the weighted-average number of outstanding common shares. The weighted-average number of outstanding common shares is adjusted retroactively for the stock dividends to stockholders distributed out of retained earnings or capital surplus.

Stock options and common stock issued for employees' bonus are potential common stock. Only basic earnings per share is disclosed if these potential common shares of stock are not dilutive. Otherwise, both basic and diluted earnings per share are disclosed. In calculating the diluted earnings per share, the net income and weighted-average number of common shares outstanding are retroactively adjusted for the potential common shares assuming they are converted into common stock at the beginning of the year.

(s) Operating segment

An operating segment is a component of an entity 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 same entity). The segment's operating results are reviewed regularly by the entity's chief operating decision maker to make decisions pertaining to the allocation of the resources to the segment and to assess its performance for which discrete financial information is available. The operating segment is disclosed in the consolidated financial statements.

(3) Reason for and Effect of Accounting Changes

(a) The Consolidated Companies adopted the third revisions of the ROC SFAS No. 34 "Accounting for Financial Instruments" effective January 1, 2011 for the recognition, measurement and impairment of originated loans and receivables. The initial of this amended accounting principle had no significant impact on the consolidated financial statements as of and for the year ended December 31, 2011.

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(b) The Consolidated Companies likewise adopted the ROC SFAS No. 41 “Disclosure of the Operating Segment” effective January 1, 2011. According to this new accounting standard, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effect of the business activities in which it engages and the economic environment in which it operates. Internal information that is provided to the operating decision maker is used as the basis for determining and disclosing the operating segment. This standard replaces the ROC SFAS No. 20 “Segment Reporting”.

(4) Significant Account Disclosure

(a) Cash and cash equivalents

The components of cash and cash equivalents as of December 31, 2011 and 2012 were as follows:

		2011	2012
Cash on hand	$	534	482
Cash in bank		798,842	3,025,175
	$	799,376	3,025,657

(b) Financial instruments

The components of financial instruments as of December 31, 2011 and 2012 were as follows:

1. Financial assets/liabilities at fair value through profit or loss—current:

		2011	2012
Publicly traded stock	$	957,190	855,645
Publicly traded convertible bonds		21,350	25,075
Money market funds and bond funds		621,452	620,452
	$	1,599,992	1,501,172

	2011		2012	
	Nominal amount	Book value	Nominal amount	Book value
Derivative financial liabilities				
Forward exchange contracts	-	$ -	USD 8,000	(417)

(1) For the years ended December 31, 2011 and 2012, the valuation of financial assets at fair value through profit or loss—current resulted in a loss of $621,718 and a loss of $161,920, respectively.

(2) For the years ended December 31, 2011 and 2012, the gain on disposal of financial assets at fair value through profit or loss—current amounted to $183 and $4,314, respectively.

(3) The Company entered into derivative contracts during the years ended December 31, 2011 and 2012 to manage its exposures to the fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria of hedge accounting. For the years ended December 31,

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2011 and 2012, the gain on disposal of derivation financial instruments amounted to $3,426 and $183, respectively, which were recorded as other income.

2. Available-for-sale financial assets—current:

		2011	2012
Shares of stock:			
ITEQ CORPORATION	$	-	275,677
MAG. LAYGRS Scientific-Technics Co., Ltd.		-	72,393
Solar Applied Materials Technology Corp.		-	14,160
Speed Tech Corp. (Note)		-	149,838
	$	**-**	**512,068**

Note: In 2012, the Company reclassified long-term investments under equity method to available-for-sale financial assets—current, as discussed further in note 4(f).

On June 15, 2012, the Stockholders meeting of Speed Tech Corp. approved to reduce the capital of Speed Tech Corp. by 41.44%, and set August 14, 2012 as the effective date for this capital reduction. Therefore, the Company's shareholdings in this investee company, decreased by 8,909 thousand shares of stock.

(1) Unrealized gain on available-for-sale financial assets—current of $82,682, for the year ended December 31, 2012, was recognized as an adjustment to stockholders' equity.

(2) For the year ended December 31, 2012, the gain on disposal of available-for-sale financial assets—current amounted to $3,941.

There were no such transactions for the year ended December 31, 2011.

3. Available-for-sale financial assets—noncurrent:

		2011	2012
Avago Technologies Ltd.	$	68,396	73,185
Tainergy Tech Co., Ltd. (Note 1)		60,775	70,589
Huga Optotech Inc. (Note 1 and Note 2)		99,246	-
	$	**228,417**	**143,774**

Note 1: In 2011, the Company reclassified financial assets carried at cost—noncurrent to available-for-sale financial asset—noncurrent, as discussed further in note 4(b).

Note 2: In 2012, following the share swap between EPISTAR Corp. and Huga Optotech Inc., the Company approved to swap all of the Company's equity shareholdings in Huga Optotech Inc. with the common shares of stock of EPISTAR Corp. based on the swap ratio of 4.85 shares to 1 share. On December 28, 2012, the Company had obtained legal ownership of 1,516 thousand common shares of stock of EPISTAR Corp. and recorded them as financial assets at

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fair value through profit or loss. This transaction resulted in a loss of $136,341, which was recognized as deduction of gain on disposal of investment.

The valuation of available-for-sale financial assets—noncurrent resulted in unrealized loss of $254,029 and unrealized gain of $106,388 in 2011 and 2012, respectively, which were-recognized as an adjustment to stockholders' equity.

4. Financial assets carried at cost—noncurrent:

Investee		2011	2012
Shares of stock:			
IntelliEPI Inc. (Cayman)	$	5,306	5,306
Shin Sheng III Venture Capital Investment Corporation		150,000	150,000
Inventec Solar Energy Corporation		330,000	186,151
MagiCap Venture Capital Co., Ltd.		-	10,000
		485,306	351,457
Conversion option:			
Bright Led Electronics Corp.		15,217	15,217
Total	**$**	**500,523**	**366,674**

As of December 31, 2012, the above-mentioned financial assets do not have publicly trading prices, and their fair value was difficult to determine. Therefore, these financial assets were stated at cost.

(1) For the years ended December 31, 2011 and 2012, the details of impairment loss incurred from valuation of financial assets carried at cost—noncurrent were as follows:

		2011	2012
Inventec Solar Energy Corporation	**$**	**-**	**143,849**

(2) The details of additions (deductions) for the years ended December 31, 2011 and 2012 to financial assets carried at cost—noncurrent were as follows:

	2011				2012		
	Shares (in thousands)		Amount	Remark	Shares (in thousands)		Amount
MagiCap Venture Capital Co., Ltd.	-	$	-		1,000	$	10,000
Inventec Energy Corporation	(8,505)		(86,904)	(Note 1)	-		-
Huga Optotech Inc.	(7,351)		(216,223)	(Note 2)	-		-
Tainergy Tech Co., Ltd.	(5,000)		(200,000)	(Note 2)	-		-
		$	**(503,127)**			**$**	**10,000**

Note 1: For the year ended December 31, 2011, the percentage of the Company's shareholdings in Inventec Energy Corporation increased to 20.58% due to its additional equity investment of $123,764. Therefore, the Company's equity investment in this investee company of $86,904 had been reclassified from financial assets carried at cost—noncurrent to long-term investments under equity method as of December 31, 2011.

(Continued)

Note 2: The shares of stock of Huga Optotech Inc. and Tainergy Tech Co., Ltd. have been officially listed in the public market on September 8, 2011 and August 16, 2011, respectively. Therefore, the Company reclassified its investments in the equity shares of these investees of $416,223 from financial assets carried at cost—noncurrent to available-for-sale financial assets—noncurrent.

5. Investment in bonds with no active market—noncurrent:

	Issue period	Nominal rate (%)	2011	2012
Convertible bond:				
Bright Led Electronics Corp.	2010.4.9~ 2013.4.8	0%	$ 344,783	344,783
Preferred stock B:				
MagiCap Venture Capital Co., Ltd.	2012.11.23~2 019.11.22	-	-	190,000
			$ 344,783	534,783

In 2010, the Company purchased the convertible bonds of Bright Led Electronics Corp. at par value of $360,000 through private placement. Because of the stock conversion option embedded in this debt securities investment, the liability component (pertaining to the investment in bonds) was accounted for separately at its present value from the equity component (pertaining to the stock conversion option) thereof. The equity component (stock conversion option) was measured based on the difference between the purchase price of the bonds and the present value of the bonds. Under the terms of these bonds, the Company has the option to convert the bonds into common stock during the period from three months of the issue date to ten days before the maturity date; the stock conversion option was recorded as financial assets carried at cost—noncurrent.

In 2012, the Company purchased the preferred stock B of MagiCap Venture Capital Co., Ltd. for $190,000. Under the terms of preferred stock B, MagiCap Venture Capital Co., Ltd. has the option to redeem at any time these preferred stock B at $10.5263 dollars per share ; the investment in these preferred stock B was recorded as investment in bonds with no active market—noncurrent.

(c) Notes and accounts receivable

	2011	2012
Notes receivable	$ 9,261	25
Accounts receivable	656,130	1,063,573
	665,391	1,063,598
Less: allowance for doubtful accounts and sales discounts	(12,569)	(14,243)
	$ 652,822	1,049,355

As of December 31, 2011 and 2012, the notes and accounts receivable were not pledged.

(d) Other financial assets—current

The components of other financial assets—current as of December 31, 2011 and 2012 were as follows:

(Continued)

		2011	2012
Other receivable from metal recycling	$	121,099	196,398
Other		8,751	34,674
	$	**129,850**	**231,072**

(e) Inventories

1. The components of inventories as of December 31, 2011 and 2012 were as follows:

		2011	2012
Raw materials	$	1,031,051	1,092,348
Supplies		136,736	118,651
Work in process		563,134	506,751
Finished goods		162,914	383,455
	$	**1,893,835**	**2,101,205**

2. For the years ended December 31, 2011 and 2012, the movement of allowance for obsolete inventories were as follows:

		2011	2012
Beginning balance	$	71,245	71,410
Addition		37,115	64,519
Write-off		(36,950)	(38,498)
Ending balance	**$**	**71,410**	**97,431**

3. For the years ended December 31, 2011 and 2012, the Company recognized related gain or loss on inventories as follows:

		2011	2012
Loss on valuation of inventories and obsolescence	$	37,115	64,519
Income from sale of scraps		(17,265)	(27,017)
	$	**19,850**	**37,502**

(f) Long-term investments under equity method

The components of long-term investments under equity method as of December 31, 2011 and 2012 were as follow:

	2011			
Investee	**Shareholding percentage (%)**		**Carrying value**	**Investment loss**
Inventec Energy Corporation	20.58	$	146,388	(65,047)
WinMEMS Technologies Holdings Co., Ltd.	34.73		92,159	(25,004)

(Continued)

Investee	Shareholding percentage (%)	2011 Carrying value	2011 Investment loss
Speed Tech Corp.	26.33	203,742	(24,647)
		$ 442,289	(114,698)

Investee	Shareholding percentage (%)	2012 Carrying value	2012 Investment loss
Inventec Energy Corporation	44.36	$ 324,861	(48,361)
WinMEMS Technologies Holdings Co., Ltd.	-	-	(15,227)
Speed Tech Corp.	-	-	(14,751)
		$ 324,861	(78,339)

1. The details of additions (deductions) for the years ended December 31, 2011 and 2012 to long-term investments under equity method were as follows:

Investee	2011 Shareholding (in thousands)	2011 Amount	2011 Remark	2012 Shareholding (in thousands)	2012 Amount	2012 Remark
Inventec Energy Corporation	19,757	$ 210,668	(Note 3)	22,832	287,591	(Note 1)
Speed Tech Corp.	-	-		(61,500)	(188,991)	(Note 2)
WinMEMS Technologies Holdings Co., Ltd.	-	-		(19,100)	(40,919)	(Note 4)
		$ 210,668			57,681	

Note 1: During the meeting on June 21, 2012, the stockholders of Investec Energy Corporation approved a resolution to reduce capital by 30%. Therefore, the Company's shareholdings in this investee company decreased by 5,927 thousand shares of stock. On July 23, 2012, the Board of Directors of Investec Energy Corporation further approved a resolution to reduce capital, and set July 16, 2012 as the effective date for this capital reduction.

On July 23, 2012, the Board of Directors of Investec Energy Corporation also, approved to increase the capital stock of Investec Energy Corporation in cash, and set November 26, 2012 as the effective date for the capital increase. Therefore, the Company increased its equity investment in this investee by $287,591, divided into 28,759 thousand shares of stock. This additional equity investment increased the percentage of the Company's shareholding in Investec Energy Corporation to 44.36%.

Note 2: For the year ended December 31, 2012, the Company sold for $259,220 its ownership of the shares of stock of Speed Tech Corp., with carrying value of $122,921. The related capital surplus and other equity adjustment arising from this equity investment of $14,248 were proportionately credited based on the disposal ratio. The net gain on disposal of such investment amounted to $150,547 for the year ended December 31, 2012.

As the Company sold its ownership of some shares of stock of Speed Tech Corp., its shareholding percentage in this investee decreased from 26.33% to 9.20%. Such sale resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Because the restriction period of the private placement of the stock of Speed Tech Corp., is ended, the Com-

(Continued)

pany's equity investment in this investee company had been reclassified from long-term investments under equity method to available-for-sale financial assets—current, as discussed further in note 4(b).

Note 3: For the year ended December 31, 2012, the Company reclassified the financial assets carried at cost—noncurrent to long-term investments under equity method, as discussed further in note 4(b).

Note 4: On December 14, 2012, the Board of Directors of WinMEMS Technologies Holdings Co., Ltd., approved a resolution for the liquidation of WinMEMS Technologies Holdings Co., Ltd. and set December 31, 2012 as the effective date for such liquidation.

2. For the years ended December 31, 2011 and 2012, the details of impairment loss incurred from valuation of long-term investments under equity method were as follows:

		2011	2012
Inventec Energy Corporation	$	-	11,701
WinMEMS Technologies Holdings Co., Ltd.		-	34,579
	$	**-**	**46,280**

(g) Property, plant and equipment

1. In 2012, the Consolidated Companies had entered into an agreement to purchase land and buildings from TAROKO TEXTILE CORPORATION for $1,080,000. The registration process for the transfer to the Company of the ownership of these land and buildings was completed as of July 17, 2012. Another, the Consolidated Companies had entered into an agreement to purchase land and buildings from BEST FRIEND TECHNOLOGY CO., LTD. for $1,250,000. As of December 31, 2012, the registration process for the transfer to the Consolidated Companies of the ownership of these land and buildings was not yet completed.

2. As of December 31, 2011 and 2012, the details of accumulated depreciation were as follows:

		2011	2012
Buildings	$	162,011	189,774
Machinery and equipment		2,096,658	2,993,277
Factory and equipment		834,662	1,046,039
Office equipment		59,247	92,511
Other equipment		80,713	165,748
	$	**3,233,291**	**4,487,349**

For the years ended December 31, 2011 and 2012, capitalized interest expenses amounted to $48,311 and $20,106, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.38%~1.79% and 1.67%~1.79%, respectively.

(Continued)

(h) Intangible assets

The movements in intangible assets for the years ended December 31, 2011 and 2012 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Original cost:					
Balance as of January 1, 2011	$	46,005	146,004	2,911	194,920
Additions		-	34,803	3,668	38,471
Disposal		-	(35,212)	(1,591)	(36,803)
Other (Note)		-	4,268	-	4,268
Balance as of December 31, 2011		46,005	149,863	4,988	200,856
Additions		-	14,242	450	14,692
Disposal		-	(42,061)	(3,518)	(45,579)
Other (Note)		-	570	-	570
Balance as of December 31, 2012	**$**	**46,005**	**122,614**	**1,920**	**170,539**

		Technical know-how	Computer software and information systems	Others	Total
Accumulated amortization:					
Balance as of January 1, 2011		639	61,046	709	62,394
Amortization		3,834	49,844	3,935	57,613
Disposal		-	(35,212)	(1,591)	(36,803)
Balance as of December 31, 2011		4,473	75,678	3,053	83,204
Amortization		3,834	44,595	1,777	50,206
Disposal		-	(42,061)	(3,518)	(45,579)
Balance as of December 31, 2012	**$**	**8,307**	**78,212**	**1,312**	**87,831**

		Technical know-how	Computer software and information systems	Others	Total
Carrying value:					
Balance on December 31, 2011	**$**	**41,532**	**74,185**	**1,935**	**117,652**
Balance on December 31, 2012	**$**	**37,698**	**44,402**	**608**	**82,708**

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

(i) Short-term borrowings

As of December 31, 2011 and 2012, the unused bank credit line for short-term borrowings amounted to $3,746,195 and $3,828,626, respectively. As of December 31, 2011 and 2012, the unused bank credit line for short-term borrowings and long-term borrowings amounted to $0 and $100,000, respectively.

(j) Long-term borrowings

As of December 31, 2011 and 2012, the details of long-term borrowings were as follows:

(Continued)

Nature	2011 Amount	2011 Annual interest rate (%)	2012 Amount	2012 Annual interest rate (%)
Syndicated loan agreement:				
China Development Industrial Bank and other twelve banks (Note 1)	$ 1,503,127	1.74~1.80	744,006	1.79~1.84
Mega International Commercial Bank and other sixteen banks (Note 2)	3,626,000	1.60~1.70	4,800,000	1.62~1.73
Less: Unamortized issuing cost	(16,588)		(12,476)	
Subtotal	5,112,539		5,531,530	
Secured loans	723,755	1.69~2.14	297,332	1.69~2.14
Unsecured loans	655,000	1.59~1.78	1,380,000	1.62~1.78
Total	6,491,294		7,208,862	
Less: current portion	(1,007,672)		(1,650,185)	
	$ 5,483,622		5,558,677	

As of December 31, 2011 and 2012, the unused credit lines for long-term borrowings amounted to $1,399,000 and $1,914,000, respectively. As of December 31, 2011 and 2012, the unused bank credit lines for long-term and short-term borrowing were disclosed further in note 4(i). The collateral for these long-term borrowings is disclosed in note 6.

Note 1: 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 NT$2,810,000 and is to be due in March 2015.

The significant terms of this syndicated loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is $900,000, and it is not a revolving loan. This is intended to repay an existing loan (including the amount used to finance the purchase of land and buildings) and for operation working capital.

(b) Tranche B: medium-term secured loans. The credit facility is $1,491,105, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

(c) Tranche C: medium-term secured loans. The credit facility is $418,895, and it is not a revolving loan. This is intended for the purchases of machinery and equipment.

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

(a) At the end of the semi-annual and annual reporting period, the current ratio shall not be lower than 100%, liability ratio (Liabilities/Net asset value) shall not be higher than 100%, interest coverage ratio shall not be lower than 200%, and net equity shall not be lower than $3,500,000.

(b) The collections of accounts receivable of the Company and its subsidiaries from 11 key customers and any other customers must be deposited into the foreign currency account with the managing bank. The deposit of such collections must exceed $100,000 every quarter starting from the first 3 months after the initial drawdown of the credit facility on Tranche A. If this covenant is breached, the Company should provide another set of accounts receivables from other customers to be identified by the managing bank, otherwise, the credit terms will be cancelled.

(c) The Company's production of GaAs wafers must reach 4,000 pieces per month and its quarterly rev-

(Continued)

enue must exceed $500,000 before the Tranche A credit facility or the funding period of the loan is fully consummated, whichever comes first.

On December 29, 2011, the Company signed the initial supplementary contract of a seven-year syndicated loan agreement with China Development Industrial Bank and other twelve banks. The significant terms and conditions of this supplementary contract are as follows:

(a) At the end of the semi-annual and annual reporting period, the 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 assets shall not be lower than $6,000,000 starting from the effective date of the supplementary contract.

(b) Except for the amended financial covenant as described above, the other financial covenants and restrictions of the original seven-year syndicated loan agreement will remain to be effective.

As of December 31, 2011 and 2012, the Company was in compliance with the above financial covenants and restrictions.

Note 2: In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 and is due in February 2018.

The significant terms of this loan agreement are as follows:

(a) Tranche A: medium-term secured loans. The credit facility is $3,000,000 and it is not a revolving loan. This is intended to repay an existing loan and for the purchases of machinery and equipment.

(b) Tranche B: medium-term secured loans. The credit facility is $1,800,000, and it is a revolving loan. This is intended for operation working capital.

The related financial covenants and restrictions for the syndicated loan mentioned above were as follows: At the end 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, 2011 and 2012, the Company was in compliance with the above covenants and restrictions.

(k) Pension plans

Net retirement plan liabilities based on the actuarial calculation as of December 31, 2011 and 2012, were as follows:

(Continued)

	2011	2012
Benefit obligation:		
Vested benefit obligation	$ -	(14,560)
Nonvested benefit obligation	(26,456)	(37,490)
Accumulated benefit obligation	(26,456)	(52,050)
Projected effects of salary adjustments	(27,794)	(31,843)
Projected benefit obligation	(54,250)	(83,893)
Plan assets at fair value	32,673	33,654
Funding status	(21,577)	(50,239)
Unrecognized prior service cost	-	3,698
Unrecognized net transaction obligation	105	88
Unrecognized pension losses	17,226	25,546
Accrued pension liabilities	**$ (4,246)**	**(20,907)**

For the years ended December 31, 2011 and 2012, the vested benefit obligation amounted to $0 and $14,560, respectively.

The components of net periodic pension cost for 2011 and 2012 were as follows:

	2011	2012
Service cost	$ 1,710	1,744
Interest cost	841	1,085
Actual return on plan assets	(384)	(318)
Amortization	277	14,813
Net pension cost	**$ 2,444**	**17,324**

Actuarial assumptions at December 31, 2011 and 2012 were as follows:

	2011	2012
Discount rate	2.00%	1.75%
Rate of increase compensation	4.00%	4.00%
Expected long-term rate of return on plan assets	2.00%	1.75%

For the years ended December 31, 2011 and 2012, the details of the pension cost were as follows:

	2011	2012
Defined benefit pension plan cost	$ 2,444	17,324
Defined contribution pension plan cost	35,895	40,335

(Continued)

(l) Income tax

1. Each consolidated entity files its own separate income tax return. The Company is subject to ROC income tax at a maximum rate of 17% for the years ended December 31, 2011 and 2012. Also, the Company calculated the amounts of the basic tax in accordance with the "Income Basic Tax Act". WIN SEMI. USA, INC., a consolidated subsidiary, is subject to income tax at a maximum rate of 39%.

2. The components of income tax expense (benefit) for the years ended December 31, 2011 and 2012 were as follows:

	2011	2012
Current income tax expense	$ 191,224	130,460
Deferred income tax expense (benefit)	(300,103)	150,351
Income tax expense (benefit)	**$ (108,879)**	**280,811**

3. The deferred income tax expense (benefit) for the years ended December 31, 2011 and 2012 were as follows:

	2011	2012
Investment tax credits	$ 142,036	116,724
Loss carry-forwards	705	162,475
Pension expenses adjusted for tax purpose	(300)	(2,832)
Depreciation expenses adjusted for tax purposes	(10,513)	(8,564)
Provision of allowance for inventory obsolescence	(448)	(4,447)
Unrealized valuation loss or gain on financial assets	(105,692)	(27,527)
Unrealized exchange loss or gain	(10,418)	1,644
Unrealized commission expense	(1,097)	(545)
Unrealized cost of goods sold	(2,905)	(2,127)
Unrealized sales discount and allowance	(928)	(311)
Unrealized investment loss or gain recognized under equity method	12,546	(2,280)
Valuation allowance for deferred income tax assets	(323,089)	(81,859)
Deferred income tax expense (benefit)	**$ (300,103)**	**150,351**

4. The income tax calculated on pre-tax financial income at statutory rate was reconciled with income tax expense as reported in the accompanying consolidated statements of operations for the years ended December 31, 2011 and 2012, as follows:

(Continued)

	2011	2012
Income tax calculated on pre-tax financial income at statutory income tax rate	$ 198,854	327,818
Investment tax credits	(35,601)	14,388
Research and development tax credits according to “Industrial Innovation Act”	(22,527)	(29,589)
Loss (gain) on disposal of investment	(31)	14,774
Dividend income	(13,343)	(2,706)
Meal expense disallowed for tax reporting purposes	1,421	1,734
Disposal of long-term investments under equity method adjusted for tax purposes	-	(18,592)
Impairment loss on financial assets	-	3,200
Discrepancy caused by different tax rates applied to the Company’s subsidiaries	20	20
Investment loss recognized under equity method (domestic)	15,248	10,729
10% surtax on unappropriated earnings	66,429	41,021
Others	3,740	(127)
Valuation allowance for deferred income tax assets	(323,089)	(81,859)
Income tax expense (benefit)	**$ (108,879)**	**280,811**

5. The components of the deferred income tax assets (liabilities) as of December 31, 2011 and 2012 were as follows:

	2011	2012
Deferred income tax assets (liabilities)—current		
Allowance for obsolete inventories	$ 12,560	17,007
Unrealized commission expense	3,583	4,128
Unrealized cost of goods sold	2,905	5,032
Unrealized sales discount and allowances	1,210	1,521
Unused investment tax credits	115,704	182,880
Unused loss carry-forwards	162,475	-
Unrealized exchange loss (gain)	1,022	(622)
Unrealized valuation loss on financial assets	61,022	88,549
Deferred income tax assets, net—current	**$ 360,481**	**298,495**
Deferred income tax assets (liabilities)—noncurrent		
Unused investment tax credits	$ 183,900	-
Unrealized pension expense for tax purpose	719	3,551
Unrealized investment income recognized under equity method	(7,732)	(5,452)
Difference in depreciation expense between financial and tax purposes	(4,669)	3,895
Others	(628)	-
Less: Valuation allowance for deferred income tax assets	(81,859)	-
Deferred income tax assets, net—noncurrent	**$ 89,731**	**1,994**

(Continued)

6. According to the ROC Income Tax Act, operating loss can be carried forward for 10 consecutive years to reduce future taxable income. As of December 31, 2012, the Company had no unused loss carry-forwards.

7. The Company was granted investment tax credits for investment in research and development expenditures according to “Industrial Innovation Act”. The investment tax credits can be used to reduce the income liability in the current year at an amount not exceeding 30% of the income tax liability. Also, the Company was granted investment tax credits for investment in certain high-tech industries for purchases of automatic machinery and equipment, for expenditures in research and development and employee training, and the Company’s investment in Emerging Industry. These investment tax credits can be used to reduce the income tax liability in the current year and in the following four years at an amount not exceeding 50% of the income tax liability for each year during the first four years, with full utilization of the balance of the remaining unused investment tax credits in the final year. As of December 31, 2012, unused investment tax credits available to the Company were as follows:

Year granted	Unused investment tax credits	Expiry year
2009 (assessed)	$ 86,074	2013
2010 (assessed)	57,915	2014
2011 (filed)	38,891	2015
	$ 182,880	

8. Imputation credit account (ICA) and creditable ratio

	December 31 2011	December 31 2012
Unappropriated earnings after 1997	$ 1,942,901	2,673,744
ICA	$ 90,149	158,741

	2011	2012
Creditable ratio for earnings distributed to domestic shareholders	14.45% (actual)	10.71% (estimated)

9. As of December 31, 2012, the Company’s income tax returns have been assessed by the local tax authorities through 2010, with no additional tax liabilities.

(m) Stockholders’ equity

1. Common stock

As of December 31, 2011 and 2012, the Company’s authorized share capital consisted of 1,000,000 thousand shares of common stock, with $10 dollars par value per share, of which 648,593 thousand shares and 754,188 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 for employee stock options.

(Continued)

In 2011 and 2012, the Company had issued 19,345 thousand shares and 5,595 thousand shares resulting from the exercise of employee stock options. The aforementioned stock issuance was authorized by and registered with the government authorities.

On October 27, 2011, the Company's Board of Directors approved to increase the common shares of stock in cash of $116,800 by issuing 11,680 thousand shares with $10 dollars par value per share. The aforementioned capital increase in cash was approved by and registered with the government authorities on December 9, 2011.

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

2. Capital surplus, legal reserve, and restrictions on appropriations of earnings

(1) Capital surplus:

According to the amended Company Act which was announced in January 2012, capital surplus should not be used except for covering the accumulated deficit or loss of the Company. The capital surplus includes the premium from issuance of shares over their par value and the income from endowments received. In addition, if the capital surplus is capitalized, the combined amount of any portions capitalized in any one year may not exceed 10% of the paid-in capital in accordance with the "Criteria Governing the Offering and Issuance of Securities by Securities Issuers".

(2) Legal reserve:

According to the amended Company Act which was announced in January 2012, the Company must retain 10% of its annual income as a legal reserve until such retention equals the amount of the paid-in capital. If it has no accumulated deficit, the Company may, in pursuant to a resolution approved by its stockholders, distribute its legal reserve by issuing new shares or cash for the portion in excess of 25% of the paid-in capital.

(3) 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 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

(Continued)

order to sustain its long-term capital needs and thereby maintain continuous development and steady growth.

On June 10, 2011 and June 5, 2012, respectively, the Company's stockholders approved a resolution to appropriate its earnings for 2010 and 2011 as follows:

		2010	2011
Cash dividends	$	513,291	518,874
Bonuses to employees		58,100	92,900
Remuneration to directors and supervisors		17,400	27,800

The above-mentioned appropriations of earning for 2010 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.

As of December 31, 2011 and 2012, the Company accrued and recognized employees' bonus amounting to $92,900 and $167,000, respectively, and directors' and supervisors' remuneration amounting to $27,800 and $50,100 respectively. The difference between the actual appropriation of 2011 and 2012 earnings for employees' bonus and directors' emoluments as approved in the shareholders' meeting and those recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized in profit or loss of the following year when the shareholders approved the appropriations of those earnings. In addition, the number of shares distributed to employees as 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.

3. Employee stock options:

The Company's Board of Directors approved a resolution to issue employee stock options, with the right for each unit of the options to purchase one share of the Company's common stock. 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)
2006:							
- 1st package	2006.11.30	-	2006.12.25	5 years	10,000,000	730,000	10.0
- 2nd package	2006.11.30	-	2007.07.20	〃		9,270,000	10.0
2007	2007.06.15	-	2007.07.16	〃	10,000,000	10,000,000	10.0
2008	2008.10.28	-	2009.08.20	7 years	10,000,000	10,000,000	10.0
2009	2009.08.21	2009.09.22	2009.09.30	5 years	20,000,000	20,000,000	9.9
2010	2010.07.05	2010.09.28	2011.01.26	〃	10,000,000	10,000,000	25.0

(Continued)

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

	Issued in 2006	Issued in 2007	Issued in 2008	Issued in 2009	Issued in 2010
Grant date	-	-	50%	-	-
Over one year	40%	25%	100%	-	-
Over two years	100%	50%	100%	60%	60%
Over three years	100%	75%	100%	100%	100%
Over four years	100%	100%	100%	100%	100%
Over five years	100%	100%	100%	100%	100%
Over six years	-	-	100%	-	-
Over seven years	-	-	100%	-	-

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
Price of each share (dollars)	$ 27.10	27.10
Expected life	2 years	3 years
Market value of per share (dollars)	$ 27.02	27.02
Expected volatility	31.25%	31.25%
Risk free interest rate	0.73%	0.86%

For the years ended December 31, 2011 and 2012, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2011		2012	
	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)
Outstanding at the beginning	27,824	$ 10.50	17,891	$ 18.41
Granted	10,000	25.50	-	-
Exercised	(19,345)	10.06	(5,595)	9.90
Expired	(588)	-	(911)	-
Outstanding at the end	17,891	18.41	11,385	21.76

For the years ended December 31, 2011 and 2012, the compensation cost for employee stock options amounted to $160,569 and $66,992, respectively, which had been recorded under cost of goods sold and operating expenses in accordance with SFAS No. 39.

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

(Continued)

	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

The Company's employee stock options issued in 2006 through 2007 were recorded as compensation cost using the intrinsic value method. Under SFAS No. 39 the pro-forma net income and EPS for the year ended December 31, 2011 were as follows:

		2011
Net Income	Net income in statements of operations	$ 1,278,610
	Compensation cost	(105)
	Pro-forma net income	**$ 1,278,505**
Basic EPS (dollars)	EPS in statements of operations (after income tax)	2.04
	Pro-forma EPS	2.04
Diluted EPS (dollars)	EPS in statements of operations (after income tax)	1.99
	Pro-forma EPS	1.99

As of December 31, 2012, all of the Company's employee stock options issued in 2006 through 2007 had matured, so that no pro-forma information was disclosed.

(Continued)

(n) Earnings per share

For the years ended December 31, 2011 and 2012, the Company's earnings per share were calculated as follows:

(Shares expressed in thousands)

	2011 before income tax	2012 before income tax
Basic earnings per share		
Net income	$ 1,169,707	1,928,316
Weighted-average number of shares outstanding during the year	625,342	672,994
Basic earnings per share (dollars)	$ 1.87	2.87
Diluted earnings per share		
Net income	$ 1,169,707	1,928,316
Weighted-average number of shares outstanding during the year	625,342	672,994
Employees' bonuses	4,932	6,064
Employee stock options	11,247	5,831
Weighted-average number of shares outstanding during the year - diluted	641,521	684,889
Diluted earnings per share (dollars)	$ 1.82	2.82

	2011 after income tax	2012 after income tax
Basic earnings per share		
Net income	$ 1,278,610	1,647,529
Weighted-average number of shares outstanding during the period	625,342	672,994
Basic earnings per share (dollars)	$ 2.04	2.45
Diluted earnings per share		
Net income	$ 1,278,610	1,647,529
Weighted-average number of shares outstanding during the year	625,342	672,994
Employees' bonuses	4,932	6,064
Employee stock options	11,247	5,831
Weighted-average number of shares outstanding during the year - diluted	641,521	684,889
Diluted earnings per share (dollars)	$ 1.99	2.41

(Continued)

(o) Disclosure of financial instruments

1. Fair value of financial instruments

(1) The fair values of financial assets and liabilities evaluated by the Consolidated Companies using public quote or a valuation method were as follows:

	2011			2012		
		Fair value			Fair value	
	Carrying value	Public quote value	Assessment value	Carrying value	Public quote value	Assessment value
Nonderivative financial instruments:						
Financial assets:						
Cash and cash equivalents	$ 799,376	-	799,376	3,025,657	-	3,025,657
Financial assets at fair value through profit or loss —funds	621,452	621,452	-	620,452	620,452	-
Financial assets at fair value through profit or loss —stocks	957,190	957,190	-	855,645	855,645	-
Financial assets at fair value through profit or loss —convertible bonds	21,350	21,350	-	25,075	25,075	-
Available-for-sale financial assets—current	-	-	-	512,068	512,068	-
Available-for-sale financial assets—noncurrent	228,417	228,417	-	143,774	143,774	-
Financial assets carried at cost—noncurrent	485,306	-	-	351,457	-	-
Investment in bonds with no active market—noncurrent	344,783	-	-	534,783	-	-
Notes and accounts receivable	652,822	-	652,822	1,049,355	-	1,049,355
Other financial assets—current	129,850	-	129,850	231,072	-	231,072
Restricted assets—noncurrent	23,284	-	23,284	23,423	-	23,423
Stock conversion option	15,217	-	-	15,217	-	-
Financial liabilities:						
Accounts payable	1,090,011	-	1,090,011	1,121,867	-	1,121,867
Accrued expense, payable on equipment and other current liabilities	967,999	-	967,999	813,882	-	813,882
Long-term borrowings (including current portion)	6,491,294	-	6,491,294	7,208,862	-	7,208,862
Off-balance-sheet financial instruments:						
Letters of credit	-	-	171,392	-	-	129,048
Derivative financial instruments:						
Financial liabilities:						
Forward exchange contracts	-	-	-	417	-	417

2. Methods and assumptions to measure the fair value of financial instruments

(1) As the maturity dates of short-term financial instruments, including cash and cash equivalents, notes and accounts receivable, other financial assets—current, restricted assets, accounts payable, accrued expenses, payable on equipment and other current liabilities are within one year of the balance sheet date, their book value is considered to be a reasonable basis for assessing their fair value.

(2) If publicly quoted market prices of financial assets and liabilities are available, then quoted price is adopted as the fair value. If market prices are not available, a valuation technique is adopted to determine the fair value. When adopting a valuation technique, the estimates and assumptions used are consistent with those used by financial market participants in setting prices for financial instruments.

(3) Financial assets carried at cost have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Therefore, no fair value is presented.

(Continued)

(4) Long-term borrowings: As these borrowings bear floating interest rates which are calculated based on the prevailing market rate adjusted by the Company's credit spread, their fair value was estimated to be close to their carrying value.

(5) The fair value of investment in bonds with no active market is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques are identical to those adopted by other market participants.

(6) The fair value of letters of credit is based on the amount of the contract.

(7) The fair values of derivative financial instruments are assessed by valuation techniques. When adopting a valuation technique, the estimates and assumptions are close to those used by financial participants when setting prices for the financial instruments.

3. Disclosure of financial risks

(1) Market risk

The open-end mutual funds and securities held by the Consolidated Companies were measured at fair value and were recorded as financial assets at fair value through profit or loss and available-for-sale financial assets, respectively. Therefore, the Consolidated Companies bear the risk of changes in market price.

The Consolidated Companies are exposed to foreign currency risk on accounts receivables which are denominated in a currency other than New Taiwan dollars. However, this foreign currency risk will most likely be offset by the same risk related to those accounts payables which are denominated in a foreign currency. Therefore, the Consolidated Companies believe those exposures to foreign currency risk are low.

(2) Credit risk

The Consolidated Companies are exposed to potential credit risk through cash and cash equivalents, forwards, securities, and accounts receivable. Cash is deposited in different financial institutions. The Consolidated Companies own securities by purchasing publicly traded stocks. Derivative counterparties are limited to high-credit-quality financial institutions. However, the credit risk involving cash, derivatives and securities is not expected to be significant.

As of December 31, 2011 and 2012, the Consolidated Companies' notes and accounts receivables were concentrated on 5 and 4 customers, whose accounts represented 66% and 64% of total accounts receivables, respectively. In order to reduce the credit risk on these accounts receivable, the Consolidated Companies continues to evaluate the financial status of these customers and request for collaterals when necessary. The Consolidated Companies evaluates the possible loss on accounts receivables periodically and accrues allowance for doubtful accounts, if necessary. Historically, bad debt expense has always been under management's expectation.

(Continued)

(3) Liquidity risk

The Consolidated Companies' capital and operating funds are sufficient to fulfill all obligations. Therefore, the Consolidated Companies' management believes that they do not have any significant exposure to liquidity risk.

(4) Cash-flow risk related to the fluctuation of interest rates

The Company's short-term borrowings and long-term borrowings bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. If the market interest rate increases by 1%, the Company's future yearly cash outflow would increase by approximately $72,089.

(5) Transactions with Related Parties

(a) Name and relationship of related parties

Name	Relationship
HIWIN Technologies Corp.	The vice-president is the Company's president
WinMEMS Technologies Co., Ltd.	The president is the Company's president
Directors, supervisors, general managers and vice general managers	Key management of the Consolidated Companies

(b) Significant transactions with related parties

1. Probe cleaning service and rent revenue

For the year ended December 31, 2011, the Company had provided probe cleaning service and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, which were billed monthly and were recorded as other income, amounted to $1,140 and $4,444, respectively. As of December 31, 2011, the receivables arising from these transactions were fully collected.

For the year ended December 31, 2012, the Company had provided probe cleaning service and leasing of office space to WinMEMS Technologies Co., Ltd. The service income and rental income, which were billed monthly and were recorded as other income, amounted to $1,140 and $3,846, respectively. As of December 31, 2012, the receivables arising from these transactions were fully collected.

2. Property transaction

For the years ended December 31, 2011 and 2012, the Company purchased machinery from HIWIN Technologies Corp. worth $4,945 and $0, respectively. As of December 31, 2011 and 2012, the accounts payable arising from this transaction amounted to $580 and $0, respectively.

(c) Key management compensation

For the years ended December 31, 2011 and 2012, the remuneration of the Consolidated Companies' directors, supervisors, CEO and vice presidents were as follows:

(Continued)

		2011	2012
Salary	$	92,560	97,805
Bonus and special allowances		23,415	57,054
Other bonus		23,071	41,185

Please see note 4(m) for the details of the above remuneration, including estimated employees' bonus and directors' and supervisors' remuneration.

(6) Pledged Assets

The book values of the pledged assets as of December 31, 2011 and 2012 were as follows:

Pledged assets	Object		2011	2012
Restricted assets — noncurrent	Gas deposits	$	3,000	3,000
Restricted assets — noncurrent	Customs guarantee		20,284	20,423
Land	Long-term borrowings		599,602	1,562,729
Buildings	Long-term borrowings		554,635	527,100
Machinery and equipment	Long-term borrowings		4,337,722	4,358,130
Factory and equipment	Long-term borrowings		575,545	1,080,163
Office equipment	Long-term borrowings		8,930	4,417
Other equipment	Long-term borrowings		3,878	2,544
Construction in progress	Long-term borrowings		450,650	136,727
Prepayment for purchases of equipment	Long-term borrowings		562,734	242,570
		$	7,116,980	7,937,803

(7) Commitments and Contingencies

(a) As of December 31, 2011 and 2012, the unused letters of credit amounted to $171,392 and $129,048, respectively.

(b) As of December 31, 2011 and 2012, the Company entered into agreements to purchase land and buildings, construction of buildings and purchase of machinery equipment with contract prices aggregating to $2,025,976 and $2,668,810, of which $415,788 and $1,090,152, respectively, were unpaid.

(c) In 2010, the Company, together with a non-related party/entity, had jointly entered into a technical development cooperation agreement with the Ministry of Economic Affairs, which is effective until April 30, 2011. Under this agreement, the Company receives a cost reimbursement of $5,500 for every stage of development of solar generator carrier (including other cost reimbursement of $1,980 for a non-related party/entity).

(d) In 2008, the Company had entered into a syndicate loan agreement with China Development Industry Bank and the other thirteen banks. For the related commitments, please refer to note 4(j) under long-term borrowings.

(Continued)

(e) In 2011, the Company had entered into a syndicate loan agreement with Mega International Commercial Bank and the other seventeen banks. For the related information, please refer to note 4(j) under long-term borrowings.

(f) In order to obtain bank loans, the Company had issued promissory notes amounting to US$25,000 and NT$12,915,105 for the year ended December 31, 2011, and US$27,000 and NT$12,765,105 for the year ended December 31, 2012.

(8) Important Damage Losses: None.

(9) Important Subsequent Events: None.

(10) Others

(a) Total personnel expenses, depreciation and amortization for the years ended December 31, 2011 and 2012 were as follows:

	2011 Cost of goods sold	2011 Operating expenses	2011 Total	2012 Cost of goods sold	2012 Operating expenses	2012 Total
Personnel expenses						
Salaries	$ 679,553	335,423	1,014,976	855,791	482,360	1,338,151
Insurance	51,692	21,901	73,593	59,330	24,460	83,790
Pension	25,806	12,533	38,339	29,188	28,471	57,659
Others	65,616	139,198	204,814	50,063	64,473	114,536
Depreciation	911,327	64,642	975,969	1,166,865	89,947	1,256,812
Amortization	19,365	38,248	57,613	17,560	32,646	50,206

(b) Reclassification

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2011 have been reclassified to conform to the presentations of the financial statements as of and for the year ended December 31, 2012 for purposes of comparison. These reclassifications do not have a significant impact on the consolidated financial statements.

(c) The significant foreign currency financial assets and liabilities were as follows:

	2011 Foreign Currency	2011 Exchange rate	2011 NT$	2012 Foreign Currency	2012 Exchange rate	2012 NT$
Financial assets						
Monetary						
USD	$ 42,199	30.28	1,277,801	129,249	29.04	3,753,382
EUR	164	39.18	6,416	568	38.49	21,864
JPY	155,644	0.3906	60,795	5,251	0.3364	1,769
GBP	9	46.73	430	30	46.83	1,414
HKD	66	3.90	256	64	3.75	242
			$ 1,345,698			3,778,671

(Continued)

	2011 Foreign Currency	2011 Exchange rate	2011 NT$	2012 Foreign Currency	2012 Exchange rate	2012 NT$
Non-monetary						
USD	$ 3,608	30.28	$ 109,253	2,374	29.04	73,186
Financial liabilities						
Monetary						
USD	$ 19,291	30.28	584,126	16,317	29.04	473,849
EUR	355	39.18	13,900	260	38.49	10,004
JPY	522,534	0.3906	204,102	474,890	0.3364	159,754
GBP	13	46.73	613	10	46.83	482
			$ 802,741			644,089

(d) Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the FSC announced the “Framework for Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the TSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the ARDF and issued by the FSC. To comply with this framework, a project team was set up for purposes of carrying out a plan to adopt the IFRSs. Leading the implementation of this plan is the chief of accounting officer of the Company. Among of the key components of the plan, anticipated schedule and status of execution as of December 31, 2012 were as follows:

Plan Content	Responsible Department (or Responsible Person)	Status
Phase 1 - Evaluation: (2010.01.01 ~ 2011.12.31)		
◎ Establish adoption plans and form a special task-force for IFRSs conversion	Accounting Department	Completed
◎ Perform the internal training for employees	Accounting Department	Completed
◎ Compare and analyze the differences between the current Accounting Policies and IFRSs	Accounting Department	Completed
◎ Evaluate proposed adjustments to current Accounting Policies	Accounting Department	Completed
◎ Evaluate the adoption of IFRS 1 - “First-time Adoption of IFRSs”	Accounting Department	Completed
◎ Evaluate adjustments related to information systems and internal controls	Accounting Department, Internal Control Department and IT Department	Completed
Phase 2 - Preparation: (2011.01.01 ~ 2012.12.31)		
◎ Determine how to revise the current Accounting Policies to confirm with IFRSs	Accounting Department	Completed
◎ Determine how to adopt IFRS 1 - “First-time Adoption of IFRSs”	Accounting Department	Completed

(Continued)

Plan Content	Responsible Department (or Responsible Person)	Status
◎ Adjust relevant information systems and internal controls	Accounting Department, Internal Control Department and IT Department	Completed
Phase 3 - Implementation: (2012.01.01 ~ 2013.12.31)		
◎ Test the operation of relevant information systems	IT Department	Completed
◎ Gather information for the preparation of Balance Sheet and Comparative Financial Statements in conformity with IFRSs on the date of first-time adoption	Accounting Department	Completed
◎ Prepare Financial Statements based on IFRSs	Accounting Department	In progress according to the plan

(e) The Consolidated Companies had assessed the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs, as follows:

1) The reconciliation of consolidated balance sheet items as of January 1, 2012.

Items	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Current assets:				
Cash and cash equivalents	$ 799,376	-	799,376	
Financial assets at fair value through profit or loss — current	1,599,992	23,868	1,623,860	(2)
Notes and accounts receivable, net	652,822	-	652,822	
Other financial assets — current	129,850	-	129,850	
Inventories	1,893,835	-	1,893,835	
Other current assets	129,248	-	129,248	
Deferred income tax assets — current	360,481	(360,481)	-	(6)
Noncurrent assets:				
Available-for-sale financial assets — noncurrent	228,417	485,306	713,723	(1),(2)
Financial assets carried at cost — noncurrent	500,523	(500,523)	-	(2)
Long-term investments under equity method	442,289	158,428	600,717	(1),(3)
Investment in bonds with no active market — noncurrent	344,783	-	344,783	
Property, plant and equipment	11,266,742	(1,672,429)	9,594,313	(7)
Long-term prepayments	-	1,672,429	1,672,429	(7)
Intangible assets	117,652	-	117,652	
Other assets	42,942	-	42,942	
Deferred income tax assets — noncurrent	89,731	381,403	471,134	(6)
Total assets	$ 18,598,683	188,001	18,786,684	
Current liabilities:				
Accounts payable	$ 1,090,011	-	1,090,011	
Accrued expenses	721,729	-	721,729	

(Continued)

Items	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Payable on equipment	210,620	-	210,620	
Current portion of long-term borrowings	1,007,672	-	1,007,672	
Other current liabilities	35,650	-	35,650	
Provisions	-	21,777	21,777	(4)
Noncurrent liabilities:				
Long-term borrowings	5,483,622	-	5,483,622	
Deferred income tax liabilities — noncurrent	-	14,740	14,740	(6)
Accrued pension liabilities	4,246	17,331	21,577	(5)
Total liabilities	$ 8,553,550	53,848	8,607,398	
Total stockholders' equity:				
Common stock	$ 6,485,930	-	6,485,930	
Capital surplus	1,707,122	-	1,707,122	
Retained earnings:				
Legal reserve	130,842	-	130,842	
Retained earnings	1,942,901	149,313	2,092,214	
Other stockholders' equity adjustments:				
Cumulated translation adjustments	3,064	(17,175)	(14,111)	(1)
Unrealized gain or loss on financial instruments	(224,726)	2,015	(222,711)	(2)
Total stockholders' equity	$ 10,045,133	134,153	10,179,286	
Total liabilities and stockholders' equity	$ 18,598,683	188,001	18,786,684	

Notes to reconciliation of significant differences as of January 1, 2012:

(1) Under IFRSs, the functional currency of a foreign subsidiary was identified so that an IFRSs adjustment is made to decrease available-for-sale financial assets — noncurrent by $2,855, decrease long-term investments under equity method by $13,452, increase retained earnings by $1,496 and decrease cumulative translation adjustments by $17,175.

(2) Under IFRSs, investment in unlisted and emerging stock companies is measured in accordance with IAS 39. Such measurement resulted in adjustment to decrease financial assets carried at cost — noncurrent by $500,523, increase financial assets at fair value through profit or loss by $23,868, increase available-for-sale financial assets — noncurrent by $488,161, increase unrealized gain or loss on financial instruments by $2,015 and increase retained earnings by $8,651.

(3) Under IFRSs, an adjustment is made for the excess of the investor's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment. This IFRSs adjustment increased long-term investments under equity method by $171,880 and increased retained earnings by the same amount.

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. This adjustment decreased retained earnings by $21,777 and increased provisions by the same amount.

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that an adjustment is made to decrease retained earnings by $17,331 and increase accrued pension liabilities by the same amount.

(Continued)

(6) Under IFRSs, an adjustment is made to decrease deferred income tax assets－current by $360,481, increase deferred income tax assets－noncurrent by $381,403, increase deferred income tax liabilities－noncurrent by $14,740 and increase retained earnings by $6,394.

(7) Under IFRSs, a reclassifying entry is made to decrease construction in progress and prepayment for purchases of equipment by $1,672,429 and increase long-term prepayments by the same amount.

2) The reconciliation of consolidated balance sheet as of December 31, 2012.

Items	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Current assets:				
Cash and cash equivalents	$ 3,025,657	-	3,025,657	
Financial assets at fair value through profit or loss－current	1,501,172	-	1,501,172	
Available-for-sale financial assets－current	512,068	-	512,068	
Notes and accounts receivable, net	1,049,355	-	1,049,355	
Other financial assets－current	231,072	-	231,072	
Inventories	2,101,205	-	2,101,205	
Other current assets	145,801	-	145,801	
Deferred income tax assets－current	298,495	(298,495)	-	(6)
Noncurrent assets:				
Available-for-sale financial assets－noncurrent	143,774	347,506	491,280	(1),(2)
Financial assets carried at cost－noncurrent	366,674	(366,674)	-	(2)
Long-term investments under equity method	324,861	-	324,861	
Investment in bonds with no active market－noncurrent	534,783	-	534,783	
Property, plant and equipment	13,228,466	(1,610,695)	11,617,771	(1),(7)
Long-term prepayments	-	1,610,700	1,610,700	(7)
Intangible assets	82,708	-	82,708	
Other assets	42,867	-	42,867	
Deferred income tax assets－noncurrent	1,994	316,168	318,162	(6)
Total assets	$ 23,590,952	(1,490)	23,589,462	
Current liabilities:				
Financial liabilities at fair value through profit or loss	$ 417	-	417	
Accounts payable	1,121,867	-	1,121,867	
Accrued expense	666,490	-	666,490	
Payable on equipment	96,885	-	96,885	
Current portion of long-term borrowings	1,650,185	-	1,650,185	
Other current liabilities	50,507	-	50,507	
Provisions	-	27,832	27,832	(4)
Noncurrent liabilities:				
Long-term borrowings	5,558,677	-	5,558,677	
Accrued pension liabilities	20,907	29,332	50,239	(5)
Deferred income tax liabilities－noncurrent	-	12,815	12,815	(6)
Total liabilities	$ 9,165,935	69,979	9,235,914	
Stockholders' equity:				

(Continued)

Items	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Common stock	$ 7,541,877	-	7,541,877	
Capital surplus	3,763,045	-	3,763,045	
Retained earnings:				
Legal reserve	258,703	-	258,703	
Special reserve	221,662	-	221,662	
Retained earnings	2,673,744	48,655	2,722,399	
Other stockholders' equity adjustments:				
Cumulated translation adjustments	1,642	(26,383)	(24,741)	(1)
Unrealized gain or loss on financial instruments	(35,656)	(93,741)	(129,397)	(2)
Total stockholders' equity	$ 14,425,017	(71,469)	14,353,548	
Total liabilities and stockholders' equity	$ 23,590,952	(1,490)	23,589,462	

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

	ROC GAAP	Effect of Transition to IFRSs	IFRSs	Note
Net revenue	$ 11,237,964	-	11,237,964	
Cost of goods sold	(7,597,780)	(4,238)	(7,602,018)	
Gross profit	3,640,184	(4,238)	3,635,946	
Operating expenses	(1,182,884)	(4,926)	(1,187,810)	
Operating income	2,457,300	(9,164)	2,448,136	(1),(4),(5)
Non-operating income and gains, and non-operating expenses and losses	(528,960)	(82,160)	(611,120)	(1),(2),(3)
Income before income tax	1,928,340	(91,324)	1,837,016	
Income tax expense	(280,811)	(1,952)	(282,763)	(6)
Net income	$ 1,647,529	(93,276)	1,554,253	
Other comprehensive income for the period, net of tax effect			75,302	(8)
Total comprehensive income for the period			$ 1,629,555	

Notes to reconciliation of the significant differences as of and for the year ended December 31, 2012:

(1) Under IFRSs, the functional currency of a foreign subsidiary is identified so that an IFRSs adjustment is made to decrease available-for-sale financial assets—noncurrent by $4,250, increase retained earnings by $22,139, decrease cumulative translation adjustments by $26,383 and increase property, plant and equipment by $5 as of December 31, 2012. For the year ended December 31, 2012, this adjustment likewise resulted in an increase of exchange gain, net by $20,645, and an increase of cost of goods sold and operating expenses by $2.

(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 to decrease of financial assets carried at cost–noncurrent by $366,674, increase of available-for-sale financial assets–noncurrent by $351,756, decrease of unrealized gain or loss on financial instruments by $93,741, and decrease of retained earnings by $3,612. For the year ended December 31, 2012, this adjustment likewise resulted in an increase in loss on valuation of financial asset, net by $23,868, and an increase of dividend income by $11,605.

(Continued)

(3) Under IFRSs, an adjustment is made for the sale by the Company of its equity ownership in investee accounted for under long-term equity investments and gain on disposal of investment. As of December 31, 2012, this adjustment increased retained earnings by $81,338. For the year ended December 31, 2012, this adjustment likewise resulted in an increase of loss on disposal of investment, net by $90,542.

(4) Under IFRSs, an adjustment is made to recognize the accumulated compensated absences. As of December 31, 2012, this adjustment caused a decrease in retained earnings by $27,832 and increase of provisions by the same amount. For the year ended December 31, 2012, this adjustment likewise resulted in an increase of cost of goods sold and operating expenses by $6,055.

(5) Under IFRSs, an actuarial valuation of pension liability under IFRSs is made. The actuarial valuation disclosed a valuation difference so that as of December 31, 2012, an adjustment is made to decrease retained earnings by $29,332 and increase accrued pension liabilities by the same amount. For the year ended December 31, 2012, this adjustment likewise resulted in an increase of pension expense by $3,107.

(6) Under IFRSs, as of December 31, 2012, an adjustment is made to decrease deferred income tax assets—current by $298,495, increase deferred income tax assets-noncurrent by $316,168, increase deferred income tax liabilities—noncurrent by $12,815 and increase retained earnings by $5,954. For the year ended December 31, 2012, this adjustment likewise resulted in an increase of income tax expense by $1,952.

(7) Under IFRSs, as of December 31, 2012, a reclassifying entry is made to decrease construction in progress, prepayment for purchases of land and buildings, prepayment for purchases of equipment by $1,610,700 and increase long-term prepayments by the same amount.

(8) Under IFRSs, an adjustment is made to increase other comprehensive income by $75,302.

(f) IFRS 1, “First-time Adoption of International Financial Reporting Standards,” establishes the procedures for the Consolidated Companies in preparing the first consolidated financial statements in accordance with IFRSs. Also, the Consolidated Companies are allowed optional exemptions from adopting certain accounting policies under IFRS 1. Except for those optional exemptions and mandatory exceptions under IFRS 1 , other adjustments are made retrospectively against the opening balance sheet at the date of transition to IFRSs (January 1, 2012; the transition date). The main optional exemption adopted by the Consolidated Companies is in the area of accounting for employee benefits, under which, the Consolidated Companies elected to recognize all cumulative actuarial gains and losses in retained earnings as of January 1, 2012.

(g) The Consolidated Companies’ aforementioned assessment of differences between the current accounting policies of the Consolidated Companies and IFRSs is based on the 2010 version of IFRSs translated by ARDF and the Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by FSC on December 22, 2011. However, this assessment of differences may be affected as FSC may issue new rules governing the adoption of IFRSs, and as new and revised IFRSs standards, amendments or interpretations are issued by the ARDF and approved but are not yet effected by the FSC. Actual accounting policies that maybe adopted under IFRSs in the future may differ from those contemplated in the above assessments.

(Continued)

(11) Other Disclosure Items

(a) Related information on material transaction items:

1. Lending to other parties: None.

2. Guarantees and endorsements for other parties: None.

3. Information regarding securities held:

Company holding securities	Security type and name	Relationship with the Company	Account	Period-end				Maximum shares in midterm		Note
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Market value (or net value)	Shares/Units (in thou-sands)	Percentage of ownership (%)	
The Company	Pegatron Corporation/Stock	None	Financial assets at fair value through profit or loss－current	323	12,129	0.01	12,129	773	0.03	
〃	EPISTAR Corporation /Stock	〃	〃	16,006	843,516	1.72	843,516	16,006	1.72	
〃	I-Chiun Precision Industry Co., Ltd. /Convertible Bond	〃	〃	250	25,075	-	25,075	250	-	
〃	Fuh Hwa Yu Li Money Market Fund	〃	〃	7,635	100,057	-	100,057	12,286	-	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	4,113	50,003	-	50,003	19,540	-	
〃	Union Money Market Fund	〃	〃	10,142	130,101	-	130,101	11,735	-	
〃	Capital Money Market Fund	〃	〃	7,668	120,101	-	120,101	9,645	-	
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	〃	6,863	80,112	-	80,112	9,579	-	
〃	Allianz Global Investors All Seasons Return Fund of Fund	〃	〃	7,239	100,076	-	100,076	7,239	-	
〃	ING Taiwan Money Market Fund	〃	〃	2,524	40,002	-	40,002	2,524	-	
					1,501,172		**1,501,172**			
〃	ITEQ CORPORATION/Stock	None	Available-for-sale financial assets－current	9,298	275,677	2.80	275,677	9,298	2.80	
〃	MAG. LAYERS Scienific-Technics Co., Ltd./Stock	〃	〃	1,931	72,393	2.44	72,393	1,931	2.44	
〃	Solar Applied Materials Technology Corp./Stock	〃	〃	400	14,160	0.10	14,160	698	0.19	
〃	Speed Tech Corp./Stock	〃	〃	12,591	149,838	9.20	149,838	61,500	26.33	
					512,068		**512,068**			
〃	Tainergy Tech Co., Ltd./Stock	None	Available-for-sale financial assets－noncurrent	7,130	**70,589**	3.46	**70,589**	7,130	3.46	
〃	Shin Sheng Ⅲ Venture Capital Investment Corp. /Stock	None	Financial assets carried at cost－noncurrent	15,000	150,000	11.03	(note 1)	15,000	11.03	
〃	Inventec Solar Energy Corporation /Stock	〃	〃	33,000	186,151	11.00	(note 1)	33,000	11.00	
〃	IntelliEPI Inc.(Cayman)/Stock	〃	〃	500	5,306	1.93	(note 1)	500	1.93	
〃	Bright Led Electronics Corp. /Convertible Right	〃	〃	-	15,217	-	(note 4)	-	-	
〃	MagiCap Venture Capital Co., Ltd.-Preferred Stock A	〃	〃	1,000	10,000	0.91	(note 1)	1,000	0.91	
					366,674					
〃	WIN SEMI. USA, INC./Stock	Subsidiary	Long-term investments under equity method	1,000	8,969	100.00	8,969	1,000	100.00	(note 2)
〃	Win Semiconductors Cayman Islands Co., Ltd./Stock	〃	〃	7,000	308,685	100.00	308,685	7,000	100.00	(note 2)
〃	Inventec Energy Corporation /Stock	Common chairman as the Company	〃	42,589	324,861	44.36	324,861	42,589	44.36	(note 2)
					642,515					
〃	Bright Led Electronics Corp. /Convertible Bond	None	Investment in bonds with no active market－noncurrent	4	344,783	-	(note 4)	4	-	
〃	MagiCap Venture Capital Co., Ltd. /Preferred Stock B	〃	〃	19,000	190,000	17.35	(note 1)	19,000	17.35	
					534,783					
Win Semiconductors Cayman Islands Co., Ltd.	Avago Technologies Ltd./Stock	Subsidiary's main client	Available-for-sale financial assets－noncurrent	75	**73,185**	0.03	73,185	75	0.03	

Note 1： The stock is not publicly traded, and has no active market price.

Note 2： The amount was offset in the consolidated statements.

Note 3： The stock is not publicly traded, and has no active market price. Disclosure of the investment of the net equity.

Note 4： The convertible bond was purchased privately, and had no active market price.

(Continued)

4. Information regarding purchase or sale of securities for the period exceeding 100 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				Security cost on 2012.12.31		Gain (loss) on valuation	Ending	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Carrying value	Gain (loss) on disposal	Shares (in thou-sands)	Amount		Shares (in thou-sands)	Amount
The Company	Speed Tech Corp.	Long-term investments under equity mothod (Note 1)	Fortune Share Limited and Da-chin Corp.	None	61,500	203,742	-	-	40,000	259,220	108,673 (note 1)	150,547	12,591 (note 3)	66,070 (note 1)	(14,751) (note 2)	12,591 (note 3)	149,838 (note 4)
〃	Inventec Energy Corporation	〃	-	〃	19,757	293,873	28,759	287,591	5,927 (note 5)	-	-	-	42,589	581,464	(208,314)	42,589	324,861 (note 5)
〃	Polaris Global ETF of Bond Securities Investment Trust Fund	Financial assets at fair value through profit or loss－current	-	〃	10,000	100,000	-	-	10,000	100,280	100,000	280	-	-	-	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	〃	19,540	236,000	18,169	220,000	33,596	406,513	406,000	513	4,113	50,000	3	4,113	50,003
〃	Fuh Hwa Yu Li Money market fund	〃	-	〃	3,843	50,000	23,751	310,000	19,959	260,213	260,000	213	7,635	100,000	57	7,635	100,057
〃	Polaris De- Bao Money Market Securities Investment Trust Fund	〃	-	〃	4,316	50,000	20,746	241,000	18,199	211,234	211,000	234	6,863	80,000	112	6,863	80,112
〃	Fuh Hwa Money Market Fund	〃	-	〃	9,677	135,000	10,724	150,000	20,401	285,492	285,000	492	-	-	-	-	-
〃	Capital Money Market Fund	〃	-	〃	3,216	50,000	18,578	290,000	14,126	220,262	220,000	262	7,668	120,000	101	7,668	120,101
〃	Union Money Market Fund	〃	-	〃	-	-	29,706	380,000	19,564	250,037	250,000	37	10,142	130,000	101	10,142	130,101
〃	Allianz Global Investors All Seasons Return Fund of Fund	〃	-	〃	-	-	7,239	100,000	-	-	-	-	7,239	100,000	76	7,239	100,076
〃	MagiCap Venture Capital Co., Ltd.-Preferred Stock B	Investment in bonds with no active market－noncurrent	-	〃	-	-	19,000	190,000	-	-	-	-	19,000	190,000	-	19,000	190,000

Note 1: For the year ended December 31, 2012, the Company sold for $259,220 its ownership of the shares of stock of Speed Tech Corp., with carrying value of $122,921. The related capital surplus and other equity adjustment arising from this equity investment of $14,248 were credited based on the disposal ratio. The net gain on disposal of such investment amounted to $150,547 for the year ended December 31, 2012, so that its shareholding percentage decreased from 26.33% to 9.20%. Such decrease in ownership resulted in the Company's inability to exercise significant influence over Speed Tech Corp. Because the restriction period of the private placement of the stock of Speed Tech Corp., is ended, the Company's equity investment in this investee company had been reclassified from long-term investments under equity method to available-for-sale financial assets－current, as discussed further in note 4(f).

Note 2: For the year ended December 31, 2012, investment loss under equity method recognized by Speed Tech Corp.

Note 3: On June 15, 2012, the Stockholders meeting of Speed Tech Corp. approved to reduce the capital of Speed Tech Corp. by 41.44%, and set August 14, 2012 as the effective date for this capital reduction. Therefore, the Company's shareholdings in this investee company, decreased by 8,909 thousand shares of stock.

Note 4: As of December 31, 2012, this equity investment was measured at fair value.

Note 5: For the year ended December 31, 2012, the stockholders of Investec Energy Corporation approved a resolution to reduce capital by 30%. Therefore, the Company's shareholdings in this investee company decreased by 5,927 thousand shares of stock. On July 23, 2012, the Board of Directors of Investec Energy Corporation also, approved to increase the capital stock of Investec Energy Corporation in cash, and set November 26, 2012 as the effective date for the capital increase. Therefore, the Company increased its equity investment in Investec Energy Corporation by $287,591, divided into 28,759 thousand shares of stock. This additional equity investment increased the percentage of the Company's shareholding in this investee to 44.36%.

5. Information on acquisition of real estate with purchase amount exceeding 100 million or 20% of the Company's paid-in capital:

Company Name	Types of Property	Transaction Date	Transaction Amount	Payment term	Counter-party	Relationships	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationships	Transfer Date	Amount			
The Company	Land and buildings in Xinpu Township	2012.5.17 (note 1)	1,080,000	Paid	TAROKO TEXTILE CORP.	None	-	-	-	-	Market value	Expansion	-
〃	Land and buildings in Kueishan Hsiang	2012.7.9 (note 1)	1,250,000 (note 2)	By the contract	BEST FRIEND TECHNOLOGY CO., LTD.	〃	-	-	-	-	〃	〃	-

Note1: It is the date of the agreement.

Note2: The Company had paid $700,000 and recorded the payment as prepayment for purchases of land and equipments in 2012. Remainder will be paid by the contract.

6. Information regarding receivables from disposal of real estate exceeding 100 million or 20% of the Company's paid-in capital: None.

(Continued)

7. Information regarding related-party 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	(5,594,381)	(51)%	1~2 Month	-	-	536,618	53%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	WIN Semiconductors Corp.	Parent company	Purchase	5,594,381	100%	1~2 Month	-	-	(536,618)	(100%)	(Note)

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:

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover	Overdue		Amounts Received in Subsequent	Allowance for Bad Debts	Note
					Amount	Action Taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	536,618	13.70%	-	-	536,618	-	(Note)

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

9. Information regarding trading in derivative financial instruments: Please see note 4 (b).

(b) Information on the Company's long-term equity investments:

1. Relevant information about investees:

Name of investor	Name of investee	Location	Main businesses	Original investment amount		Balance as of December 31, 2012			Net Income (loss) of the Investee	Investment income (loss) recognized by the Company	Note
				December 31, 2012	January 1, 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%	8,969	(3,402)	(3,402)	(Note)
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	227,636	227,636	7,000	100.00%	308,685	(10,005)	(10,005)	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	581,464	293,873	42,589	44.36%	324,861	(211,979)	(48,361)	

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

2. Lending to other parties: None.

3. Guarantees and endorsements for other parties: None.

4. Information regarding securities held: Please see note 11(a).

5. Information regarding purchase or sale of securities for the period exceeding 100 million or 20% of the Company's paid-in capital: None.

6. Information on acquisition of real estate for which the purchase amount exceeded 100 million or 20% of the Company's paid-in capital: None.

7. Information regarding receivables from disposal of real estate exceeding 100 million or 20% of the Company's paid-in capital: None.

8. Information regarding related-party purchases and/or sales exceeding 100 million or 20% of the Company's paid-in capital: Please see note 11(a).

9. Information regarding receivables from related parties for which the amount exceeded 100 million or 20% of the Company's paid-in capital: None.

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

(c) Investment in China: None.

(d) Significant transactions and business relationship between parent company and subsidiaries:

1. For the year ended December 31, 2011

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	5,132,866	-	57.66%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	280,103	-	1.51%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	280,103	-	1.51%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	5,132,866	-	57.66%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	45,624	-	0.51%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	45,624	-	0.51%

2. For the year ended December 31, 2012

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	5,594,381	-	49.78%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related party	536,618	-	2.27%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related party	536,618	-	2.27%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Cost of goods sold	5,594,381	-	49.78%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expense	42,588	-	0.38%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	42,588	-	0.38%

Note 1: Company numbering is as follows:
Parent company－0
Subsidiary starts from 1
Note 2: Relationship with transaction party numbering is 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.

(12) Segment Financial Information

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

(Continued)

(b) Segment information by products and services for the years ended December 31, 2011 and 2012, were as follows:

	2011	2012
Revenue		
Revenue from outside customers	$ 8,901,273	11,237,964
Interest Income	813	4,594
Net revenue	$ 8,902,086	11,242,558
Interest expense	$ (58,346)	(102,946)
Depreciation and amortization	(1,033,582)	(1,307,018)
Investment loss recognized under equity method	(114,698)	(78,339)
Impairment loss	-	(190,129)
Assets		
Long-term investments under equity method	442,289	324,861
Capital expenditures in noncurrent assets	3,384,863	3,335,607

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

(c) Industry Financial Information

(1) Geographic area information

The revenue and noncurrent assets were based on where the customers and assets are located.

Revenue from external customers for the years ended December 31, 2011 and 2012 were as follows:

Area	2011 Amount	2012 Amount
America	$ 3,587,464	858,602
Asia	3,068,873	4,711,742
Africa	1,189,250	3,722,053
Taiwan	937,379	1,698,426
Europe	118,307	247,141
Total	**$ 8,901,273**	**11,237,964**

Non—Current Assets

Area	2011 Amount	2012 Amount
Taiwan	$ 11,427,131	13,353,915
America	205	126
Total	**$ 11,427,336**	**13,354,041**

(Continued)

(2) Major customers

For the years ended December 31, 2011 and 2012, sales to customers greater than 10% of net revenue, were as follows:

	2011		2012	
	Net revenue amount	**Percentage of net revenue (%)**	**Net revenue amount**	**Percentage of net revenue (%)**
A company	$ 1,189,250	13	3,722,053	33
B company	1,271,233	14	2,035,327	18
C company	-	-	1,189,765	11
D company	2,291,437	26	1,481	-
	$ 4,751,920	**53**	**6,948,626**	**62**

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	2012	2011	Difference	
			Amount	%
Current Assets	8,615,576	5,389,991	3,225,585	59.84%
Funds and Investments	1,614,561	1,686,042	(71,481)	(4.24%)
Fixed Assets	13,228,340	11,266,537	1,961,803	17.41%
Intangible Assets	82,708	117,652	(34,944)	(29.70%)
Other Assets	44,861	132,673	(87,812)	(66.19%)
Total Assets	23,586,046	18,592,895	4,993,151	26.86%
Current Liabilities	3,581,445	3,059,894	521,551	17.04%
Long-term Liabilities	5,558,677	5,483,622	75,055	1.37%
Other Liabilities	20,907	4,246	16,661	392.39%
Total Liabilities	9,161,029	8,547,762	613,267	7.17%
Capital Stock	7,541,877	6,485,930	1,055,947	16.28%
Capital Surplus	3,763,045	1,707,122	2,055,923	120.43%
Retained Earnings	3,154,109	2,073,743	1,080,366	52.10%
Unrealized Gain (Loss) on Financial Instruments	(35,656)	(224,726)	189,070	84.13%
Cumulative Translation Adjustments	1,642	3,064	(1,422)	(46.41%)
Total Stockholders' Equity	14,425,017	10,045,133	4,379,884	43.60%

7.1.2. Effect of Change on Financial Condition:

1. Current assets: The increase was mainly due to the increase in cash and cash equivalents from fund-raising by GDR issuance and in inventories with business growing.
2. Other assets: The decrease was mainly due to the increase in deferred income tax assets-current driven by the increase in net income before tax.
3. Capital surplus: The increase was mainly due to the 2012 fund-raising with premium.
4. Retained earnings: The increase came from the 2012 net profit.
5. Unrealized loss on financial instruments: The loss decrease was mainly due to M&A activity in the invested company resulted in writing off unrealized loss of the related financial instrument.
6. Cumulative translation adjustments: The decrease was mainly due to a write-off from the disposal of part of investment by the Company and its subsidiary.

7.1.3. Future Response Actions:

The above-mentioned change on financial condition resulted from business growth needed and was reasonable.

7.2. Operating Results

7.2.1. Analysis of Operating Results

Unit: NT$ thousands

Item \ Year	2012	2011	Difference	
			Amount	%
Net Revenue	11,066,244	8,728,814	2,337,430	26.78%
Cost of Goods Sold	(7,597,780)	(6,096,943)	(1,500,837)	24.62%
Gross Profit	3,468,464	2,631,871	836,593	31.79%
Operating Expenses	(1,065,860)	(962,730)	(103,130)	10.71%
Operating Income	2,402,604	1,669,141	733,463	43.94%
Non-operating Income and Gains	64,814	230,280	(165,466)	(71.85%)
Non-operating Expenses and Losses	(539,102)	(729,714)	190,612	(26.12%)
Income Before Income Tax	1,928,316	1,169,707	758,609	64.85%
Income Tax Benefit (Expense)	(280,787)	108,903	(389,690)	(357.83%)
Net Income	1,647,529	1,278,610	368,919	28.85%

7.2.2. Effect of Change on the Company's Future Business:

1. The Company's revenue growth resulted from the Company's diversity in application and continuous expansion in capacity with the growing trend of handset and Wi-Fi demands.
2. Cost of goods sold increased proportionally with the net revenue growth.
3. The decrease in non-operating income and gains was mainly due to the less cash dividends and re-cycle benefits from precious metal than 2011.
4. The decrease in non-operating expenses and losses was mainly due to the less loss on valuation of financial assets than 2012.
5. The increase in Income tax expense was mainly due to more taxable income and less tax credit in 2012.

7.2.3. Future Response Plans:

For long-term operation, the Company has been endeavoring in R&D and working with our customers since established. In consideration of the growth of market demand, the Company expects a sustainable growth in wafer volume in 2013. The Company will also keep investing in new technologies and capacity to cope with the dynamic market and the competition in the future.

7.3. Cash Flow

7.3.1. Cash Flow Analysis for the Current Year

Unit: %

Item \ Year	2012	2011	Variance (%)
Cash Flow Ratio (%)	77.08%	62.29%	23.75%
Cash Flow Adequacy Ratio (%)	54.08%	48.03% (Note)	12.59%
Cash Reinvestment Ratio (%)	9.15%	7.42% (Note)	23.36%
Analysis of financial ratio change: The increase in cash inflows from operating activities was mainly due to the growth of sales revenue in 2012.			

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

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
2,845,717	4,554,448	(4,533,731)	2,866,434	—	—

- 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 2012, our capital expenditures for acquisition of land and buildings is NT$ 1,802,445 thousand, for machinery and equipment is NT$1,050,654 thousand, and for facilities is NT$271,495 thousand.

7.4.2. The Effect on Finance and Sales

The increase in capital expenditures of 2012 was primarily for acquisition of land, building, machine and equipment for capacity expansion. The source of funds came from 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 growth in business is financed 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	(3,402)	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	(10,005)	Win Semiconductors Cayman Islands Co., Ltd. recognized an investment loss in WinMEMS Technologies Holdings Co., Ltd. liquidated in 2012.	—
Inventec Energy Corporation	581,465	44.36	(48,361)	Inventec Energy Corporation (IEC) was experiencing a loss in 2012 due to ASP down over 50% as a result of over-supply in global solar market. With a contribution from US market, IEC has a 37% growth in 2012 revenue with an improving gross margin to -7% from -33% a year before.	Due to the anti-dumping investigation on Chinese solar import products from EU & US as well as the Japanese earthquake, Taiwanese players are enjoying the orders switch. IEC has completed a round of fund-raising in the end of 2012 for capacity expansion in 2013 and enhancement in financial structure.

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 interest expenses of the Company increased to NT$102,947 thousand in 2012 from NT$58,346 thousand in 2011. The increase was primarily reflecting a net increase in bank borrowings for capacity expansion. The interest expenses to net revenues were 0.67% and 0.93% in 2011 and 2012, respectively. The effect of interest rate movements on net income was limited.

In the future, the Company will carefully monitor interest rate movements and adopt proper hedging strategies and other capital markets financing instruments to ensure that our financing costs are at a comparatively low level.

B. Foreign Exchange Rates

The exchange gain (loss) were NT$(19,068) thousand and NT$(42,167) thousand, equivalent to (0.22)% and (0.38)% of net revenue in 2011 and 2012, respectively.

The Company is exposed to foreign currency risk on accounts receivables which are denominated in a currency other than New Taiwan dollars. However, this foreign currency risk will most likely be offset by the same risk related to those accounts payables which are denominated in a foreign currency. Therefore, the Company believes those exposures to foreign currency risk are low.

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". There are no lending to other parties and guarantees and endorsements for other parties transactions up to date.

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 2012 was NT$ 530,409 thousand and expect increased to 588,797 thousand in 2013.

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

Please refer to status of risk management policies and risk evaluation on page 26-27 of this annual report.

B. Disclosure of Financial Risks

1. Market Risk

The open-end mutual funds and securities held by the Company was measured at fair value and were recorded as financial assets at fair value through profit or loss and available-for-sale financial assets, respectively. Therefore, the Company bears the risk of changes in market price.

The Company is exposed to foreign currency risk on accounts receivables which are denominated in a currency other than New Taiwan dollars. However, this foreign currency risk will most likely be offset by the same risk related to those accounts payables which are denominated in a foreign currency. Therefore, the Company believes those exposures to foreign currency risk are low.

2. Credit Risk

The Company is exposed to potential credit risk through cash and cash equivalents, forwards, securities, and accounts receivable. Cash is deposited in different financial institutions. The Company owns securities by purchasing publicly traded stocks. Derivative counterparties are limited to high-credit-quality financial institutions. However, the credit risk involving cash, derivatives and securities is not expected to be significant.

In 2011 and 2012, the Company's accounts receivable turnover rates were 17.23 and 14.55, respectively. The turnover rates were both high and there were no debt expenses in both periods. In order to reduce the credit risk on these accounts receivable, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible loss on accounts 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 Company's capital and operating funds are sufficient to fulfill all obligations. Therefore, the Company's management believes that they do not have any significant exposure to liquidity risk.

4. Cash-flow Risk Related to the Fluctuation of Interest Rates

The Company's short-term borrowings and long-term borrowings bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. If the market interest rate increases by 1% as of Dec. 31, 2012, the Company's yearly cash outflow would increase by approximately NT$72,089 thousand in the following year.

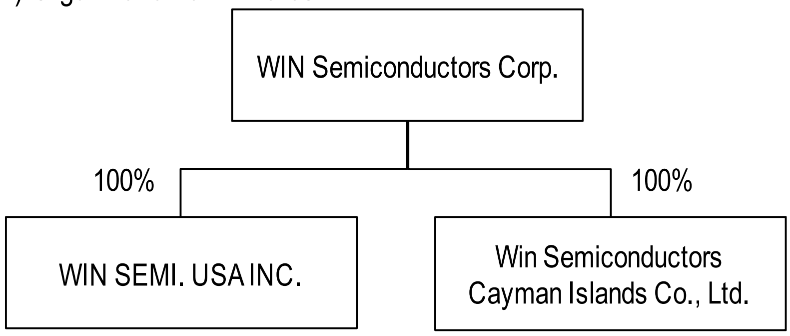
VIII. SPECIAL DISCLOSURE

8.1. Information Regarding Affiliates

8.1.1. Summary of Affiliates

A. Affiliates Overview

(1) Organization of Affiliates



(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 Semicon-ductors 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

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	10,610	1,641	8,969	42,588	(3,379)	(3,401)	(3.40) (Note1)
Win Semicon-ductors Cayman Islands Co., Ltd.	227,636	855,538	546,853	308,685	5,766,101	58,075	(10,005)	(1.43) (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

IX. IF ANY OF THE SITUATIONS LISTED IN ARTICLE 36, PARAGRAPH 2, SUBPARAGRAPH 2 OF THE SECURITIES AND EXCHANGE ACT, WHICH MIGHT MATERIALLY AFFECT SHAREHOLDERS' EQUITY OR THE PRICE OF THE COMPANY'S SECURITIES, HAS OCCURRED DURING THE MOST RECENT FISCAL YEAR OR DURING THE CURRENT FISCAL YEAR UP TO THE DATE OF PRINTING OF THE ANNUAL REPORT

None

WIN Semiconductors Corp.

Chairman: Dennis Chen