Stock Code: 3105

WIN Semiconductors Corp.

2017 Annual Report

Notice to readers

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

Taiwan Stock Exchange Market Observation Post System: http://newmops.twse.com.tw
WIN's website: http://www.winfoundry.com
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Tel: 886-3-397-5999

Fabrication Facilities

Fab A: No.69, Keji 7th Road, Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan 333

Fab B: No.358, Hwaya 2nd Road, Hwaya Technology Park, Guishan District, Taoyuan City, Taiwan 333

Fab C: No.200-5, Shanying Road, Guishan District, Taoyuan City, Taiwan 333

Auditors

Firm: KPMG

Auditors: Yai-Ling Chen and Mei-Yen Chen

Address: 68F, Taipei 101 Tower, No.7, Sec. 5, Xinyi Rd., Taipei, Taiwan 110

Tel: 886-2-8101-6666

Website: http://www.kpmg.com.tw

Stock Transfer Agent

Firm: Registrar Transfer Dept., Grand Fortune Securities Corporation

Address: 6F, No.6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City, Taiwan 100

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Overseas Securities Exchange

Luxembourg Stock Exchange

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

IR Contact

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APPENDIX

I. LETTER TO SHAREHOLDERS

Dear Shareholders,

For WIN, 2017 was both a challenging and a fruitful year. In 2017, apart from continuing strong growth in the area of microwave communications, we began mass production and shipment for optical devices during the second half of the year in response to the development of new consumer products. During the year, our efforts to develop III-V compound semiconductor technology, and to leverage the technology in other fields of applications, began to pay off significantly. Since the company was established in 1999, we have consistently hoped IDM customers worldwide would be able to increase their dependence on our process technology and production capacity, and ultimately decide to outsource all productions to WIN. After a long period of cultivation, at the end of last year, one of our major IDM customers decided to form a strategic alliance with us via private placement, which proved that our longstanding business model was correct. We believe that this kind of cooperation will have a demonstration effect, causing other IDMs to reduce their willingness to expand their capacity, and instead explore the possibility of cooperating with wafer foundries. It's also worth mentioning that Morgan Stanley Capital International (MSCI) formally announced that WIN was included for the first time on its Global Standard Indexes at the end of 2017. This not only affirmed our business performance, but also enabled WIN—already closely linked with the global wireless communications industry—to establish tighter ties with the global capital market.

The Company's revenues and profits grew by 25% and 21% in 2017, setting new highs for the company. But in spite of this success, we haven't forgotten the importance of continuously improving corporate governance. For the third time in a row, the Company was among the top 5% TPEx-listed companies in Taiwan's corporate governance assessment during the first half of 2017, which was both an encouragement and a goad. Although a company's business success may change with economic conditions, good corporate governance should be a manager's eternal rule. We will continue to maintain and enhance our corporate governance long-term and strive to boost shareholders' return on equity, and we are confident in our growth during 2018.

2017 operating results and 2018 outlook are reported as follows:

A. Operating Performance in 2017

● Operating Performance

The Company's 2017 consolidated revenues totaled NT$17,086,355 thousand, representing an increase of 25.42% compared to the year 2016. 2017 net profit attributable to owners of parent was NT$3,764,200 thousand, representing an increase of 20.93% compared to the prior year, and EPS for 2017 was NT$9.34.

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

Unit: NT$ thousand; %

Items			2017 (Consolidated)	2016 (Consolidated)
Interest Income & Interest Expense	Interest Income		26,121	11,104
	Interest Expense		54,946	20,220
Profitability	Return on Total Assets (%)		11.86	12.32
	Return on Equity (%)		17.43	17.87
	Ratio to Issued Capital (%)	Operating Income	108.11	85.72
		Profit before Tax	107.15	95.36
	Profit Ratio (%)		21.74	22.73
	Earnings Per Share (NT$ dollars)		9.34	6.04

- **Budget Implementation**

The Company is not required to make public its 2017 financial forecast information; however, the Board of Directors approved the budget plan and the overall operating plan is in good condition.

- **Research and Development Status**

The secret to maintaining leadership in the industry is to devote significant resources to the development of future technologies. We have accumulated close to 20 years of technology development experience, and have applied all of the technologies we have developed to our mainstream terminal products, which has powered our continuing growth momentum. Because we always stay close to our market, we are well aware of future trends, understand customers' needs, and can develop the most advanced technologies for our customers' use. We expect optical devices and 5G communications to be our chief engines of growth during the next few years. In the case of optical devices, we will continue to team up with customers to jointly develop new 3D sensing technology for use in handheld devices. We are also developing technologies for data center, AR/VR, and LiDAR related applications, and are being qualified by some of our customers. As for 5G communications applications, our microwave communications technology roadmap spans both the sub-6GHz and millimeter waves. We began developing relevant processes as early as several years ago, and our products are currently being qualified by our customers.

B. Business Plan in 2018

We continued to expand in 2017 with capital expenditures approaching NT$4 billion. Apart from responding to demand during the peak season of that year, we also helped ensure that the world's first smartphones with a 3D sensing function were shipped on time, and laid the foundation for continued growth this year. During 2018, we will continue to expand capacity at our Fab C in Guishan Taoyuan. Beyond increasing our clean room space, we will continue to optimize our production line’s efficiency and acquire new production machineries. As a result, we expect our capital expenditures during 2018 to be closed to the sum of our expenditures of the past two years, and our new capacity will increase by more than 20%.

C. Development Strategy

Our strategy has always been based on the advantages of R&D ability and mass production strength on III-V compound semiconductor technology , and we will continue employ a foundry business model as we expand our applications market from microwave to light waves. Looking ahead to the future, we are optimistic regarding the development of optical devices, especially 3-D sensing applications on handheld devices, which is an area where WIN is already a leader. According to projections issued by the market research organization Yole Development, the global value of 3-D image sensing functions will increase by a CAGR of close to 37.7% from 2017 to 2022. We look forward to the demand for optical devices growing rapidly with the emergence of even more handheld devices and brands during the next few years, as well as the increasing maturity of AR/VR applications and ADAS. In addition, we also have high expectations of 5G microwave communications applications, which will appear during the next few years. This is not merely because demand for power amplifiers will increase sharply as the frequency of handheld devices extends to sub-6 GHz in the 5G age, but also because demand for 5G infrastructure will increase to keep pace with applications, and base stations will require the high-frequency, high-power technologies that we specialize in. These technologies, including integrated millimeter waves components and GaN technology, will enable WIN to pull further ahead of competitors. We therefore expect optical devices and 5G to be the two major engines of WIN' growth during the coming years.

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

Although we have maintained our position as the GaAs foundry leader, there has been no let up in challenges from our competitors. In the face of pressure from customers to cut prices, new competitors' attempts to replicate, or even pirate, our business model and technology, and uncertainty concerning domestic legal and regulatory trends, we at WIN must constantly seek innovation and engage in R&D in order to maintain our technological leadership. And at the same time, we will also strengthen our information security in order to guard our business secrets and maintain our competitiveness. We further plan to establish various types of strategic alliances with customers in order to maintain our win-win relationships.

Sincerely yours,

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

WIN Semiconductors Corp.

II. COMPANY PROFILE

2.1. Date of Incorporation

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

2.2. Company History

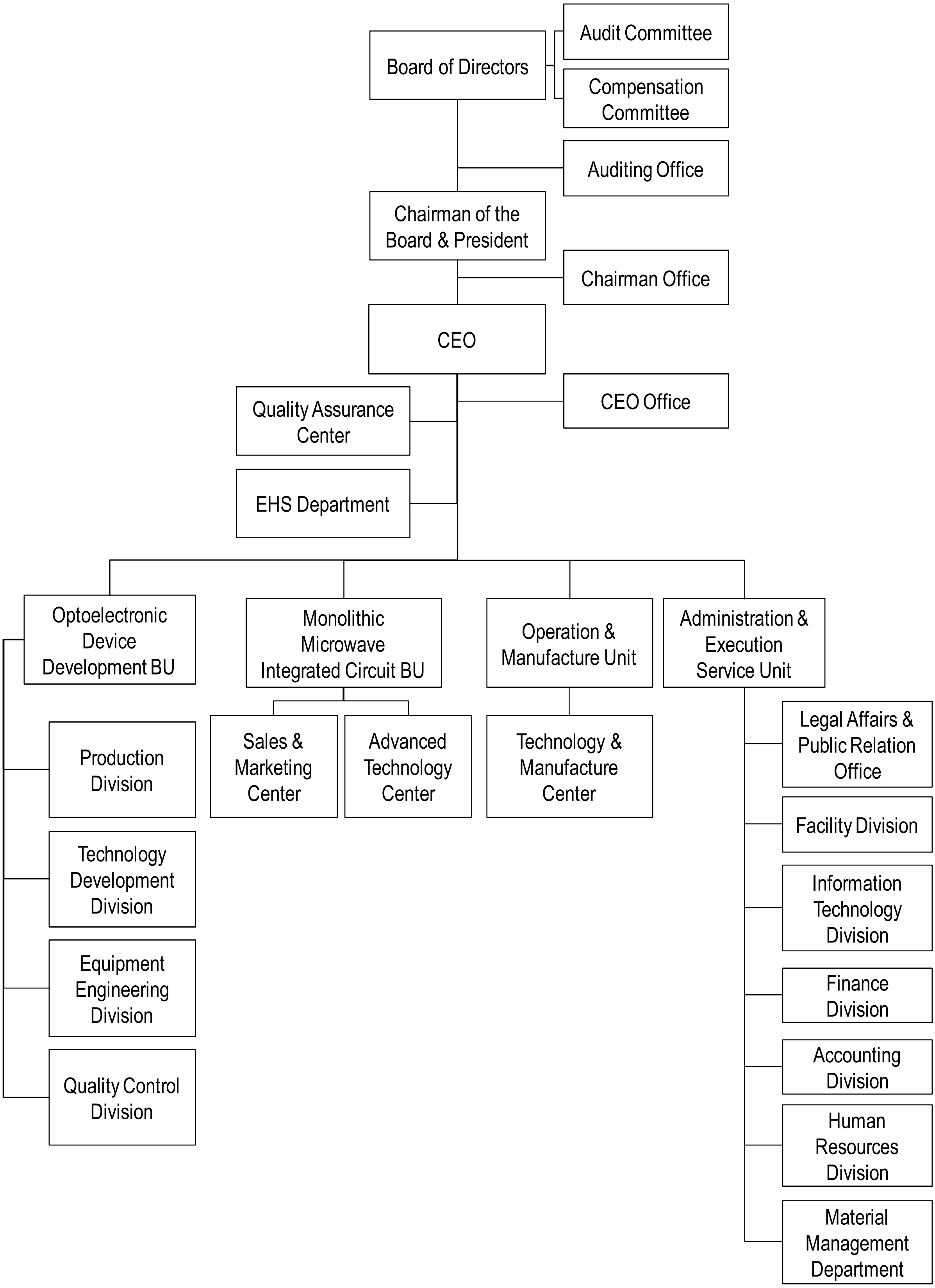
Year	Month	Milestones
1 9 9 9	Oct.	WIN Semiconductors Incorporates in Taiwan
2 0 0 0	July	Facility construction complete for corporate offices & Fab #1
	Nov.	Completes production of Asia's 1st,6-inch,GaAs HBT MMIC wafer Completes production of Asia's 1st,6-inch,GaAs pHEMT wafer
2 0 0 1	Mar.	Presents the world's 1st,6-inch,0.15μm GaAs pHEMT MMIC wafer
	May	Produced the worlds' 1st, 6-inch, 50μm thick pHEMT MMIC wafer
	Sep.	Awarded QS-9000 and ISO 9001 quality management system certification
	Nov.	Began foundry production for 0.15μm pHEMT
2 0 0 2	June	Production release of 2um HBT
	June	First 0.5um switch pHEMT wafer for customer
	Oct.	Foundry production of 0.5-um power pHEMT started
	Nov.	ISO14001 and OHSAS 18001 Certified
2 0 0 3	Jan.	Foundry production of customer specific 3um HBT started
	Apr.	Mr. Chin-Tsai Chen was unanimously elected chairman of our board
	Dec.	Shipped more than 1.5 million WLAN PAs in a single month
2 0 0 4	Sep.	Pilot run of 0.5 um 35V pHEMT for CATV
2 0 0 5	May.	Successfully developed HBT process for high efficiency, high performance 2G/3G cellphone application
2 0 0 7	Apr.	Acquired additional Hwaya land and factory in Science Park
	Apr.	Established MMIC and Optoelectronic business units, lead by PhD Y.C. Wang and PhD W.M. Chang respectively
	Dec.	Start making profit annually, yearend profit is NTD0.79 per share
2 0 0 8	May	Successfully developed 0.25um pHEMT MMIC wafer process
	June	Skyworks Solution announced WIN as their official GaAs foundry
	Oct.	First pilot run of HBT GaAs wafer in Fab B
2 0 0 9	Apr.	Fab B formally announced for mass production
	July	Successfully integrates HBT and pHEMT processes named as BiHEMT process
	Sep.	Company stock is offered in public
	Oct.	Initial public offering
	Oct.	Announcing strategic partnership with ANADIGICS
2 0 1 0	Apr.	Acquired Fab B second phase land and factory
	May	Start renovating Fab B second phase
	Nov.	Passed ISO/TS 16949 quality system certification
	Dec.	Developed high performance application for multiphase, multisystem cell phone switch process
	Dec.	Successfully developed world first 6" 0.1um MMIC wafer

Year	Month	Milestones
2 0 1 1	Jan.	Signed NTD4.8 Billion business loan contract with group of banks lead by International Mega Bank
	May.	WIN was included in MSCI (Morgan Stanley Capital International) World Small Cap Index
	Oct.	Taipei Exchange (TPEx) awarded Contribution Excellence Golden Laurel Award to WIN Semiconductors
	Nov.	Awarded best supplier award from M/A COM Technology Solutions
	Dec.	Stock is offered publically in TPEx
2 0 1 2	Oct.	WIN participates seasoned equity offering and offers Global Depositary Receipts
	Dec.	Granted 2012 Best Supplier Award by muRata, a public traded company in Japan
	Dec.	Awarded 2012 Best Technology Partner by Inphi, a public traded company in US
	Dec.	Become the only GaAs foundry in the world top12 foundries and overtake 62.4% of pure play foundry service market share
2 0 1 3	Oct.	Awarded Certificate of Corporate Governance System CG6008 General Assessment
	Dec.	Win 3rd National Industrial Innovation Award, Outstanding Enterprise Innovation Award category
2 0 1 4	Feb.	Win 2nd Taiwan Mittelstand Award
2 0 1 5	Apr.	WIN was honored the top 5% in the 1st Corporate Governance Assessment on TPEx-listed companies
	Jul.	To improve the capital structure and enhance return on equity, the Company conducted a 20% capital reduction by distributing cash to shareholders
2 0 1 6	Mar.	WIN attended the 2016 Optical Fiber Conference and launched foundry services for optical device manufacturing
	Apr.	WIN garnered the top 5% in the 2nd Corporate Governance Assessment on TPEx-listed companies
	Aug.	To improve the capital structure and enhance return on equity, the Company conducted a 30% capital reduction by distributing cash to shareholders
	Sep.	WIN GaN Technology Project Got A+ Industrial Innovative R&D Program of the MOEA
2 0 1 7	Apr.	WIN garnered the top 5% in the 3rd Corporate Governance Assessment on TPEx-listed companies
	Nov.	Morgan Stanley Capital International officially announced the selection of WIN as a constituent stock in the MSCI Global Standard Indexes
2 0 1 8	Apr.	WIN garnered the top 5% in the 4th Corporate Governance Assessment on TPEx-listed companies

III. CORPORATE GOVERNANCE REPORT

3.1. Organization

Organization Chart



Major Corporate Functions

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

3.2. Directors, Supervisors and Management Team

Directors and Supervisors

A. Information Regarding Directors and Supervisors

Apr. 17, 2018

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Chin-Tsai Chen	Male	06/24/2016	3	05/01/2003	17,848,895	2.99	12,402,953	2.93	1,045,368	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager, Namchow Chemical Industrial Co., Ltd.	• President, WIN Semiconductors Corp. • Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Supervisor, Taipei Financial Center Corp. • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Director	Shun-Ping Chen	Son
Director	R.O.C	International Fiber Technology Co., Ltd.	-	06/24/2016	3	10/12/1999	5,041,253	0.84	3,503,097	0.83	0	0	0	0	None	None	-	-	-
	R.O.C	Representative: Shih-Chuan Hsieh	Male				0	0	0	0	0	0	0	0	• Bachelor Degree in Agricultural Economics, National Taiwan University, Taiwan • Chairman, WIN Semiconductors Corp. • Director, Episil Technologies Inc.	• Chairman, International Fiber Technology Co., Ltd.	-	-	-
Director	R.O.C	Li-Cheng Yeh	Male	06/24/2016	3	06/24/2016	11,062,997	1.85	7,687,525	1.82	1,306,708	0.31	0	0	• Master Degree in Computer Science, Pace University, USA • Supervisor, Inventec Energy Corporation	• Director Representative, E-Ton Solar Tech Co., Ltd. • Chairman, Kou Hsieh Investment Co., Ltd. • Supervisor, Inventec Besta Co., Ltd. • Chairman, Fu Tai Investment Co., Ltd. • Chairman, Chuan Cheng Assets Management Co., Ltd. • Vice Chairman, Royal Base Corporation	-	-	-
Director	R.O.C	Yu-Chi Wang	Male	06/24/2016	3	06/19/2008	1,602,993	0.27	880,000	0.21	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• CEO, WIN Semiconductors Corp. • Director and CEO, WIN SEMI. USA, INC.	-	-	-
Director	R.O.C	Wen-Ming Chang	Male	06/24/2016	3	06/19/2008	540,737	0.09	365,750	0.09	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• BU General Manager, WIN Semiconductors Corp.	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	Shun-Ping Chen	Male	06/24/2016	3	06/10/2013	2,731,373	0.46	1,897,993	0.45	0	0	0	0	• Master's Degree in Business Administration, Rutgers University, USA • Deputy Spokesman, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Senior Vice President, WIN Semiconductors Corp. • Director Representative, WIN Venture Capital Corp. • Director Representative, Phalanx Biotech Group, Inc. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	Chairman	Chin-Tsai Chen	Father
Independent Director	R.O.C	Shen-Yi Li	Male	06/24/2016	3	06/24/2010	60,045	0.01	38,000	0.01	0	0	0	0	• PhD in Law, Chinese Culture University, Taiwan • Qualified Arbitrator, Chinese Arbitration Association • Chairman, Consumer's Foundation, Taiwan, R.O.C. • Commissioner, Political Party Review Commission, Executive Yuan, Taiwan • Commissioner, Fair Trade Commission, Executive Yuan, Taiwan • Member, 2nd and 3rd Sessions, Control Yuan, Taiwan	• General Secretary, Dharma Drum Mountain Humanity and Social Foundation • Member of Compensation Committee, Capital Futures Corporation • Director Representative, Nan Ya Plastics Corporation • Director, East Tender Optoelectronics Corporation • Independent Director, Entie Commercial Bank, Ltd. • Supervisor, Chinese Culture University • Supervisor, Taoyuan International Airport Services Co., Ltd.	-	-	-
Independent Director	R.O.C	Wei-Lin Wang	Male	06/24/2016	3	06/24/2010	0	0	0	0	0	0	0	0	• Juris Science Doctor, Washington University in St. Louis, USA • Partner, New Hope Law Firm, Taiwan • Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA • Sr. Counselor, Lee and Li, Attorneys-at-Law • Associate Professor and Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan • Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan • Assistant Professor, Graduate Institute of Financial and Economic Law, Feng Chia University	• Professor, Financial Law Department, Ming Chuan University • Independent Director, Young Fast Optoelectronics Co., Ltd. • Independent Director, ANT Precision Industry Co. Ltd. • Independent Director, Fuzetec Technology Co., Ltd. • Director Representative, Global Strategic Investment Fund	-	-	-
Independent Director	R.O.C	Jin-Shih Lin	Male	06/16/2017 (Note 2)	2	06/16/2017	0	0	0	0	0	0	0	0	• Master Degree in Accounting, Tamkang University, Taiwan • CPA • Supervisor, Prolific Technology Inc. • Independent Director, Namchow Holdings Co., Ltd. • Member of Compensation Committee, Namchow Holdings Co., Ltd.	• CPA • Supervisor, Prolific Technology Inc. • Independent Director, Namchow Holdings Co., Ltd. • Member of Compensation Committee, Namchow Holdings Co., Ltd. • Member of Compensation Committee, WIN Semiconductors Corp.	-	-	-

Note 1: Shareholdings as of April 17, 2018.

Note 2: Mr. Chao-Shun Chang, Independent Director of the Company resigned on September 2, 2016. Mr. Jin-Shih Lin was by-elected as the independent director by the AGM on June 16, 2017.

B. Major Shareholders of the Institutional Shareholders

Apr. 17, 2018

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

C. Major Shareholders of the Company's Institutional Shareholders

Apr. 17, 2018

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

D. Professional Qualifications and Independence Analysis of Directors and Supervisors

Apr. 17, 2018

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the TPEx.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Management Team

Apr. 17, 2018

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Chin-Tsai Chen	Male	12/16/2011	12,402,953	2.93	1,045,368	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager , Namchow Chemical Industrial Co., Ltd.	• Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Supervisor, Taipei Financial Center Corp. • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Sr. Vice President	Shun-Ping Chen	Son
CEO	R.O.C	Yu-Chi Wang	Male	09/28/2010	880,000	0.21	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• Director and CEO, WIN SEMI. USA, INC.	-	-	-
BU General Manager	R.O.C	Wen-Ming Chang	Male	03/01/2007	365,750	0.09	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	-	-	-	-
Sr. Vice President	R.O.C	Chang-Hwang Hua	Male	08/16/2004	12,232	0.003	16,680	0.004	0	0	• PhD in Material Science, Stanford University, USA • Engineering Director, Skyworks Solutions, Inc., USA • VP, Network Device, Inc., USA	-	-	-	-
Vice President	R.O.C	Joseph Liu	Male	05/02/2000	228,394	0.05	13,177	0.003	0	0	• PhD in Electrical Engineering, Pennsylvania State University, USA • Senior Principal Staff, Lockheed Martin Corp.	-	-	-	-
Vice President	R.O.C	Brian Lee	Male	04/01/2010	431,330	0.10	0	0	0	0	• Master's Degree , University of Southern California, USA • Sales Manager, UMC, Taiwan	-	-	-	-
Sr. Vice President	R.O.C	Shun-Ping Chen	Male	07/01/2010	1,897,993	0.45	0	0	0	0	• Master's Degree in Business Administration, Rutgers University, USA • Deputy Spokesman, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Director Representative, WIN Venture Capital Corp. • Director Representative, Phalanx Biotech Group, Inc. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	President	Chin-Tsai Chen	Father
Sr. Vice President	R.O.C	Kyle Chen	Male	07/01/2010	200,176	0.05	0	0	0	0	• EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan • Fab Director, Macronix International Co., Ltd.	-	-	-	-
Vice President	Canada	Lap-Sum Yip	Male	05/01/2016	3,473	0.0008	56,043	0.01	0	0	• PhD in Electrical Engineering, McGill University, Canada	-	-	-	-
Special Assistant to CEO	R.O.C	S.Y. Wang	Male	09/01/2005	165,000	0.04	0	0	0	0	• Master's Degree in Industrial Engineering and Engineering Management, Tsing Hua University, Taiwan • Manager, Macronix International Co., Ltd.	-	-	-	-
Associate Vice President	R.O.C	Annie Yu	Female	03/15/2005	14,202	0.003	0	0	0	0	• Master's Degree in Law, Cornell University, USA • Supervisor, Huga Optotech Inc.	-	-	-	-
Associate Vice President of Accounting Division	R.O.C	Linna Su	Female	11/01/2010	83,706	0.02	0	0	0	0	• Master's Degree in Accounting, Soochow University, Taiwan • Vice Manager of Accounting, Elitegroup Computer Systems Co., Ltd. • Audit Manager, Elitegroup Computer Systems Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note)		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate Vice President of Finance Division	R.O.C	Joe Tsen	Male	11/01/2010	385,834	0.09	0	0	0	0	• MBA in Finance, Baruch College, USA • Account Manager, CIBC, Canada	• CFO, WIN SEMI. USA, INC. • Supervisor Representative, WIN Venture Capital Corp. • Director, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Supervisor, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. • Supervisor, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. • Director Representative, WinMEMS Technologies Co., Ltd.	-	-	-

Note: Shareholdings as of April 17, 2018.

Remuneration of Directors, Supervisors, President and Vice President

A. Remuneration of Directors

Unit: NT$ thousand; Shares in thousands; %

Title	Name	Remuneration: Base Compensation (A): The Company	Remuneration: Base Compensation (A): Companies in the Financial Reports	Remuneration: Severance Pay (B) (Note 2): The Company	Remuneration: Severance Pay (B) (Note 2): Companies in the Financial Reports	Remuneration: Bonus to Directors (C) (Note 1): The Company	Remuneration: Bonus to Directors (C) (Note 1): 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 (%) (Note 3): The Company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 3): 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 2): The Company	Severance Pay (F) (Note 2): 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	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 3): The Company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 3): Companies in the Financial Reports	Compensation Paid to Directors from an Invested Company other than the Company's Subsidiary
Chairman	Chin-Tsai Chen	0	0	0	0	44,750	44,750	40	40	1.19	1.19	109,090	140,428	324	324	82,170	0	82,170	0	7.47	8.31	27
Director	International Fiber Technology Co., Ltd. - Representative: Shih-Chuan Hsieh	0	0	0	0	44,750	44,750	270	270	1.20	1.20											
Director	Li-Cheng Yeh																					
Director	Yu-Chi Wang																					
Director	Wen-Ming Chang																					
Director	Shun-Ping Chen																					
Independent Director	Shen-Yi Li																					
Independent Director	Wei-Lin Wang																					
Independent Director	Jin-Shih Lin (Note 5)																					

Note 1: The employees' compensation and Directors' compensation for year 2017 were NT$308,400 thousand and NT$89,500 thousand, respectively, which were passed by the Board of Directors' meeting on March 22, 2018.

Note 2: Pensions funded according to applicable law, there was no pensions paid during the most recent year.

Note 3: The net income for fiscal year 2017 was NT$3,764,200 thousand.

Note 4: The Company that has had an average ratio of share pledging by directors in excess of 50 percent in any 3 months during the most recent fiscal year: None.

Note 5: Mr. Chao-Shun Chang, Independent Director of the Company resigned on September 2, 2016. Mr. Jin-Shih Lin was by-elected as the independent director by the AGM on June 16, 2017.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the Financial Reports	The Company	All Reinvested Business
Under NT$2,000,000				
NT$2,000,000 ~ NT$5,000,000				
NT$5,000,000 ~ NT$10,000,000	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Shen-Yi Li, Wei-Lin Wang, Jin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Shen-Yi Li, Wei-Lin Wang, Jin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Shen-Yi Li, Wei-Lin Wang, Jin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Shen-Yi Li, Wei-Lin Wang, Jin-Shih Lin
NT$10,000,000 ~ NT$15,000,000				
NT$15,000,000 ~ NT$30,000,000			Wen-Ming Chang	Wen-Ming Chang
NT$30,000,000 ~ NT$50,000,000	Chin-Tsai Chen	Chin-Tsai Chen	Shun-Ping Chen	Shun-Ping Chen
NT$50,000,000 ~ NT$100,000,000			Yu-Chi Wang	Yu-Chi Wang
Over NT$100,000,000			Chin-Tsai Chen	Chin-Tsai Chen
Total	9	9	9	9

B. Compensation of President and Vice President

Unit: NT$ thousand; Shares in thousand; %

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D) (Note 2)				Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 3)		Compensation paid to the President and Vice President from an Invested Company other than the Company's Subsidiary
		The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company	Companies in the Financial Reports	The Company		Companies in the Financial Reports		The Company	Companies in the Financial Reports	
								Cash	Stock	Cash	Stock			
President	Chin-Tsai Chen	36,333	51,173	765	765	118,125	134,623	99,620	0	99,620	0	6.77	7.60	27
CEO	Yu-Chi Wang													
BU General Manager	Wen-Ming Chang													
Sr. Vice President	Chang-Hwang Hua													
Vice President	Joseph Liu													
Vice President	Brian Lee													
Sr. Vice President	Shun-Ping Chen													
Sr. Vice President	Kyle Chen													
Vice President	Lap-Sum Yip													

Note 1: Pensions funded according to applicable law, there was no pensions paid during the most recent year.
Note 2: The employees' compensation for year 2017 was NT$308,400 thousand which was passed by the Board of Directors' meeting on March 22, 2018.
Note 3: The net income for fiscal year 2017 was NT$3,764,200 thousand.

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

D. Employee Bonus Granted to Management Team

Year 2017; Unit: NT$ thousand; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash (Note)	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Chin-Tsai Chen	0	107,940	107,940	2.87
	CEO	Yu-Chi Wang				
	BU General Manager	Wen-Ming Chang				
	Sr. Vice President	Chang-Hwang Hua				
	Vice President	Joseph Liu				
	Vice President	Brian Lee				
	Sr. Vice President	Shun-Ping Chen				
	Sr. Vice President	Kyle Chen				
	Vice President	Lap-Sum Yip				
	Special Assistant to CEO	S.Y. Wang				
	Associate Vice President	Annie Yu				
	Associate Vice President of Accounting Division	Linna Su				
	Associate Vice President of Finance Division	Joe Tsen				

Note: The employees' compensation for year 2017 was NT$308,400 thousand which was passed by the Board of Directors' meeting on March 22, 2018.

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

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

Unit: NT$ thousand; %

Items \ Year	Ratio of Total Remuneration to Net Income (Note 1)			
	2016		2017 (Note 2)	
	The Company	Companies in the Consolidated Financial Statements	The Company	Companies in the Consolidated Financial Statements
Paid to Directors	2.46%	2.46%	2.39%	2.39%
Paid to Supervisors	0.001%	0.001%	-	-
Paid to Presidents and Vice Presidents	7.41%	8.46%	6.77%	7.60%

Note 1: The net income for 2016 and 2017 were NT$3,112,774 thousand and NT$3,764,200 thousand respectively.

Note 2: The employees' compensation and Directors' compensation for year 2017 were NT$308,400 thousand and NT$89,500 thousand, respectively, which were passed by the Board of Directors' meeting on March 22, 2018.

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

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

(2) Remuneration for directors is made according to the Company's Articles of Incorporation. According to the Article, if there is any net profit after closing of a fiscal year, no more than 3% of the same shall be allocated as directors' compensation. The rational of directors' remuneration policy takes into account the Procedures for Board Performance Evaluation, overall business performance of the Company, operation requirement and development of the industry in the future, and the individual director contribution to the Company's operations. The reasonable directors' compensation is proposed by the Compensation Committee and approved by the Board of Directors.

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

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

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

3.3. Implementation of Corporate Governance

Board of Directors Meeting Status

A total of 8(A) meetings of Board of Directors were held in 2017. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Chin-Tsai Chen	8	0	100%	
Director	International Fiber Technology Co., Ltd.-Representative: Shih-Chuan Hsieh	5	2	62.5%	
Director	Li-Cheng Yeh	7	0	87.5%	
Director	Yu-Chi Wang	7	1	87.5%	
Director	Wen-Ming Chang	8	0	100%	
Director	Shun-Ping Chen	8	0	100%	
Independent Director	Shen-Yi Li	7	1	87.5%	
Independent Director	Wei-Lin Wang	7	1	87.5%	

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Independent Director	Jin-Shih Lin	5	1	83.3%	Newly elected on June 16, 2017; 6 meetings should attend.

Annotations:

1. If there are any circumstances listed below during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions of the directors' meetings, all Independent Directors' opinion and the Company's response to independent directors' opinion should be specified:
   Please refer to page 20 "Independent Directors' Opinions or Resolutions to Material Matters".
2. If there is any Director(s) excused from motions due to conflict of interest, such Directors' names, contents of motions, causes for avoidance and voting should be specified:
   On March 23, 2017, directors and managers recused themselves from the discussion and voting of their compensation resolution in the Board meeting.
3. Measures taken to strengthen the function of the Board:
   (1) To scheduled the meeting calendar in the beginning of the year.
   (2) To request for agenda items from all directors before one month of the each board meeting date.
   (3) The Board of Directors continue to enhance corporate governance and corporate social responsibility, and the company was garnered the top 5% listed companies in Corporate Governance Assessment on TPEx listed companies.
   (4) The Board of Directors sets up the Audit Committee and the Compensation Committee assisting the Board to fulfill its supervising functions.
   (5) The Company has established its Procedures Governing the Board Performance Evaluation, setting forth performance objectives to improve the operation efficiency of the Board of Directors and each of functional committees.
   (6) After the election held in the AGM on June 24, 2016, three Independent Directors has organized the Audit Committee to supervise the following matters: (a) fair presentation of the financial reports of the Company, (b) the hiring (and dismissal), independence, and performance of certificated public accountants of the Company, (c) the effective implementation of the internal control system of the Company, (d) compliance with relevant laws and regulations by the Company, and (e) Control of the existing or potential risks of the Company.
   (7) Since 2011, the Company has established the Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of directors and managers, as well as rewards and incentive programs of managers of the Company.

Attendance of Independent Director at Board Meetings for the Most Recent Fiscal Year

◎Attendance in Person ☆By Proxy

Independent Director's Name	Meeting Date								Remark
	03/23/2017	05/05/2017	06/16/2017	08/09/2017	10/05/2017	11/13/2017	12/08/2017	12/29/2017	
Shen-Yi Li	◎	◎	◎	◎	◎	◎	◎	☆	
Wei-Lin Wang	◎	◎	◎	◎	◎	◎	☆	◎	
Jin-Shih Lin	-	-	◎	◎	☆	◎	◎	◎	Newly elected on June 16, 2017.

Independent Directors' Opinions or Resolutions to Material Matters

Items required by Article 14-3 of Securities and Exchange Act**:**

<table>
<tr><th>Board of Directors Meeting Date</th><th>Resolutions</th><th>Independent Directors' Opinions and the Company's Response</th></tr>
<tr><td>03/23/2017
The 6th meeting of the 7th session</td><td>• Evaluation of independence and qualification of the CPA to be engaged by the Company.
• Approval of the professional service fee of the CPA for the year of 2017.
• Amendment to the Company's "Procedures for Acquisition or Disposal of Assets."
• Investment in wholly-owned subsidiary, Win Semiconductors Cayman Islands Co., Ltd.</td><td rowspan="4">No independent director had a dissenting opinion or qualified opinion to the proposal and all attending directors agree to pass the proposal.</td></tr>
<tr><td>05/05/2017
The 7th meeting of the 7th session</td><td>• Proposal for fund raising plan by issuing common shares through private placement.</td></tr>
<tr><td>10/05/2017
The 10th meeting of the 7th session</td><td>• Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.</td></tr>
<tr><td>11/13/2017
The 11th meeting of the 7th session</td><td>• Amendments to the Company's "Rules and Procedures of Board of Directors Meetings", "Rules Governing the Scope of Powers of Independent Directors", and "Audit Committee Charter."</td></tr>
</table>

Other than the above-stated resolutions of the Board of Directors, resolutions which received objections or reserved comments from the Independent Directors that are supported by appropriate records or written declarations: None.

Audit Committee Meeting Status

A total of 6 (A) meetings of the Audit Committee were held in 2017. Independent director attendance was as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Independent Director (Convener)	Jin-Shih Lin	3	1	75%	Newly elected on June 16, 2017; 4 meetings should attend.
Independent Director	Wei-Lin Wang	5	1	83.33%	
Independent Director	Shen-Yi Li	6	0	100%	

Annotations:

1. If there are any circumstances listed below during a meeting of the Audit Committee, the dates of meetings, sessions, contents of motions of the Committee' meetings, all committee members' opinion and the Company's response to committee members' opinion should be specified:
   Please refer to page 22 "Audit Committee Members' Opinions or Resolutions to Material Matters".
2. If there is any Independent Director(s) avoiding of motions due to conflict of interest, such Independent Directors' names, contents of motions, causes for avoidance and voting should be specified:
   None.

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

(1) Communications between Audit Committee and the Internal Auditors in 2017:

Date	Communications between the Independent Directors and the Internal Auditors
03/23/2017	Reviewing internal auditor's report of the fourth quarter of 2016 and the overall efficacy of all internal control systems.
05/05/2017	Reviewing internal auditor's report of the first quarter of 2017.
08/09/2017	Reviewing internal auditor's report of the second quarter of 2017.
11/13/2017	Reviewing internal auditor's report of the third quarter of 2017 and auditing plan for Year 2018.

Head of Internal Auditing Office communicates with independent director through monthly auditing report, reporting auditing execution status in audit committee meeting at least one time each quarter, and update Audit Committee member any time where there are special circumstances. There is no above-stated special circumstance up to the date of the annual report. The communications between the Audit Committee members and the internal auditor chief are good.

(2) Communications between Audit Committee and the external CPA in 2017:

Date	Communications between the Independent Directors and the External CPA
03/23/2017	1. Reviewing auditing scope, CPA's responsibility and independence, major accounting estimates and auditing opinion for Year 2016. 2. Reviewing regulatory changes.
05/05/2017	1. Reviewing auditing opinion for the first quarter of 2017. 2. Reviewing regulatory changes.
08/09/2017	1. Reviewing auditing opinion for the second quarter of 2017. 2. Reviewing regulatory changes.
11/13/2017	1. Reviewing auditing opinion for the third quarter of 2017. 2. Reviewing the key audit matters for Year 2017. 3. Reviewing the auditing plan for Year 2018. 4. Reviewing regulatory changes.

The independent auditors communicated with audit committee, among other matters, results of the audited or reviewed quarterly financial report, the plan and timing of the audit and significant audit findings, the statement of the personnel from CPA firm is independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, the determination that key audit matters should be communicated in the auditors' report, impact on the Company of regulatory changes. The independent auditors will report to audit committee members from time to time when there are special circumstances. There is no above-stated special circumstance up to the date of the annual report. The communications between the audit committee members and the independent auditors are good.

Audit Committee Members' Opinions or Resolutions to Material Matters

Items required by Article 14-5 of Securities and Exchange Act:

Audit Committee Meeting Date	Resolutions	Audit Committee Members' Opinion and Company's Response
03/23/2017 The 4th meeting of the 1st session	• Approval of the financial statements and consolidated financial statements for the year of 2016. • Evaluation of independence and qualification of the CPA to be engaged by the Company. • Approval of the professional service fee of the CPA for the year of 2017. • Approval of the effective implementation of the internal control system. • Amendment to the Company's "Procedures for Acquisition or Disposal of Assets." • Investment in wholly-owned subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
05/05/2017 The 5th meeting of the 1st session	• Proposal for fund raising plan by issuing common shares through private placement.	
08/09/2017 The 6th meeting of the 1st session	• Report of the consolidated financial statement for the second quarter of 2017.	
10/05/2017 The 7th meeting of the 1st session	• Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	
11/13/2017 The 8th meeting of the 1st session	• Amendments to the Company's "Rules and Procedures of Board of Directors Meetings", "Rules Governing the Scope of Powers of Independent Directors", and "Audit Committee Charter".	

Besides the matters referred to Article 14-5 of Securities and Exchange any matter that has not been approved with the consent of one-half or more of all audit committee members but approved by two-thirds or more of all directors: none.

Corporate Governance Implementation Status

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

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) In accordance to Article 2-1 of the Rules for Election of Directors, the Company's diversification policy for the composition of its Board of Directors is described as following: The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards: A. Basic requirements and values: Gender, age, nationality, and culture. B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience. All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership. 8. Ability to make policy decisions. In addition, the board's composition is based on principles of diversification; please refer to page 32 (note1) "The diversity of composition of the Board of Directors".	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		(2) The Company has set up Compensation Committee since 2011 and proactively established the Audit Committee to replace the supervisors since 2016. Other function committees will be set up upon as required by law or operation needs.	None
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		(3) The Company has established the "Regulations Governing the Board Performance Evaluation" and set forth performance objectives. The Board as a whole, board committees and individual directors shall conduct self-evaluation by individual board members, peer evaluation or evaluation by other appropriate methods in order to improve the operation efficiency of the Board of Directors. The Company shall conduct a board performance evaluation at the end of each year. The evaluation scope shall cover the Board of Directors, Compensation Committee and Audit Committee, the secretariat of each functional committee is the unit to conduct the evaluation. The secretariat of the Board shall collect and record the evaluation results in a report to all Directors. The criteria for evaluating the performance should cover the following five aspects: 1. Participation in the operation of the Company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the Directors; and 5. Internal control. After evaluating by the secretariat, the result is rating as excellent, good and fair. The performance evaluation results of the Board of Directors and the functional committees are excellent in 2017.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Does the Company regularly evaluate its external auditors' independence?	V		(4) The CPAs excuse himself/herself when he/she handling the matters is related to the conflict-interested. The accounting division evaluates independence of CPAs regularly according to Article 47 of Certified Public Accountant Act and Bulletin No.10 of The Norm of Professional Ethics for Certified Public Accountant of the Republic of China and evaluates the qualification according to Statements of Auditing Standards No.46 and reported to and approved by the Audit Committee meeting and Board meeting on March 22, 2018.	None
4. Has the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc.)?	V		The Company has established a corporate governance unit under Administration & Execution Service Unit, the Associate Vice President of Legal and Public Affairs is the in-charge and the Senior Vice President of Administration & Execution Service Unit is the convener. The corporate governance unit is responsible for the following affairs: corporate governance, ethical management and regulations compliances; furnish information required for business execution by directors, enhancing the functions of the Board of Directors and regulations compliances.	None
5. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' question on corporate responsibilities?	V		The Company has set up the Stakeholders Engagement Section\Contact WIN\About WIN on its website, and has sound communication channel with shareholders, employees, clients, banks, suppliers and other stakeholders. The Company shall provide sufficient business information in good faith to protect the interest of the shareholders. Please refer to page 29 "Rights with stakeholders" for further details.	None
6 Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed the professional registrar "Registrar Transfer Department, Grand Fortune Securities Corporation" to facilitate shareholders' meetings.	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>7. Information Disclosure
(1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?

(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?</td><td>V

V</td><td></td><td>(1) The Company's financials, business and corporate governance information have been disclosed in the Investor Relations Section on its website and the Company has designated appropriate personnel to handle information collection, disclosure and update.
(2) The Company has set up its website both in Chinese and English, and has designated the spokesperson and deputy spokesperson in charge of making external statements. The Company has also designated appropriate departments to handle the information collection, disclosure and update about its shareholders, regulations/laws changes, investment and market status. The Company has recorded and disclosed investor conference webcasts on its website.</td><td>None

None</td></tr>
<tr><td>8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</td><td>V</td><td></td><td>See explanations below:</td><td>None</td></tr>
<tr><td colspan="5">(1) Employee rights:
WIN believes that employees are a company's most precious asset. 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, yoga, aerobic combat sports, biking, jogging, and table tennis. To care for our employees, we strive to build a happy enterprise, providing employees with reasonable welfares and favorable environments where work and life are balanced.</td></tr>
</table>

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

(2) Employee wellness:

We hope that every employee, including new employees and existing employees will be able to build a successful team and organization established on the foundation of reciprocity and trust through communication. Therefore, we pay special attention to new employees who have been with us for less than three months, and have their supervisors talk to them about any problems they encounter so as to help them solve their problems. In addition, team-building activities are incorporated in substitute service programs and internship programs to provide these employees with a better understanding of the Company's core values. The Company respects the human rights of all of its employees, providing fair job opportunities for applicants and employees with the right skills. The Company does not discriminate against potential candidates based on race, skin color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, beliefs, political affiliation, union membership, marital status, or other entities protected under governmental regulations. Such principles apply to recruitment, employment, training, job promotion, remuneration, and welfare systems.

To build a friendly workplace for mothers, each fab has designated independent and private lactation (breastfeeding) room. We also provide health education programs, medical consultation services, occupational risk investigation and management, classrooms for mothers and baby health information, parking space for pregnant employees, birth subsidies, group insurance subsidies, and cooperation with neighboring day care. These provisions are aimed at creating a workplace environment that encourages a better work-life balance for female employees.

(3) Investors:

Investors can easily understand the Company's operation status from the spokesman, the MOPS and the Company's website. In addition, WIN holds investor conference quarterly to update investors the Company's operational results and outlook. The webcast replays are released in the Company's website. We have good communications with domestic/foreign institutional investors, through attending investor conference each year and visit investors in Asia, Europe or America in person. In the meetings, we give investors our operational results and also learn knowledge and suggestions regarding corporate operation, finance, corporate governance from investors. WIN attended 10 investor conferences held by domestic/foreign securities companies or competent authority. We also pay attention to individual shareholders by assigning employee to receive phone calls from them and responding the shareholders' suggestions on the annual general shareholders meeting.

(4) Suppliers:

The Company maintains close partnership with suppliers and deal with supplies based on the principal of good faith.

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

(5) Rights with stakeholders:

The Company upholds the spirits of corporate governance to keep good communications and good relationships with stakeholders which including shareholders, employees, customers, banks and suppliers. Below please see the stakeholder engagement of the Company:

Stakeholders	Issue of Concern	Communication channels
Customers	Ethical corporate management Innovation and management Supplier sustainability management Customer privacy protection Business performance Marketing communications	Video conferences Customer interviews On-site audit by customers Customer satisfaction questionnaire survey Contact: Ms. Chen E-mail: winbusiness@winfoundry.com
Employees	Talent cultivation Wages and benefits system Ethical corporate management Innovation and management Labor-management relations and communication Technological talent retention Business performance Occupational health and safety	Internal network Labor-management meetings Foreign labor seminars Project satisfaction surveys Occupation welfare committee meeting Sexual harassment grievance hotline & email Contact: Ms. Chen E-mail: investigating.office@winfoundry.com
Suppliers/Contractors	Innovation and management Compliance with environmental regulations Climate change, energy conservation and carbon reduction Ethical corporate management Air pollution management Green products Wastewater management Waste management Product accountability	Supplier on-site audit Supplier/contractor assessment on environmental protection and safety and health management system and performance Communication with procurement personnel via telephone or email Contact: Ms. Chen E-mail: wincsr@winfoundry.com

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

Stakeholders	Issue of Concern	Communication channels
Government authorities	Business performance Ethical corporate management Compliance with environmental regulations Wastewater management Air pollutant management Waste management Compliance with social and economic regulations Climate Change, energy conservation and carbon reduction Water resource management	Official documents Participation in government seminars and conferences Reporting required information via the Market Observation Post System (MOPS) Contact: Ms. Chen E-mail:wincsr@winfoundry.com
Shareholders/ investors/ financial institutions	Business performance Ethical corporate management Compliance with social and economic regulations Innovation and management Technological talent retention Compliance with environmental regulations Customer privacy protection Supplier sustainability management	Annual report Shareholders' meeting Investor conferences Investment institution seminar Telephonic response to investor/media questions Contact: Mr. Tsen E-mail: ir@winfoundry.com
General public /non-governmental organizations	Ethical corporate management Compliance with environmental laws Wastewater management Waste management Business performance Compliance with social and economic regulations Protection of customer privacy Occupational health and safety	Participation in charity events Contact: Ms. Chen E-mail: wincsr@winfoundry.com

(6) Implementation of customer policy:

The Company has designated appropriate departments to handle and implement customer policy, respond inquires raised by customers regarding products and service and ensure sound communication with customer. In addition, WIN actively participates in international exhibitions such as EDI CON, IMS 2017 International Microwave Symposium, and 2017 EuMW (European Microwave Week), to enhance relationships with customers, promote WIN's newly developed products and innovative technology and help customers to increase their industrial competitive edge.

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

(7) Directors' training records:
The directors of the Company have professional background and work their respective fields of expertise. The Company facilitated seminars and provided updates of relevant regulatory information to directors as needed. The directors take continuous education by attending corporate governance courses held by professional organizations further strengthens their knowledge.

(8) Status of risk management policies and risk evaluation:
Please refer to page 83 "7.6. Risk Management". 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.
In addition, the Company has secured insurance such as property insurance, erection all risks insurance (EAR), marine cargo insurance, public liability insurance (PL), products liability insurance (PD), employers' liability insurance, boiler and pressure vessel insurance and money insurance to avoid risks.

(9) Directors' and officers' insurance for company directors:
The Company has purchased directors' and officers' liability and company indemnification insurance for all directors.

Insured	Insurance Company	Insured Amount (NTD)	Term of Policy
All directors	Fubon Property & Casualty Insurance Co., Ltd.	322,500,000	2016/08/24~2017/08/24
All directors	Fubon Property & Casualty Insurance Co., Ltd.	297,600,000	2017/08/24~2018/08/24

9. The improvement status for the result of Corporate Governance Assessment announced by Taiwan Stock Exchange:
(1) For action items under 2016 Corporate Governance Evaluation results: The Company has published its CSR report and got third party certification on the report.
(2) Under Improvement: The Company plans to set up female directors and revise dividend policy.

Note 1: The diversity of composition of the Board of Directors

Professional Skill / Name	Gender	Business Judgment and Management	Crisis Management /Leadership and Decision-making	Industry Knowledge	International Outlook	Accounting and Financial	Law
Chin-Tsai Chen	Male	V	V	V	V	V	
Yu-Chi Wang	Male	V	V	V	V		
Wen-Ming Chang	Male	V	V	V	V		
Shun-Ping Chen	Male	V	V	V	V	V	
International Fiber Technology Co., Ltd. Representative: Shih-Chuan Hsieh	Male	V	V	V	V		
Li-Cheng Yeh	Male	V	V		V		
Wei-Lin Wang	Male				V		V
Shen-Yi Li	Male				V		V
Jin-Shih Lin	Male				V	V	

Composition, Responsibilities and Operations of the Compensation Committee

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

Position	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Member of the Compensation Committee	Remarks
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	
Independent Director	Shen-Yi Li	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Jin-Shih Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Newly appointed on June 16, 2017
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	
Other	Wei-Kang Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

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

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

B. Duties of the Compensation Committee

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

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

C. Compensation Committee Meeting Status

1. The Compensation Committee has 5 members.
2. The tenure of the 3rd session is from June 24, 2016 to June 23, 2019. A total of 3 (A) meetings of the compensation committee were held in 2016. Member attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Wei-Lin Wang	3	0	100%	
Member	Shen-Yi Li	3	0	100%	
Member	Jin-Shih Lin	2	0	100%	Newly appointed on June 16, 2017; 2 meetings should attend.
Member	Hai-Ming Chen	3	0	100%	
Member	Wei-Kang Pan	3	0	100%	

Annotations:

1. If the Board of Directors declines to adopt, or modifies a recommendation of the Compensation Committee: None.
2. The Compensation member has an objection or qualified opinion together with a record or written statement regarding a Compensation Committee resolution: None.

Corporate Social Responsibility

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Implementation of Corporate Governance (1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		(1) Our Vision: Leading Global Communication. Our Mission: We Excel, We Care. Our Values: Accountability, Innovation, Customers Satisfaction, Quality Foremost. The CSR Committee was established under the Board to be responsible for developing and implement policies or practices pertaining to the implementation of corporate governance, a sustainable environment, and safeguarding public interest. The Company first published its 2016 CSR report in the year 2017 via company website (http://www.winfoundry.com). The report reflects the company's effort on environmental protection, social contributions, human rights protection and safety and health responsibilities.	None
(2) Does the Company hold regular CSR training?	V		(2) The Company holds courses of corporation governance and insider regulations for its directors on a periodic basis, and employee trainings regarding the Company's policies and systems to embody corporation governance in the course of business operations.	None
(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		(3) The Corporate Social Responsibility Committee was established to develop and implement policies or practices pertaining to the implementation of corporate governance, a sustainable environment, and safeguarding public interest. The committee chairperson is headed by the senior vice president and comprises the following promotion teams: Corporate Governance, Care for Culture and Humanity, Innovative Technology, Corporate Social Responsibility and the Environment, and Corporate Value Chain. They are responsible for formulating corporate social responsibility policies and objectives and for implementing corporate social responsibility-related events and activities. The leader of each promotion team is usually the head of a center or division. The team's members are composed of relevant business departments, whose supervisors act as representatives in the committee. At the end of each year, each team is reviewed for its effectiveness and a written inspection report is compiled for the members of the board of directors. The report issued at the end of 2016 focused on the results of promoting corporate social responsibility in the previous year, as well as plans and material topics for the coming year. Information relevant to the following year also included objectives relevant to corporate governance, environmental protection, employee health and safety, and public welfare activities.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?	V		(4) The Company has established the "Work Rules", "Employment Performance Assessment Rules", "Employee Reward and Discipline Rules" and "Procedures for Ethical Management and Guidelines for Conduct" according to relevant laws and regulations. The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The Company offers competitive salaries and establishes and reviews a reasonable compensation policy by participating reliable compensation survey annually. The overall remuneration includes the base salary, allowances, bonuses and employee dividends; employees receive competitive compensation based on such factors as job responsibility, core functions, academic background, prior experience, performance evaluation, market conditions, future development of the company, retention of employees with exceptional performance, and shareholder equity. Compensation is not subject to discrimination on the basis of gender, age, race, religion, political affiliation, marital status or other factors, and salaries are adjusted annually based on overall operating conditions and industry standards。 In addition to providing competitive salaries, WIN also offers incentives include: a. Remuneration of employees: in order to express our gratitude to the employees for their contribution to the Company as well as to share the fruits of our labor, given that the year has been profitable, we will set aside 5% to 10% of the profits, in accordance with the provisions of the Company's Articles of Incorporation, as part of the employees' remuneration, as a token of appreciation for their hard work during the previous year. b. Year-end bonus: year-end bonus payments are distributed to employees based on their individual performance and the Company's overall business performance. The amount of the bonus is generally 2 months of salary, plus an additional amount that depends on the year's business performance. For 2017, this additional bonus was determined to be 1.5 months of salary. c. Quarterly bonus: bonus payments are made based on the fulfillment rates of profit targets d. Loyalty bonus: direct employees receive a NT$15,000 bonus for each completed year of service with the Company.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			e. Diverse bonuses and prizes as incentives: bonus for proposals, accountability, innovation and instant rewards as recognition of skills. f. Stock Ownership Trust: WIN's employees have independently established an Employee Stock Ownership Trust. To facilitate employees' financial planning and share its business outcomes, the Company provides funds that match 100% of employee contributions. The Company has established its employment performance assessment rules and implements each year, employees shall set up his/her performance goals and training plans to enhance his/her capability, knowledge and skills regarding the Company's business.	
2. Environmentally Sustainable Development				
(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(1) The Company continues to utilize all resources more efficiently and uses recyclable materials such as dummy wafers, gold-related scrap, acetone, isopropanol and NMP.	None
(2) Has the Company set an Environmental management system designed to industry characteristics?	V		(2) All manufacturing facilities of the Company received ISO14001 and OHSAS18001 certifications for occupational safety and health management systems. The Company conducts regular review of environmental impact on, and risks to facility safety to upgrade its EHS management system.	None
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	V		(3) Since 2014, the Company conducts its consumption of Greenhouse gas inventory audit internally, completes external verify and files reports annually. Climate change caused increase of extreme temperature and level. The company taken the following policies to manage the climate change or Greenhouse gas: a. To devote to save water and energy and control pollution companywide and set reduction goals. b. To take corresponding improvement action plans to the goals of water saving, energy saving and pollution control. c. Review execution status and efficacy of all action plans quarterly. And an annual review of action plans is conducted and goals of the subsequent year is set end of the year.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			d. For 2017, the major targets of EHS are: (a) to enhance energy utilization rate (kW/6'e wafer) through process and engineering improvement, and (b) decrease of pollutants emission. In 2017, electricity utilization was 369.06 Kw/6'e wafer (the target was 352.51 Kw/6'e wafer) and PFCs output was 0.193 CO2e/6'e wafer (the target was 0.203 CO2e/6'e wafer). The performance in 2017 fell short of the target due to the Guishan Fab's pilot production, and the actual wafer output was comparatively limited. e. For 2018, the estimate reduction rate for electricity is set for 0.1% (Kw/wafer) and PFCs output for 0.5%. Only Fab A and Fab B are included; as it is anticipated that the Guishan Fab's production capacity will be expanded again in 2018, no energy and water conservation targets have been set.	
3. Promotion of Social Welfare				
(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) To protect the rights and interests of all workers, WIN strictly abides by the provisions of the Labor Standards Act and those of the requirements of international standards in all of our actions relevant to human rights. At the same time, we have consulted the code of conduct established by the Responsible Business Alliance (RBA), formerly known as the Electronic Industry Citizenship Coalition, as the basis for our management policies into order to protect our employees. Our guidelines for human rights management are set out in the following specifications: a. Meetings between management and workers are conducted based on the "Regulations for Implementing Employee-Management Meetings": Although WIN does not have a labor union at the present time, a labor-management meeting is held every quarter. Fourteen representatives each are appointed by employees and the Company to prompt effective and fair communication in the event of a matter of concern. These measures promote harmonious labor-management relations and to find mutually beneficial solutions. b. We have established the "Measures of Handling Prevention, Complaint and Correction of Sexual Harassment in the Workplace" to protect the rights and privacy of the individuals concerned.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			c. Issuance of the "Social Responsibility Statement": WIN has issued the statement, which promises to protect employees against harassment and illicit discrimination. The Company respects the human rights of all of its employees, providing fair job opportunities for applicants and employees with the right skills. The Company does not discriminate against potential candidates based on race, skin color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, beliefs, political affiliation, union membership, marital status, or other entities protected under governmental regulations. Such principles apply to recruitment, employment, training, job promotion, remuneration, and welfare systems. The Company does not force employees or request employees to receive discriminatory medical examinations. d. With the “Supplier Code of Conduct”, the Company hopes to examine human rights issues with a more positive attitude and a broader perspective through communication and cooperation with our suppliers. We also take our responsibility seriously when it comes to social and environmental issues.	
(2) Has the Company established appropriately managed employee appeal procedures?	V		(2) The Company encourages its employees to report to company’s supervisors, managerial officers, chief internal auditor, or email upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethics. The Company also sets forth communication channel and appeal system in its work rules.	None
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) Over the years the Company has been conducted the environmental impact and safety risk assessment, and comply with requirements of relevant laws and regulations to establish a workplace friendly and healthy to employees, which were certified by OHSAS18001. In 2017, WIN conducted sessions of training courses and regular medical checkups to protect the health and safety of its employees.	None
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	V		(4) Reflecting related regulatory changes and the Company’s relating procedure amendments, the Company holds workshops, e.g. issues regarding Labor Standards Act, Personal Information Protection Act and Second-generation National Health Insurance, etc.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(5) Has the Company established effective career development training plans?	V		(5) WIN strives to create a diverse learning environment that offers rich and interesting contents. By establishing the "Education and Training Procedures," the Company has systematically integrated both internal and external resources, thus providing a complete talent development strategy as well as cultivating and improving employees' skills and capabilities so that they can grow with the Company and together create a mutually beneficial relationship. A training roadmap for professional and managerial competencies is designed on the basis of the company's mid-to-long-term business strategy and WIN's core values. Multiple training methods are used to promote different types of training and development programs. Examples include: classroom-based courses, on-the-job training and coaching, and online English language training. The objective is to develop a blueprint for each employee's future development through a comprehensive training program. WIN's talent cultivation is divided into three contexts, formulating professional training roadmaps based on the department in which employee belongs, the job position, the expertise and familiarity required to be successful in the role. Additionally, the HR Division plans and organizes all types of professional training courses that meet the requirements to help employees adapt and learn the skills they need at work.	None
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	V		(6) Customers of the Company are not end users, and there are clear and effective channels between the Company and customers to deal the customer complaints. The Company has secured products liability insurance for all products to ensure consumers rights.	None
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	V		(7) The Company's commitment: Dedication to development and innovation of manufacturing technology to provide manufacturing service of superior compound semiconductor devices and integrated circuits. Continuous pursuit of excellence demonstrated by providing high-quality products characterized by the employment of "Plan-Do-Check-Act" cycles for continuous improvement. To assure sustainable operation and to fulfill responsibility of a good corporate citizen, the Company passed the following certifications after audits of third parties: (1) ISO9001; (2) ISO/TS 16949; (3) ISO14001 ; (4) OHSAS18001; and (5) SA8000	None

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?</td><td>V</td><td></td><td>(8) Before being qualified as a vendor of the Company, depending on the nature of material, a chemical operation review will be undertaken in accordance with the Company’s New Material and Supplier Verification Procedures to determine if the material supplier complies with EU directives of RoHS/REACH and the material to be offered is conflict. In addition, to enhance the Corporate Social Responsibility the company has established “Suppliers Code of Conduct” and disclosed the information includes labor, health and safety, environment, ethic and integrity on our website.</td><td>None</td></tr>
<tr><td>(9) Does the Company’s contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?</td><td>V</td><td></td><td>(9) A performance assessment is conducted annually to the Company’s major suppliers on their systems and implementation related to environmental protection, safety and hygiene. By supply chain management, the Company influenced its vendors to upgrade environmental protection and safety. When and if any significant environmental pollution or violation of labor human right of a vendor is reported, the Company would request the vendor to explain and, if necessary, initiates investigation, and evaluates termination or cancellation of the supply contract with such vendor.</td><td>None</td></tr>
<tr><td>4. Enhancing Information Disclosure
(1) Does the Company disclose relevant and reliable CSR information on its website and the MOPS?</td><td>V</td><td></td><td>(1) The Company issues its CSR report and publishes on its website. The report discloses the development on corporate social responsibilities of the Company. Stakeholders. Stakeholders can download the report and understand the Company’s efforts on concerned CSR topics.</td><td>None</td></tr>
<tr><td colspan="5">5. If the Company has established corporate social responsibility principles based on the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”, please describe any discrepancy between the principles and their implementation:
The Company well recognize a corporation is one of the community citizens and should fulfill corporate social responsibility. The Company has taken into consideration CSR related issues in designing of company systems and operating strategies, such as corporate governance, sustainability environment, social benefits, and corporate social responsibility. Operation of the Company is fully in compliance with the corporate governance guidelines set forth in the “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies”.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s corporate social responsibility practices:
(1) Since its establishment, WIN got from the environmental protection agency and maintains the permit for wastewater effluent. Effluents out of WIN facilities undergo pre-treatment in house and treatment by Wastewater Treatment Plant of Hwaya Technology Park (the “Park”) before discharging into surface water body. Hwaya Technology Park Administration (the “Park Administration”) operating wastewater treatment for the Company checks effluents on a weekly basis and during Year 2015, WIN's effluents strictly met water quality standards required by the Park Administration.</td></tr>
</table>

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

(2) The Park Administration analyzes samples of air, water and underground water within and outside the Park quarterly to monitor quality of the same. The Environment Quality Supervision Committee of the Park, consisted of representatives of the firms in the Park, experts and academia, invites leaders of neighboring villages to communicate and discussion agenda related to interaction between the Park and its community, including environmental protection issues such as air and river water quality, transportation. The Company keeps involved in the committee to enhance environment quality of neighboring community.

(3) Since the European Union's RoHS directive took effect on July 1, 2006, all products available on the market with substances such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ether, have been required to contain less than 1,000 ppm of these substances. Customers have actively inquired and requested that WIN comply with EU's relevant regulations governing hazardous substances. Therefore, we began checking the ingredients of our raw materials and have since established a hazardous substance free management procedure. WIN is committed to meeting customer requirements concerning hazardous-substance-free operations. Since late 2010, we have included the requirements of the EU's hazardous substance free directive in our test reports for product ingredients. These directives include REACH, RoHS, PFOS & PFOA, and Halogen-Free Regulations.
At the following Customer login page (select E-Service) on WIN's official website (https://www.winfoundry.com/Other/other_login), a Hazardous Substance Free section was set up in the Customer section of WIN's official website which provides the following information pertaining to hazardous-substance-free and conflicting minerals for customer access:

- ✓ Declaration for Hazardous Substance Free
- ✓ Third-Party Product Testing Report for the Year
- ✓ Introduction to Hazardous Substance Free Management Procedure.

Besides establishing a hazardous substance free management procedure, WIN is committed to protecting the Earth by actively collaborating with its suppliers to produce products that are hazardous substance-free for customers and consumers. WIN specifies in purchase contracts and order forms that new material suppliers must comply with WIN's supplier management procedures, and that the provided materials may not contain hazardous substances as defined by WIN. Furthermore, suppliers must regularly provide product testing reports and undertake annual supplier assessments. Regarding new materials, the Technology R&D Department must abide by WIN's hazardous substance free management procedures when determining product specifications and selecting materials to ensure that new materials are hazardous substance-free. Since 2012 WIN has requested that suppliers who provide conflict minerals to the Company make use of the latest version of the Conflict Minerals Reporting Template (CMRT), released by the Conflict-free Sourcing Initiative (CFSI), to disclose the origins of their minerals and to provide a list of smelters and miners they work with and involved in the processing of these minerals, so as to ensure that these smelters and miners are internationally recognized as non-conflict smelters and miners. By actually taking action, WIN demonstrates its efforts in keeping in line with relevant environmental regulations, green purchase trends, and customer requirements.

(4) The Company upholds the core values of Integrity, Innovation, Discipline, and Efficiency in providing foundry total solutions to its worldwide wireless communications customers to meet the mission of pursuing excellent and caring society.

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

(5) WIN upholds the spirit of respecting life, caring for disadvantaged individuals, and giving back what is taken from society. WIN spreads its love for society by donating resources as a way of showing our concern for the economically disadvantaged. Donations in 2017 were as follows:

a. We donated NT$13,360 thousand to Paper Windmill Arts and Educational Foundation in the past three years. The funds were used to sponsor performances by educational and entertainment troupes, especially the Save the Faust Project, a troupe consisting of youngsters. This helps to keep drugs away from schools and hopefully will give young people a healthier future.

b. Over the past three years, we have donated NT$23,361 thousand to the following: cultural and educational promotion activities, assistance to disadvantaged families and charitable events.

c. In partnership with the Boyo Social Welfare Foundation, the WIN Book Donations program provided additional opportunities for children in remote areas to learn and grow. In the six-month period between June 2017 and December 2017, a series of book donation activities were held. The books collected were educational (e.g., inspirational, knowledge, art, literature and science). The intended readers of these books and magazines were mainly students attending elementary schools all the way to high schools. Books aimed at learning for adults were secondary. A total of 1,734 books were collected and subsequently distributed to the Boyo Foundation's five centers: Wufeng Center, Taitung Center, Taichung Center, Nantou Center and Hengshan Center.

(6) Providing job opportunities for disadvantages: Visually impaired masseuses have been invited since 2012 to provide stress-relieving massages for our employees. WIN also offers employment programs and arrange internship programs, as well as scholarships for students from economically disadvantaged families, creating both employment and education opportunities as a means of social contribution.

(7) Launch “Employer Friendly Enterprise” Campaign

a. The Company is committed to creating job opportunities; local employees come first.

b. The Company allocates sufficient reserve or pay pension fund for employees according to Labor Standard Law and Employee Pension Fund Statute.

c. The Company fosters well-balanced life of employees, such as implementation of a fair employee leave program, elastic work hours, employee caring, employee assistance program, hobby clubs through Employee Welfare Commission and employee tours.

7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below:

The Company’s 2016 CSR Report has been issued on its website (http://www.winfoundry.com). The report uses the Global Reporting Initiative (GRI) G4 guidelines following the core standard disclosures as well as the principles and requirements of the AA1000 Assurance Standards and has been assured by SGS Taiwan Ltd.

Ethical Corporate Management

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the Company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) The Company has established its "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Guidelines for the Code of Ethical Conduct" to achieve the ethical corporate management.	None
(2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	V		(2) The Company has established its "Procedures for Ethical Management and Guidelines for Conduct" and has good implementation status.	None
(3) Does the Company establish appropriate compliance measures for the business activities prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(3) The Company reviews the risk of unethical conduct from time to time and promulgates "Procedures for Ethical Management and Guidelines for Conduct". WIN has been conducting integrity awareness for years and set up a reporting mailbox on its official website to enhance the effectiveness of the Company's ethical corporate management.	None
2. Ethic Management Practice				
(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The company upholds the principle of fair treatment to customers and suppliers. Before entering into contracts with the company, all suppliers have to comply with the Suppliers' Code of Ethics which covers labor, health, safety, environmental protection, ethics and integrity.	None
(2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company′s ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		(2) The Company upholds the principles of ethical corporate management and delegated Human Resources Division as responsible unit. The internal audit reports the implementation status to Board on a regular base. In 2017, the Company also conducted awareness training for the benefit of domestic employees, with a completion rate of 96.54%. In addition, Company directors and senior executives were also arranged to attend a 3-hour ethical management related training course.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The Company has established its “Ethical Corporate Management Best Practice Guidelines”, “Procedures for Ethical Management and Guidelines for Conduct” and “Guidelines for the Code of Ethical Conduct” to require the Company personnel not offer, commitment, requirements or accepting any improper profit gains directly or indirectly when engaging in business operation, nor have any unethical or illegal conduct or breach the fiduciary obligations.	None
(4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors or CPA periodically?	V		(4) The Company has established internal control systems, accounting policy and related management regulations to practice ethical corporate management and the internal auditor audit the related matters and had not investigated unusual events.	None
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) WIN has been conducting integrity awareness for years, and the participants of these training sessions span the entire organization, including new recruits who are required to sign the “Guidelines for the Code of Ethical Conduct” and “Employee Commitment Statement” on their first day of work. In terms of course offerings, 12 sessions of Common General Knowledge Courses were made available for 627 new employees in 2017. Company directors and senior executives were also arranged to attend a 3-hour anti-corruption training course entitled “Prevention, Control and Investigation of Corrupt Practices within the Enterprise.” A total 12 individuals participated in the course. In addition, the Company also conducted awareness training for the benefit of domestic employees, with a completion rate of 96.54%.	None
3. Implementation of Complaint Procedures (1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) The Company has set up Reward and Discipline Commission to evaluate employee ethical and unethical conducts. The Company encourages employees to report any illegal or unethical conducts and has complaint system for two-way communications. The Company has not any matters about discipline of unethical conduct up to date.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(2) The Company encourages its employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon discovery of any activity in violation of a law or regulation and also undertakes information confidential and whistleblowers protection based on its "Ethical Corporate Management Best Practice Guidelines" and "Procedures for Ethical Management and Guidelines for Conduct".	None
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The Company keeps the whistleblowers' identity and contents of information confidential and assures the whistleblowers' rights and interests based on its "Procedures for Ethical Management and Guidelines for Conduct".	None
4. Information Disclosure (1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the MOPS?	V		(1) The Company has established its "Ethical Corporate Management Best Practice Guidelines" and disclosed on the Company′s website and the MOPS, and assigned a dedicated unit to responsible for establishing and supervising the implementation of the ethical corporate management policies.	None
5. If the Company has established its own ethical corporate governance in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, describe the operation status and difference with the best practice principles: The Company has implemented its ethical corporate management policies based on its "Ethical Corporate Management Best Practice Principles".				
6. Other important information to facilitate better understanding of the Company's ethical corporate management operations (e.g. discussion of revisions to ethical corporate management rules set down by the Company): None.				

Corporate Governance Guidelines and Regulations

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

Internal Control Systems

A. Statement of Internal Control

WIN Semiconductors Corp.

Statement of Internal Control

March 22, 2018

The internal control self-assessment of WIN Semiconductors Corp. was conducted for the year ended December 31, 2017 based on the Company's internal control system. The results are described as following:

1. WIN Semiconductors Corp. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. WIN Semiconductors Corp. has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. WIN Semiconductors Corp. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. WIN Semiconductors Corp. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. WIN Semiconductors Corp. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of WIN Semiconductors Corp. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on March 22, 2018, with none of the nine attending directors expressing dissenting opinions on the content of the Statement.

WIN Semiconductors Corp.

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

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

None

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

On August 17, 2017, workers at the Guishan fab did not properly plan the route when transporting pumps, which led to injuries (surgeries were performed but no hospitalization was necessary). The Occupational Safety and Health Administration (OSHA) issued a fine of NT$60,000 in accordance with Article 6 of the Occupational Safety and Health Act.

Subsequent rectification and preventive measures: 1. With respect to particular model of pumps in the incident, we employ plastic plates to cover the gap between the handling rings and the casings; 2. Communicate and coordinate the routes for transporting equipment going forward to avoid uneven grounds when moving equipment.

Major Resolutions of Shareholders' Meeting and Board Meetings

A. Action Arising of 2017 Annual General Shareholders' Meeting:

Major Resolutions	Action Arising
Approved the adoption of the 2016 business report and financial statements.	The relevant documents were filed with authority and disclosed on the MOPS.
Approved the adoption of the proposal for distribution of 2016 profits.	The Company decided to set up the ex-dividend date of cash dividend for July 15, 2017 and paid on July 28, 2017 (NT$4.5 per common share) according to the resolution of 2017 AGM.
Approved the amendment to the Company's "Procedures for Acquisition or Disposal of Asset."	The amendment was passed by 2017 AGM and disclosed on the Company's website. The Company has executed the rules accordingly.
Approved the proposal for fund raising plan by issuing common shares through private placement.	The Company issued new common shares at the price of NT$277 per share through private placement on December 22, 2017, according to the resolution that the private placement shall be issue at one time within one year after shareholders' meeting. The registration of share issuance and capital increase was completed by the government authority on January 11, 2018. Please refer to page 59 "4.8. Financing Plans and Implementation" for further details.
By-election of one Independent Director.	Mr. Jin-Shih Lin was elected as independent director. His tenure shall commence on June 16, 2017 and expire on June 23, 2019. The registration was completed by MOEA, R.O.C. on June 30, 2017.
Proposal for release of Directors from non-competition restrictions.	The proposal become effective after approval by the AGM on June 16, 2017 and was disclosed on the MOPS on the same day.

B. Major Resolutions of Board Meetings

Date	Major Resolutions
03/23/2017	1. The distribution of employees' profit sharing bonus and directors' compensations for the year of 2016. 2. Approval of the financial statements and consolidated financial statements for the year of 2016. 3. Approval of the business report for the year of 2016. 4. Recommendation of the distribution of earnings for the year of 2016. 5. Evaluation of independence and qualification of the CPA to be engaged by the Company. 6. Approval of the professional service fee of the CPA for the year of 2017. 7. Issuance of Internal Control Statement of the Company for the year of 2016. 8. Amendment to the Company's "Procedures for Acquisition or Disposal of Assets." 9. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd. 10. Application for short-term and mid-term facilities with financial institutions. 11. By-election of one independent director. 12. Setting up timeframe for nomination of independent director candidate by shareholders of the Company. 13. Discussion of the candidate list for the independent director. 14. Convening of the 2017 annual regular shareholders' meeting. 15. Promotion of Associate Vice Presidents. 16. Budget of managers' compensation for the year of 2016 and 2017.
05/05/2017	1. Report of the consolidated financial statement for the first quarter of 2017. 2. Review the qualifications to the independent director candidate. 3. Proposal for release of Directors from non-competition restrictions. 4. Proposal for fund raising plan by issuing common shares through private placement. 5. Revision to the proposal for 2017 annual shareholders meeting. 6. Application for short-term and mid-term facilities with financial institutions.
06/16/2017	1. Appointment of Independent Director, Jin-Shih Lin as the Compensation Committee member. 2. Application for short-term and mid-term facilities with financial institutions.
08/09/2017	1. Report of the consolidated financial statement for the second quarter of 2017. 2. Application for short-term facilities with financial institutions.
10/05/2017	1. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.
11/13/2017	1. Report of the consolidated financial statement for the third quarter of 2017. 2. Amendments to the Company's "Rules and Procedures of Board of Directors Meetings", "Rules Governing the Scope of Powers of Independent Directors", and "Audit Committee Charter". 3. Approval of the budget plan of the Company for the year of 2018. 4. Application for short-term and mid-term facilities with financial institutions.
12/08/2017	1. Approval the pricing date, issuance price and record date of capital increase by cash through private placement which was approved by 2017 AGM. 2. Approval of the Company entering into a Memorandum of Understanding with Avago Technologies International Sales Pte. Limited.
12/29/2017	1. Approval of the budget plan of the Company for the year of 2018. 2. Approval of the termination of the private placement offering program, which was approved by 2017 AGM, during the remaining validity period. 3. Application for short-term and mid-term facilities with financial institutions. 4. Approval of the increase on 2017 year-end bonus budget to the managers.

Date	Major Resolutions
01/11/2018	1. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.
03/22/2018	1. The distribution of employees' profit sharing bonus and directors' compensations for the year of 2017. 2. Approval of the financial statements and consolidated financial statements for the year of 2017. 3. Approval of the business report for the year of 2017. 4. Recommendation of the distribution of earnings for the year of 2017. 5. Evaluation of independence and qualification of the CPA to be engaged by the Company. 6. Approval of the professional service fee of the CPA for the year of 2018. 7. Issuance of Internal Control Statement of the Company for the year of 2017. 8. Convening of the 2018 annual regular shareholders' meeting. 9. Application for short-term and mid-term facilities with financial institutions. 10. Proposal for release of Directors from non-competition restrictions. 11. Budget of managers' compensation for the year of 2017 and 2018.

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

None

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

None

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

Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Yai-Ling Chen	Mei-Yen Chen	2017.01.01~2017.12.31	—

Unit: NT$ thousand

Fee Range		Audit Fee	Non-audit Fee	Total
1	Under NT$2,000		485	485
2	NT$2,000 ~ NT$4,000			
3	NT$4,000 ~ NT$6,000	4,660		4,660
4	NT$6,000 ~ NT$8,000			
5	NT$8,000 ~ NT$10,000			
6	Over NT$100,000			

Unit: NT$ thousand

Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Yai-Ling Chen Mei-Yen Chen	4,660	-	103	-	382	485	2017.01.01 ~ 2017.12.31	

3.5. Replacement of CPA

A. Regarding the Former CPA

<table>
<tr><td>Replacement Date</td><td colspan="3">March 17, 2016</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">Due to internal restructuring at KPMG firm, the CPAs of the Company were changed starting January 1, 2016.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td>Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>No longer accepted (continued) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">Not applicable</td></tr>
<tr><td rowspan="4">Differences with the company</td><td>None</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>None</td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td>None</td><td colspan="2">Audit scope or steps</td></tr>
<tr><td>None</td><td colspan="2">Others</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="3">None</td></tr>
</table>

B. Regarding the Successor CPA

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

3.6. Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2017.

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

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

Unit: Shares

<table>
<tr><td rowspan="2">Title</td><td rowspan="2">Name</td><td colspan="2">2017</td><td colspan="2">As of Apr. 30, 2018</td></tr>
<tr><td>Shares Additions (Deductions) in Shareholding</td><td>Shares Additions (Deductions) in Pledge</td><td>Shares Additions (Deductions) in Shareholding</td><td>Shares Additions (Deductions) in Pledge</td></tr>
<tr><td>Chairman</td><td>Chin-Tsai Chen</td><td>0</td><td>(6,043,426)</td><td>0</td><td>0</td></tr>
<tr><td rowspan="2">Director</td><td>International Fiber Technology Co., Ltd.</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Representative: Shih-Chuan Hsieh</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td>Li-Cheng Yeh</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td>Yu-Chi Wang</td><td>(139,153)</td><td>0</td><td>(60,000)</td><td>0</td></tr>
<tr><td>Director</td><td>Wen-Ming Chang</td><td>(10,000)</td><td>0</td><td>0</td><td>0</td></tr>
</table>

Title	Name	2017		As of Apr. 30, 2018	
		Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Director	Shun-Ping Chen	0	0	0	0
Independent Director	Shen-Yi Li	(3,724)	0	0	0
Independent Director	Wei-Lin Wang	0	0	0	0
Independent Director	Jin-Shih Lin	0	0	0	0
Sr. Vice President	Chang-Hwang Hua	0	0	0	0
Vice President	Joseph Liu	(39,000)	0	(54,000)	0
Vice President	Brian Lee	(26,000)	0	(44,000)	0
Sr. Vice President	Kyle Chen	0	0	(25,000)	0
Vice President	Lap-Sum Yip	0	0	0	0
Special Assistant to CEO	S.Y. Wang	(77,000)	0	(20,000)	0
Associate Vice President	Annie Yu	(9,000)	0	0	0
Associate Vice President of Accounting	Linna Su	0	0	0	0
Associate Vice President of Finance	Joe Tsen	(44,000)	0	(5,000)	0

Shares Trading with Related Parties

None

Shares Pledge with Related Parties

None

3.8. Relationship among the Top Ten Shareholders

Apr. 17, 2018; Unit: Shares; %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between Any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tien Ho Industrial Co., Ltd.	21,652,329	5.12	N/A	N/A	N/A	N/A	None	None	None
Representative: Yu-Wen Chen	0	0	0	0	0	0	None	None	None
CTBC Bank in Custody for Avago Technologies General IP (Singapore) Pte. Ltd.	20,000,000	4.73	N/A	N/A	N/A	N/A	None	None	None
Kou-I Yeh	16,705,214	3.95	445,064	0.11	0	0	Li-Chuan Yeh Li-Cheng Yeh	Son Son	None
Chin-Tsai Chen	12,402,953	2.93	1,045,368	0.25	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	
Cathay Life Insurance Co., Ltd.	11,170,000	2.64	N/A	N/A	N/A	N/A	None	None	None
Representative: Tiao-Kuei Huang	0	0	0	0	0	0	None	None	None
Deutsche Bank in Custody for Small Cap World Fund Inc.	9,049,358	2.14	N/A	N/A	N/A	N/A	None	None	None
Bank of Taiwan in Custody for PFS Somerset Emerging Markets Dividend Growth Fund	8,357,034	1.98	N/A	N/A	N/A	N/A	None	None	None
Fubon Life Insurance Co., Ltd.	7,914,000	1.87	N/A	N/A	N/A	N/A	None	None	None
Representative: Richard M. Tsai	0	0	0	0	0	0	None	None	None
Li-Chuan Yeh	7,687,525	1.82	3,252,876	0.77	0	0	Kou-I Yeh Li-Cheng Yeh	Father Brother	None
Li-Cheng Yeh	7,687,525	1.82	1,306,708	0.31	0	0	Kou-I Yeh Li-Chuan Yeh	Father Brother	None

3.9. Ownership of Shares in Affiliated Enterprises

Mar. 31, 2018

Affiliated Enterprises (Note)	Ownership by the Company		Directly or Indirectly by Directors and Supervisors, Managers		Total Ownership	
	Shares (thousands)	%	Shares (thousands)	%	Shares (thousands)	%
Win Semiconductors Cayman Islands Co., Ltd.	74,000	100	0	0	74,000	1000
WIN SEMI. USA, INC.	1,000	100	0	0	1,000	100
Inventec Energy Corporation	11,768	34.52	5	0.015	11,773	34.54
WIN Venture Capital Corp.	25,000	100	0	0	25,000	100
Phalanx Biotech Group, Inc.	16,400	31.06	3,600	6.82	20,000	37.88
CSDC Private Limited	0.25	25.00	0	0	0.25	25.00

Note: Investments accounted for using equity method.

IV. CAPITAL OVERVIEW

4.1. Capital and Shares

Source of Capital

A. Issued Shares

Apr. 30, 2018; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	422,666,384	577,333,616	1,000,000,000	Listed on Taipei Exchange, and the par value for each share is NT$10.

B. Type of Stock

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash
Jan. 2017	10	1,000,000	10,000,000	402,666	4,026,664	Capital reduction due to cancellation of treasury shares	None
Jan. 2018	277	1,000,000	10,000,000	422,666	4,226,664	Capital increase by cash through private placement	None

Status of Shareholders

Apr. 17, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	154	126	15,273	685	16,242
Shareholding (Shares)	11,688,757	52,233,865	40,757,711	110,649,740	207,336,311	422,666,384
Percentage	2.77%	12.36%	9.64%	26.18%	49.05%	100.00%

Shareholding Distribution Status

Apr. 17, 2018

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	4,093	1,194,787	0.28%
1,000 ~ 5,000	9,964	16,686,384	3.96%
5,001 ~ 10,000	780	5,977,110	1.41%
10,001 ~ 15,000	265	3,390,468	0.80%
15,001 ~ 20,000	168	3,059,441	0.72%
20,001 ~ 30,000	197	5,017,211	1.19%
30,001 ~ 40,000	112	3,945,408	0.93%
40,001 ~ 50,000	65	3,006,093	0.71%
50,001 ~ 100,000	199	14,218,686	3.36%
100,001 ~ 200,000	146	20,558,587	4.86%
200,001 ~ 400,000	99	28,333,024	6.70%
400,001 ~ 600,000	41	20,694,625	4.90%
600,001 ~ 800,000	22	14,952,399	3.54%

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
800,001 ~ 1,000,000	18	15,786,995	3.74%
1,000,001 or over	73	265,845,166	62.90%
Total	16,242	422,666,384	100.00%

List of Major Shareholders

Apr. 17, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage
Tien Ho Industrial Co., Ltd.	21,652,329	5.12%
CTBC Bank in Custody for Avago Technologies General IP (Singapore) Pte. Ltd.	20,000,000	4.73%
Kou-I Yeh	16,705,214	3.95%
Chin-Tsai Chen	12,402,953	2.93%
Cathay Life Insurance Co., Ltd.	11,170,000	2.64%
Deutsche Bank in Custody for Small Cap World Fund Inc.	9,049,358	2.14%
Bank of Taiwan in Custody for PFS Somerset Emerging Markets Dividend Growth Fund	8,357,034	1.98%
Fubon Life Insurance Co., Ltd.	7,914,000	1.87%
Li-Chuan Yeh	7,687,525	1.82%
Li-Cheng Yeh	7,687,525	1.82%

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

Unit: NT$; Shares in thousands

Item			2016	2017	2018/1/1~ 2018/4/30
Market Price Per Share	Highest Market Price		97.10	340.00	334.50
	Lowest Market Price		44.50	84.80	212.00
	Average Market Price		63.54	197.40	274.45
Net Worth Per Share	Before Distribution		43.66	60.50	As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2018.
	After Distribution		39.17	(Note 1)	
Earnings Per Share	Weighted Average Shares (thousand shares)		515,536	403,214	
	Earnings Per Share		6.04	9.34	
Dividends Per Share	Cash Dividends		4.50	(Note 1)	
	Stock Dividends	Dividends from Retained Earnings	0	0	
		Dividends from Capital Surplus	0	0	
	Accumulated Undistributed Dividends		0	0	
Return on Investment	Price / Earnings Ratio (Note 2)		11.34	18.80	
	Price / Dividend Ratio (Note 3)		39.02	(Note 1)	
	Cash Dividend Yield Rate (Note 4)		2.56%	(Note 1)	

Note 1: The appropriation of earnings for 2017 shall be determined by the 2018 Annual General Shareholders' Meeting.
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Dividend Policy and Implementation Status

A. Dividend Policy

In accordance with Article 22-1 of the Article of Incorporation, if there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a

legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Company; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Board of Directors should draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend, in which cash dividend shall not be lower than 10% of entire dividend.
As the Company is a high-tech firm with intensive capital expenditure, conditions, timing, amount and kinds of the above-stated dividend policy may be adjusted, taking into account economic cycles, industry change and the Company's growth and cash demand.

B. Proposed Distribution of Dividend
The proposal for distribution of 2017 profits was passed at the Board of Directors meeting on March 22, 2018. The proposed dividend to shareholders is a cash dividend of NT$7 per common share, totaling NT$2,958,664,688, projected payout ratio is around 75%. This proposal will be discussed at the annual general shareholders' meeting on June 15, 2018. Upon the approval of the AGM, it is proposed that the Chairman of the Board be authorized to resolve the ex-dividend date and payment date.

C. Material Change in Dividend Policy Is Expected
None

Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting
There was no stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

Compensation of Employees and Directors

A. Information Relating to Employee and Director Compensation in the Articles of Incorporation
If there is any net profit after closing of a fiscal year, the Company shall be allocated according to the following principles:

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

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

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

1. The estimate foundation: The Company 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 employees' profit sharing bonus and directors' and supervisors' compensation.
2. The Company has not distributed employees' profit sharing bonus and directors' compensation in stock in year 2017.
3. Accounting policy for difference between the amounts paid and those recognized in the financial statements: Employees' profit sharing bonus and directors' compensation are accounted for by Interpretation (96) 052 issued by the ARDF. According to this Interpretation, employees' profit sharing bonus and directors' compensation are estimated and accrued as expenses as services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized

in profit or loss.

C. Distribution for Employees' Profit Sharing Bonus and Directors' Compensation for 2017 Approved in Board of Directors Meeting

1. Distribution for employees' profit sharing bonus and directors' compensation for 2017 was passed by the Board of Directors' meeting on March 22, 2018 as below:
   (1) Employees' profit sharing bonus distributed in cash is NT$308,400 thousand.
   (2) Directors' compensation is NT$89,500 thousand.
   (3) There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, for the years ended December 31, 2017.
2. Ratio of employees' profit sharing bonus distributed in stocks to capitalization of earnings: Not applicable.

D. Information of 2017 Earnings Set Aside for Employees' Profit Sharing Bonus and Directors' Compensation

1. Distribution of employees' profit sharing bonus and directors' compensation

The 2016 earnings appropriation plan was passed by the Board of Directors' meeting on March 23, 2017 as below:

(1) Employees' profit sharing bonus by cash is NT$263,000 thousand.
(2) Directors' compensation is NT$76,300 thousand.

2. Ratio of employees' profit sharing bonus by stock to capitalization of earnings: 0%.
3. Recounted EPS after recommended distribution of employees' profit sharing bonus and directors' compensation: NT$6.04.
4. The actual distribution of employees' profit sharing bonus and directors' compensation above-mentioned was consistent with the resolutions of the Board of Directors' meeting.

Buyback of Treasury Stock

Number of Batches	3rd Batch
Purpose of redemption	Preserving company good will and shareholders' equity
Timeframe of redemption	2016/11/16~2017/01/15
Price range	NT$78.8 to NT$120 per share
Type and number of shares redeemed	Common stock 5,000,000 shares
Total monetary amount of redeemed shares	NT$443,977,225
Shares cancelled	5,000,000 shares
Accumulated number of shares held by the Company	0
Percentage of total shares held by the Company (%)	0%

4.2. Corporate Bonds

None

4.3. Preferred Stock

None

4.4. Global Depositary Receipts

Item \ Issued Date	10/09/2012 & 11/07/2012		
Issued Date	10/09/2012 & 11/07/2012		
Listing Exchange	Luxembourg Stock Exchange		
Issued Amount	US$168,128,000		
Listing Price	US$5.254		
Issued Size	10/09/2012	30,000,000 units	
	11/07/2012	2,000,000 units	
	08/24/2015	(6,393,632) units	
	09/17/2016	(7,812,852) units	
	Total	17,793,516 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	88,967,579 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. 30, 2018)	0 units		
Issuing Expenses and Maintenance Fees	Issuing Expenses: Jointly be borne by the Company and Selling Shareholders on a pro-rata basis Maintenance Fees: Be borne by the Company		
Important Terms and Conditions of Depositary and Custodian Agreements	Please refer to Depositary Agreement and Custodian Agreement		
Price per Unit	Year 2017	High	US$49.00
		Low	US$13.55
		Average	US$28.38
	Jan. 01, 2018~ Apr. 30, 2018	High	US$56.28
		Low	US$36.70
		Average	US$46.95

4.5. Employee Stock Options

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

None

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

None

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

The Company's 2017 AGM approved to raise capital from private placement not exceeding 40,000,000 shares. The Company issued 20,000,000 common shares on December 22, 2017. On December 29, 2017, the Board resolved to terminate the remaining 20,000,000 shares for private placement during the remaining period. Please refer to page 91 “8.2. Private Placement Securities in the Most Recent Years” for further details. The raised fund is still under usage. Besides the above-mentioned, other financing plans have completed.

V. OPERATIONAL HIGHLIGHTS

5.1. Business Overview

Business Scope

A. Major Business Operated by the Company

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

B. Net Revenue by Products

Unit: NT$ thousand

Products	2017	Percentage
GaAs Wafer	16,661,221	97.51%
Others	425,134	2.49%
Total	17,068,355	100.00%

C. The Company's Current Product (Service)

In the microwave high-tech field of wireless broadband communications, WIN primarily provides two major GaAs transistor manufacturing process technologies: Heterojunction Bipolar Transistor (HBT) and pseudomorphic High Electron Mobility Transistor (pHEMT), both of which are the state-of-the-art wireless broadband communications microwave process technologies. Our product lines can satisfy a multitude of frequency band wireless communication application systems ranging from 100MHz to 100GHz. With MMIC technique as basis, WIN also provides optoelectronic device fabrication services for optical communication and 3D sensing applications.

WIN provides fast and low cost foundry services in broad range of applications. The technologies including 1μm HBT, 2μm HBT, 0.5μm pHEMT Switch, 0.5μm power pHEMT, 0.25μm power pHEMT, 0.25μm E/D pHEMT, 0.15μm LNA pHEMT, 0.15μm power pHEMT, 0.1μm power pHEMT and BiFET pHEMT are in mass-production now. 1μm HBT is ideal for fiber communication systems. 2μm HBT and 0.5μm pHEMT Switch are ideal for handsets and WLAN applications. 0.1μm, 0.15μm, and 0.25μm pHEMT technologies are ideals for applications from discrete low noise/power FETs, SATOM, VSAT, base station, automotive radar, and 40Gb/s fiber optic MMICs. 0.5μm pHEMT is ideal for SATOM, GPS, Cable TV tuner, Electronic toll collection and WLAN.

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

In addition to the comprehensive GaAs and GaN technology portfolio, WIN has also developed optoelectronic device production capabilities. Such capabilities enable flexible and large scale manufacturing of semiconductor laser and photodiode products. The manufacturing services include customized epitaxial growth/re-growth, full device fabrication, and device characterization analysis and testing.

Industry Overview

A. Current Status and Development of the Industry

Semiconductor materials can be categorized into single-element semiconductor and compound semiconductor. The former are semiconductors made using element like Silicon (Si) and Germanium (Ge).

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

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

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

The concept of IoT is emerging in recent years, making the applications for wireless communications and ADAS grow rapidly. Numbers of digital commercial electronic products with wireless communication function is also increasing year by year. Thus, there is room for GaAs applications to grow. In addition, compound semiconductors will continue to play an important role in communication and optical devices markets. For example, the laser of III-V semiconductor has the advantage of small size and high integration, so its applications have been widely used in both industrial and commercial fields especially VCSEL which is the most suitable for mass production. VCSEL is expected to become the key GaAs component on mobile devices when the new applications be developed in the fields such as Biometric, AR/VR, and ADAS.

In addition, similar to the business model of the silicon wafer foundries, GaAs foundries must undergo a certain amount of investment and long-term process technology development. Many GaAs IDMs that possess in-house manufacturing capacity face the risks of periodic overcapacity and under capacity due to the cyclical nature of the semiconductor industry. By outsourcing a portion of their manufacturing to foundries, they can alleviate such risks and save cost. We believe that the continued trend of going fabless and fablite for worldwide communication and wireless IDMs and our established leading position in the GaAs foundry business position us for further market share gains in the future. At the end of 2017, WIN entered into a memorandum of understanding (MOU) with Avago. Avago will sell its equipment related to HBT product line to WIN and outsource manufacturing of its HBT products to WIN. The MOU has confirmed the success of WIN’s strategies to develop its own technologies and continue to expend in capacity to satisfy customer’s demand making customers able and willing to rely on outsourcing to professional GaAs foundry.

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

In the GaAs industry, substrate production is the first upstream activity of the supply chain, followed by key materials and GaAs epitaxial (EPI) wafers, including MOCVD and MBE technologies. For the mid-stream, the supply chain includes wafer fabrication, packaging, and testing. Regarding the industry as a whole, apart from wafer fabrication, the design and advanced technologies in the industry are still dominated by international IDM companies. Downstream vendors comprise mobile phone and WLAN manufacturers as well as radio frequency system developers. The supply chain of the GaAs industry is summarized below:

<table>
<tr><th colspan="2">SUPPLY CHAIN</th><th colspan="3">COMPANY</th></tr>
<tr><td colspan="2">Substrate</td><td colspan="3">Freiberger, AXTI, Sumitomo</td></tr>
<tr><td colspan="2">EPI Wafer</td><td colspan="3">IQE, VPEC, SCIOCS, Sumika, IntelliEPI, Land Mark</td></tr>
<tr><td colspan="2">IC Design House</td><td>Microsemi, Airoha, RDA, Richwave</td><td rowspan="4">IDM</td><td rowspan="4">Skyworks
Qorvo
Broadcom
Lumentum
II-VI
Finisar</td></tr>
<tr><td colspan="2">Foundry</td><td>WIN Semi., AWSC, GCS, Wavetek</td></tr>
<tr><td colspan="2">IC Packaging</td><td>Tong Shing, Lingsen Precision</td></tr>
<tr><td colspan="2">IC Testing</td><td>Giga Solution, ASE, Sigurd, King Yuan</td></tr>
<tr><td rowspan="2">Terminal Applications</td><td>Smartphones</td><td colspan="3">Apple, Samsung, LG, Huawei, Oppo, Vivo, HTC</td></tr>
<tr><td>Base Station</td><td colspan="3">Huawei, Ericsson, Nokia Siemens, Cisco</td></tr>
</table>

C. Various Product Development Trends

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

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

D. Competition Status

1. Business Development Direction

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

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

2. Production Technology

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

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

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

3. Production Scale and Capacity Planning

In the current GaAs industry, IDM companies still holds over 50% of the market share. In recent years, IDMs have increased the willingness to partnership with foundries for more outsourcing opportunities due to the cost efficiency and conservative of capacity expansion investments made by IDMs. The sustained growth of overall market demand seemed to provide the best business expansion opportunities for foundry companies. As of the end of 2017, Fabs A, B, and C of the Company have total capacity of 29,000 wafers per month. The plant spaces of Fab C will successively be turned into production lines according to the market demands of the future.

Technology and R&D Status

A. R&D Expenses

In 2017, the Company invested NT$692,809 thousand in R&D, which accounted for 4.05% of the operating income. As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2018.

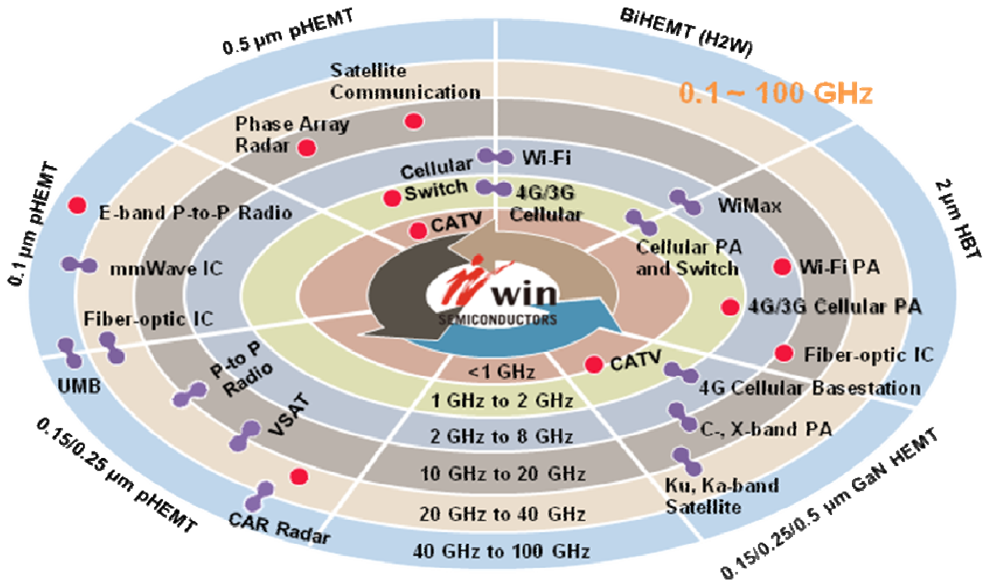
B. Successful R&D and Technologies Development

In terms of technology development, the Company continues to leveraging its advance technologies to diversify product mix and customer base and provide the most comprehensive services to its customers.

WIN can develop and provide microwave device technologies that cover the frequency spectrum from DC to 130 GHz. From the aspect of market applications, apart from handheld wireless communication, WIN has proactively layouted 5G infrastructure and technologies development for optical communication, under the trend of IoT, to take the preemptive opportunity for the future market.

In the upcoming 5G era with the rapid development of various types of optoelectronic and information industries, the demand of technologies and products related to optical communication and optical information is getting stronger. After years of technology development for optoelectronic devices, WIN Semiconductors has already built up an extensive capability of epitaxial growth, wafer processing, device characterization, and reliability verification to ensure that the product quality can meet customer needs.

WIN's product portfolio of optical communication and optical information components includes 2.5G/10G/25G edge-emitting laser diode (LD), high-power edge-emitting laser diode, 2.5G/10G photodiode (PD), avalanche photodiode (APD), and vertical cavity surface-emitting laser (VCSEL). WIN Semiconductors is capable of providing one-stop-shop service for epitaxial growth, wafer processing and device characterization. Looking to the future, we will continue to strengthen our technology to provide customers with high-quality and competitive products to serve different market applications, including fiber to the home, data center, 5G infrastructure, augmented/mixed reality, automotive optoelectronics and 3D sensing.



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

- Continuing to develop next-generation HBT technology and focusing on new frequency bands required for 5G communication systems, especially on power amplifiers that require higher frequency bands and higher output power in order to meet the data transfer speeds of 5G mobile devices, which is several times that offered by 4G systems.
- In response to the demand for highly integrated power amplifier modules, the Power Amplifier Module integrated Duplexer (PAMiD) is expected to become mainstream. In addition to advanced power amplifiers, WIN is also committed to providing OEM services for filters and duplexers to meet the future demand for highly integrated modules.
- Developing advanced process technologies, which are required for microwave communications, to provide high-power HBTs for femtocells and high-power GaN HEMTs for large base stations.
- Developing a more advanced and competitive 0.1μm GaAs pHEMT, for communication infrastructure,

that will meet the increasing frequency requirements of point-to-point millimeter-wave communications.

- Endeavoring to develop a next-generation, high-linearity GaAs pHEMTs for fast-growing big data applications, which rely on ultra-high-speed fiber-optic communication driver amplifier applications for optical modulators.
- Continuing to develop highly-integrated GaAs PINHEMT to realize single-chip, multifunction capabilities to meet future communications requirements.
- Establishing upstream expertise and capabilities in compound semiconductor epitaxy to improve quality control and to accommodate the development of new technologies in a timely manner in response to the shortening of new product development cycles and product life cycles.
- Continuing to develop advanced 0.15μm GaN HEMTs to address future 5G and satellite communications applications.
- Continuing to develop advanced process technologies and packaging solutions with a focus on the requirements of future 5G products and applications.
- Providing customized high-frequency packaging product testing to help customers complete terminal tests of their products in-house, thus shortening wafer shipment times for customers.

5.2. Marketing and Sales Overviews

Market Analysis

A. Sales and Service of WIN and Its Subsidiaries by Geographical Area in 2016 and 2017

Unit: NT$ thousand

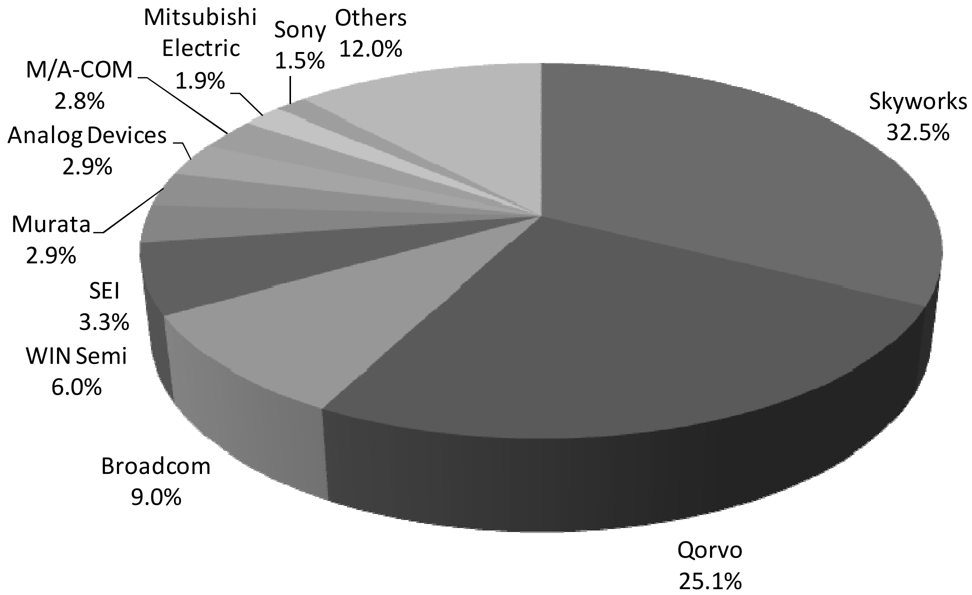
Area (Note1) \ Year		2016		2017	
		Value	%	Value	%
Domestic (Taiwan)		2,018,653	14.82%	2,838,695	16.61%
Oversea	Asia	10,352,382	75.99%	10,564,507	61.83%
	Americas	850,744	6.24%	3,141,216	18.39%
	Europe	401,297	2.95%	540,249	3.16%
	Australia	0	0%	1,680	0.01%
Total		13,623,076	100.00%	17,086,355	100.00%

Note 1: Segment revenue is based on the geographical location of customers.

B. Market Share

According to Strategy Analytics, the total GaAs device and pure play foundry market grew by 7.8% to reach nearly US$8.83bn of revenue in 2017. In 2017, WIN Semi held 6.0% of GaAs device market share remains in fourth place.

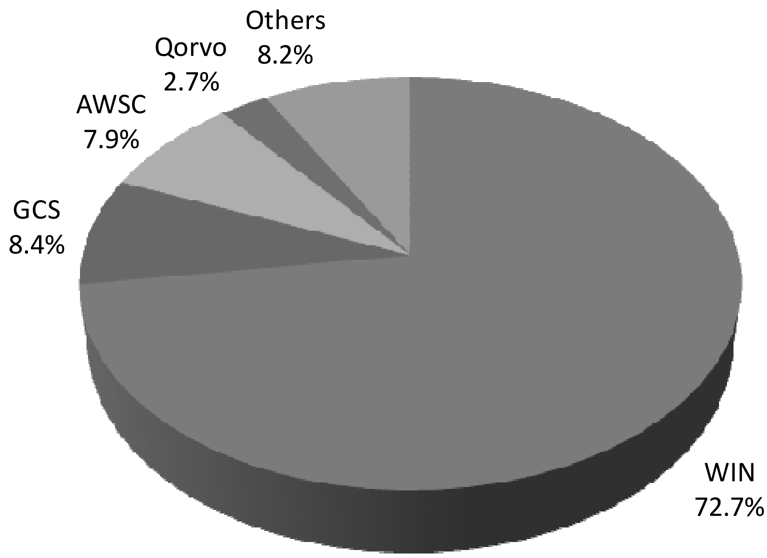
2017 World GaAs Device Vendor Market Share



Source: Strategic Analytics

In addition, the pure-play GaAs foundry revenue increased to $734 million in 2017 according to Strategy Analytics. In 2017, WIN Semi held 72.7% of GaAs foundry market share remains the largest GaAs foundry player worldwide.

2017 World GaAs foundry Vendor Market Share



Source: Strategy Analytics

C. Future Market Supply, Demand, and Growth Status

Wireless communication products are the main driver for the GaAs industry, and cellular applications are still the largest market for GaAs followed by Wi-Fi and infrastructure demands. In terms of the cellular market, the PA demand has begun to increase as the maturity of the GaAs technology reduces the manufacturing costs, and the smartphone requirements for greater functionality. In general, a 2G cellular phone requires 1 to 2 PAs, a 3G cellular phone needs 3 to 4 PAs, and a 4G LTE cellular phone needs to be equipped with even more PAs.

In recent years, although the global smartphone growth momentum has waned and the compound annual growth rate (CAGR) for the global smartphone shipment volume is anticipated to drop to 4% between 2016 and 2020, the cellular PA still has 10% growth room and the Wi-Fi PA can grow up to 18% according to statistics by Mizuho. Mizuho also states that if add on the infrastructure demands from high-frequency base station and satellite transmission, the CAGR in the overall wireless RF PA market still can reach up to 8%. In addition, as 4G LTE gradually matures, carrier aggregation (CA) or LTE-Advance is regarded as the solution for the demand for faster transmission speed and bandwidth requirement before the advent of 5G, which has become another growth driver of the GaAs industry. According to JP Morgan estimates, the penetration of PA that adopts CA technology has grown from 17% in 2014 to 42% in 2015, and is anticipated to reach the 66% level by 2019 with CAGR of up to 30%.

In addition to the highly penetration of the existing markets, the explosion of mobile network traffic that has boosted 4G LTE, and the needs for fiber network deployment; the popularity of IoT in the future will drive the GaAs application to increase and expand the scale of the GaAs market rapidly. According to the statistics by GSMA, till 2020, the trend is still positive for LTE network coverage in most countries, especially Latin America and Asia Pacific. It means customer’s reliability on wireless communication is rising. Under the stimulation of significant demand, the scale of application market of GaAs can be increased rapidly. Moreover, according to the latest “Ericsson Mobility Report”, 4G LTE become the dominant mobile access technology in the end of 2017, and is estimated to reach 5.5 billion subscriptions by the end of 2023. At that point, LTE subscriptions will account for more than 60 percent of all mobile subscriptions. In developing markets, 2G GSM/EDGE-only will still account for a significant share of subscriptions. The standardization work plan for 5G has been accelerated. The standard as specified in 3GPP Release 15 is planned to be finalized by the end of 2017 for Non-Standalone 5G New Radio (NR), and by mid-2018 for Standalone 5G NR. Early 5G deployments are anticipated in several markets, including the US, South Korea, Japan and China. The first commercial networks based on Standalone 5G NR are expected to go live in 2019, with major network deployments from 2020.By the end of 2023, over 1 billion 5G subscriptions are forecast for enhanced mobile broadband. North America has the highest penetration of 5G.

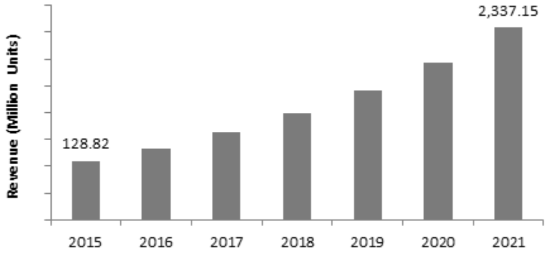
With the increasing demands on mobile subscribers, popularity of IoT, mobile videoing, AR, and VR, and providing a more innovative experience for consumers and business users, 5G technology will play an important role, not only in terms of mobility, but also in the entire network connection. Thus, the national telecommunication providers have its necessity to actively expanding 4G/5G and fiber optic networks.

After iPhone X adopted 3D sensing application, 3D sensing has been listed as the top of the eight emerging trends by Goldman Sachs Group. JP Morgan Securities also estimates that despite its application in new fields such as AR/VR, autopilot, and automotives, numbers of smartphones adopt 3D sensing module will increase to 1 billion units in 2020.

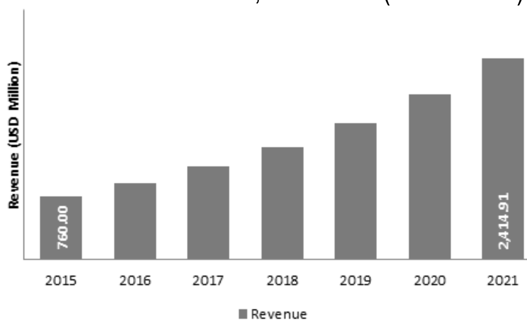
The adoption of 3D sensing by iPhone X makes 3D sensing enter the application of consumer electronic products and provide new growth momentum for VCSEL. Also, it has changed the market of VCSEL industry dramatically. It will, in the future, also attract other smartphone makers to adopt it and making the VCSEL industry flourish.

According to the report, published by Zion Market Research, the global mobile 3D market is expected to grow at a CAGR of around 62% between 2015 and 2021, and the global VCSEL market is expected to grow at a CAGR of around 21% between 2016 and 2021. In addition, the consulting company Yole Development forecasts 3D imaging & sensing devices market is expected to grow at a CAGR of 37.7% between 2016 and 2022.

Global Mobile 3D Market, 2015-2021 (Million Units)

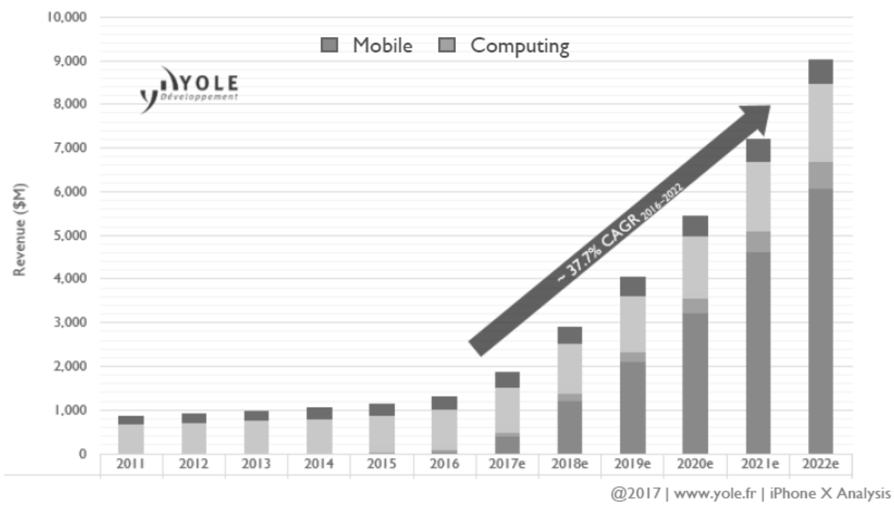


Global VCSEL Market, 2015-2021(USD Million)



Source: Zion Market Research, 2016

2011-2022 3D Imaging & Sensing Revenue Forecast (in $M)



Source: Yole Development, System Plus Consulitng, 2017

D. Competitive Advantage

1. Professional Management Team

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

2. Diversification in Technology and Strong R&D Capability

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

3. Close Relationships with Industry Supply Chain

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

4. Capacity Scale

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

5. High Product Quality and Market Awareness

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

6. Pure play Foundry Service Business Model

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

7. Provide Customers with Value-added Services

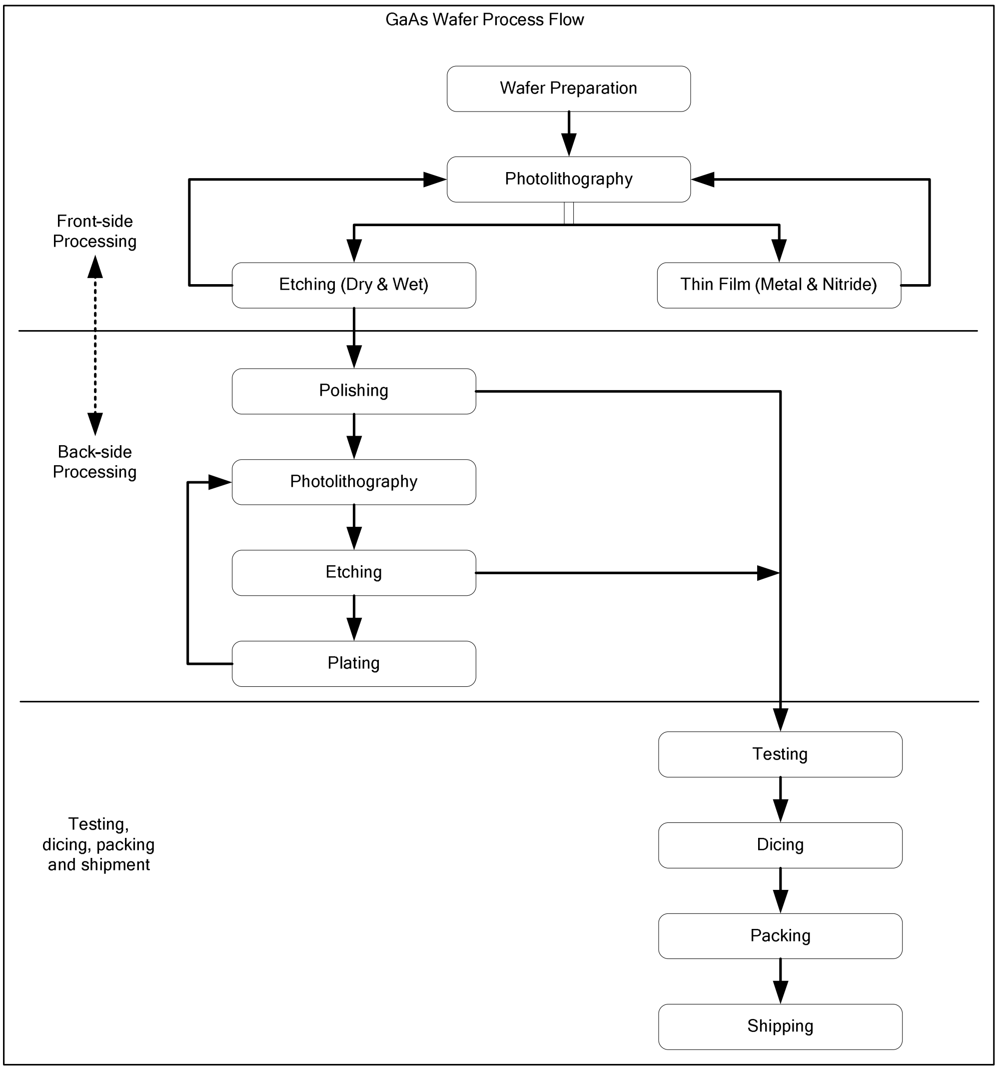
The Company has established good partnership with its customers to provide efficient services and advanced technology, assist customers to resolve process technology related issues or quickly launch new products, and thereby seize market opportunities.

Important Purpose and Production Process of the Main Products

A. Important Purpose of the Main Products

Market Applications	Device Technology
Cable TV Amplifier	pHEMT
Optical Modulator Driver	pHEMT
Cellular Power Amplifier	HBT, BiHEMT
Base Station Power Amplifier	GaN HEMT
Wireless LAN (WLAN)	HBT, BiHEMT
Point-to-Point Radio	pHEMT
GPS Amplifier	pHEMT
Very Small Aperture Terminal (VSAT)	pHEMT, GaN HEMT
Broadband Satellite Communication	pHEMT
Automotive Radar	pHEMT, HBT
Optical Communication Laser	GaAs, InP Laser Diodes
Optical Communication Photo Detector	GaAs, InP Laser Diodes

B. Manufacturing Process



Raw Materials and Suppliers

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

Most of our raw materials are available from several sources, both within Taiwan and abroad. We select only those suppliers that have demonstrated superior quality control and reliability regarding delivery time. We maintain several sources for each raw material so that a quality or delivery problem with any one supplier will not adversely affect our operations.

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

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

Unit: NT$ thousand; %

Year	2016			2017			
Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN	Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN
Company A	3,821,509	28.05	None	Company A	3,634,444	21.27	None
Company B	2,035,699	14.94	None	Company B	1,697,935	9.94	None
Company C	2,113	0.02	None	Company C	2,024,175	11.85	None
Company D	1,112,707	8.17	None	Company D	1,998,397	11.69	None
Others	6,651,048	48.82	—	Others	7,731,404	45.25	—
Total Net Revenue	13,623,076	100.00	—	Total Net Revenue	17,086,355	100.00	—
Thanks to the shipment of optical devices starting from 2017 and an increase in demand for smartphone market, the net revenue of 2017 increased 25% year-on-year.							

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

Unit: NT$ thousand; %

Year	2016			2017			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN
Company E	683,461	11.74	None	Company E	882,337	11.28	None
Company F	580,163	9.97	None	Company F	828,664	10.60	None
Others	4,555,871	78.29	—	Others	6,107,595	78.12	—
Total Net Procurement	5,819,495	100.00	—	Total Net Procurement	7,818,596	100.00	—
The company dynamically adjusts the suppliers according to the business needs on customer demands, raw material inventory status, and decentralized suppliers. In addition, the procurement amount increased in 2017 due to the optical device started mass production and overall business orders increased.							

Production in the Last Two Years

Unit: Pieces; NT$ thousand

Year	2016			2017		
Item / Products	Capacity	Output	Amount	Capacity	Output	Amount
Wafers	254,890	217,404	$8,504,268	270,765	262,925	$10,382,905
Total	254,890	217,404	$8,504,268	270,765	262,925	$10,382,905

Shipments and Net Revenue in the Last Two Years

Unit: Pieces; NT$ thousand

Item / Product	2016				2017			
	Export		Domestic		Export		Export	
	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue
Wafers	179,201	$ 11,416,836	31,796	$ 2,000,987	209,902	$ 13,330,993	45,683	$ 2,755,287
Others	0	$ 187,587	0	$ 17,666	0	$ 916,667	0	$ 83,408
Total	179,201	$ 11,604,423	31,796	$ 2,018,653	209,902	$ 14,247,660	45,683	$ 2,838,695

5.3. The Number of Employees Employed, Average Years of Service of Employees Employed, Average Age of Employees Employed, and Education Levels of Employees Employed

Year		December 31, 2016	December 31, 2017	April 30, 2018
Number of Employees	Executive Officer	245	266	263
	Staff	864	1,049	1,130
	Direct Employees	938	1,220	1,319
	Total	2,047	2,535	2,712
Average Age		34.05	33.70	32.70
Average Years of Service (Years)		4.64	4.34	4.31
Education Ratio (%)	Ph.D.	1.81%	1.50%	1.59%
	Masters	21.93%	21.46%	21.50%
	Bachelor's Degree	60.48%	62.05%	62.57%
	Senior High School	15.78%	14.99%	14.34%
	Total	100%	100%	100%

5.4. Environmental Protection Expenditure Information

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

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

5.5. Employment Benefits

Employee Welfare

Human resources are WIN's most important asset, as well as the driving force behind WIN's growth. We maintain employee pension plans for our employees in accordance with the ROC Labor Standards Law and ROC Labor Pension Act. More welfare measures for full-time employees are as follows:

Complete insurance system and retirement plan	Leave policies superior to statutory requirements	Subsidies and allowances	Healthcare
• Apart from the labor insurance and national health insurance required by law, we have also established labor pension accounts. • Employees are enrolled in the group comprehensive insurance policy, fully paid for by the Company, which includes life, accident, medical, and cancer coverages	New employees are entitled to 4 days of paid leave, which is superior to statutory requirements, and 3 days of statutory leave after an employment period of three months and after passing their performance appraisals.	• Employee dormitory, shuttle bus, meal subsidies • Employee wedding, funeral service, hospitalization, and childbirth subsidies • Birthday cash gift, Labor Day cash gift, cash gift for shopping during the three major traditional holidays, year-end party prize drawing, employee dinner party allowances	• Free regular medical checkups for employees • Healthcare, including visits from medical specialists • Employee health promotion and awareness events

Employee Education and Training

WIN strives to create a diverse learning environment that offers rich and interesting contents. By establishing the "Education and Training Procedures," the Company has systematically integrated both internal and external resources, thus providing a complete talent development strategy as well as cultivating and improving employees' skills and capabilities so that they can grow with the Company and together create a mutually beneficial relationship.

WIN's talent cultivation is divided into three contexts, formulating professional training roadmaps based on the department in which employee belongs, the job position, the expertise and familiarity required to be successful in the role. Examples include: classroom-based courses, on-the-job training and coaching, and online English language training. The objective is to develop a blueprint for each employee's future development through a comprehensive training program. Additionally, the HR Division plans and organizes all types of professional training courses that meet the requirements to help employees adapt and learn the skills they need at work.

- Specialized role: Cultivate employees who wish to refine their knowledge and skills to become an expert in certain fields;
- Managerial role: Cultivate leadership in management of different levels, including entry level, mid-level, and top level managers.
- Project-based role: Generally involves technical managers in charge of projects or customer project managers with a background in technological R&D.

In order to meet the diverse requirements of our employees and to achieve the long-term objectives of training and development, WIN makes available a variety of training opportunities and avenues, including abundant internal and external training resources. The Training Development team under the Human

Resource Division is responsible for planning and promoting various learning programs and talent development projects.

Training Development Action Plan

- Management skills and development: The supervisor's leadership quality and capabilities is an important ingredient of what propels the organization toward excellence. Therefore, WIN greatly values leadership in executive management. The Company offers compulsory training courses for all levels of management to enhance and refine the supervisors' managerial capabilities. These courses include: topics for newly promoted and entry-level managers, performance interview, interview skills, and coaching skills, regulatory notices for managerial officers, talent retention, and strategy establishment. During 2017, WIN organized 21 training classes, which were attended by supervisors a total of 742 times.

- Orientation: Helping new employees understand the history of WIN, its current advantages, and future challenges. Department functions and experiences are introduced to help new employees understand WIN's culture and core values of Integrity and Accountability, Innovation, Customer Satisfaction, and Quality Foremost, which enable them to quickly adapt to the work environment. In addition, we provide environmental safety-related training courses, such as basic fire-prevention and firefighting concepts, general information about hazards and general labor safety and health training, the purpose of which is to provide a safe and worry-free workplace environment.

- Internal/on-the-job training for all business divisions: Apart from learning in a classroom setting, learning by doing is the most important means of building skills. WIN provides a series of on-the-job training programs for new hires. Based on the different needs of each department, we provide tailor-made courses to train new employees on the job, which is an important notion we embrace. We require new employees to complete training within 3 months to enable them to build on their professional expertise in a systematic manner.

- General knowledge training/Lifestyle talks: Based on government regulations and company policies, general knowledge training courses for the company have been arranged, including environmental safety and health, emergency response training, quality management, and workplace ethics. In addition, the Company has also setup talks by experts in health, parent-child relations, gender relations, travelling, and lifestyle-related topics, injecting positive energy among employees to encourage them to find a balance between their body and mind outside of work.

- Enhancing individual job performance: Self-management general knowledge courses that are available to all employees were provided to help employees improve their job performance and potential through the learning of soft skills.

- Language training:

  With WIN's rapid growth in recent years, the sources of our customers have also become more diversified. To improve our employees' abilities in foreign languages, the Company has developed a comprehensive language training/subsidy program. We provide:

  - English language workshops: By organizing work-related language topics (such as tips on oral presentation in English, business correspondence skills, and English for meetings), which are open to all anyone who is interested, our employees can apply what they have learned in the workshops and apply these new skills in the workplace—a win-win for everyone involved. In 2017, WIN organized a total of 7 English language workshops that focused on business English (covering all four language skills). They attracted a total of 321 participations.

- English simulation tests are provided for employees to determine their English proficiency and devise self-learning plans

- Online English courses are offered to help employees who need to communicate in English at work to expand their business vocabulary

- Employees with specific job requirements are tutored in small groups on English or Japanese.

- Official TOEIC test subsidies

- Training for direct employees involved in production: We help assistant engineers in charge of production to acquire necessary knowledge and skills. By combining the certification mechanism with machinery operation training, trainees are able to obtain the required permits to operate machinery. Also with regular retraining, employees will be able to complete their tasks successfully.

- Industry-academia collaboration: In-service training is provided at flexible work hours to support employees' continuing education.

In addition, WIN continues to promote its core values of "Accountability, Innovation, Customer Satisfaction and Quality Foremost" through different training courses and incentive measures, including accountability courses for new employees, lectures for raising employees' accountability awareness, and lecturer training. These efforts facilitate implementing the spirit of accountability and encourage concrete actions within the departments. Furthermore, WIN has established incentive mechanisms such as monthly accountability rewards and yearly accountability awards. To promote and shape a culture of innovation within the organization and among all employees, the Company encourages continuous innovative thinking and actions in the workplace. In addition, WIN organizes innovative thinking training courses, and offers monetary rewards to R&D personnel who have successful patent applications and to basic assistant engineers who have made outstanding proposals. WIN continues to hold annual innovation competitions, appointing committee members to evaluate the works submitted by participating teams. Outcome exhibitions and trophies and monetary awards for outstanding teamwork and innovative works are given as rewards for winning teams. All these efforts and hard work are meant to achieve the spirit of "Customer Satisfaction and Quality Foremost".

In 2017, 9,524 attendees underwent 364 training sessions for a total of 36,874.99 training hours, which averaged 14.55 hours per employee. This represents growth for the third consecutive year, and the total training costs exceeded NT$3 million, which attested to the value WIN places on talent cultivation.

Training hours in 2017 by course category (temporary workers excluded)

Item	Session	Total number of people	Total hours
1. New hire training	70	863	5,697
2. Management ability training	21	742	2,886
3. Professional quality control training program	57	769	1,765
4. Environment, health and safety training	54	1,217	3,217
5. Technical engineering training	19	608	3,062
6. Professional competency training	3	94	840
7. Corporate culture and general knowledge training	140	5,231	13,174
Total	364	9,524	30,641

Pension Contribution Status

Retirement program	Contribution status	2017 Results
Allocated in accordance with the Labor Standards Act	The amount is based on the retirement pension base from employees' years of service and the average salary for six months before retirement. Monthly contributions allocated from the pension reserve funds equal to 2% of employees' total salary are made to a labor pension account with the Bank of Taiwan.	Actuaries are commissioned to calculate pension reserve funds to ensure that an adequate amount of pension is reserved. The fair value of planned assets as of the end of 2017 was NT$40,312 thousand. Future amounts of pensions that need to be paid as required by law have been included in the pension liability. The balance as at the end of 2017 was NT$62,588 thousand.
Allocated in accordance with the Labor Pension Act	Six percent of the individual employee's monthly salary is remitted to a personal retirement bank account opened by the Bureau of Labor Insurance.	The number of years worked by employees hired before July 1, 2005 shall be reserved. The amount of pension expenses in 2017 totaled NT$75,340 thousand.

Employee Communications Channel

WIN integrates harmonious labor-management relations in the Company's human resource management strategy as a testament to the high level of importance we attach to friendly management.

To ensure gender equality and the dignity employees are entitled at work, WIN combines existing laws and regulations such as the Act of Gender Equality in Employment to establish the Company's procedures for protecting female workers and regulations governing the prevention and handling of sexual harassment. The sexual harassment hotline and email are set up to protect employees' rights and safety in the workplace.

Meeting between employer and employees convenes quarterly, in the meetings employee representatives voice their opinions and advice on matters that are of concern to employees. The Employee Welfare Committee convenes quarterly meetings to inform committee members of any employee welfare events and current status on the use of welfare funds. For foreign employees, every quarter communication meetings are held in the dormitory, where they can provide feedback and receive updates on laws or welfare measures. Interpreters also attend such meetings to facilitate communication.

5.6. Important Contracts

Type	Contractual Parties	Commencement Date and Expiration Date	Subject	Restriction
Technology Cooperation Agreement	Industrial Technology Research Institute	2008/12/1~2018/11/30	1. Licensing of antenna switch MMIC design 2. Joint development of integrated RF module	None
Construction Agreement	Terms and conditions cannot be disclosed according to the confidentiality obligation under the agreement	2013/08/26 ~ expiration date of warranty period	Reconstruction of Fab C	None

Type	Contractual Parties	Commencement Date and Expiration Date	Subject	Restriction
Technology Licensing Agreement	Terms and conditions cannot be disclosed according to the confidentiality obligation under the agreement	2010/11/11 ~ each expiration date of patents and know-how under the agreement	Licensing of packaging technology	None
Memorandum of Understanding	Avago Technologies International Sales Pte. Limited	2017/12/08	The counterparty will sell its equipment related to HBT product line to WIN and outsource manufacturing of its HBT products to WIN.	None

VI. FINANCIAL STATUS

6.1. Five-Year Financial Summary

A. Condensed Balance Sheets - IFRSs

Unit: NT$ thousand

Item	Year	Consolidated Financial Statements					Parent-company-only Financial Statements				
		Five-Year Financial Summary (Note 1)					Five-Year Financial Summary (Note 1)				
		2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Current Assets		5,688,964	7,124,744	6,984,103	7,819,409	16,787,114	5,377,369	6,587,454	6,762,413	6,546,222	15,330,143
Property, plant and equipment		12,636,304	11,652,510	11,623,190	13,348,978	14,468,268	12,636,187	11,652,290	11,622,870	13,181,802	14,163,365
Intangible Assets		64,248	54,422	62,370	229,539	257,844	64,248	54,422	62,370	73,352	81,879
Other Assets		2,721,988	2,984,232	5,441,810	5,012,713	5,514,226	3,021,839	3,497,146	5,629,110	5,790,520	7,084,055
Total Assets		21,111,504	21,815,908	24,111,473	26,410,639	37,027,452	21,099,643	21,791,312	24,076,763	25,591,896	36,659,442
Current Liabilities	Before Distribution	2,327,448	2,748,606	4,605,604	4,194,420	5,077,465	2,315,587	2,724,010	4,570,894	4,067,122	4,969,052
	After Distribution	3,437,245	2,897,285	4,903,937	6,006,419	(Note 2)	3,425,385	2,872,689	4,869,227	5,879,121	(Note 2)
Non-current Liabilities		3,892,479	3,127,652	2,296,769	3,898,335	6,145,242	3,892,479	3,127,652	2,296,769	3,898,335	6,121,175
Total Liabilities	Before Distribution	6,219,927	5,876,258	6,902,373	8,092,755	11,222,707	6,208,066	5,851,662	6,867,663	7,965,457	11,090,227
	After Distribution	7,329,724	6,024,937	7,200,706	9,904,754	(Note 2)	7,317,864	6,000,341	7,165,996	9,777,456	(Note 2)
Total Equity Attributable to Owners of Parent		14,891,577	15,939,650	17,209,100	17,626,439	25,569,215	14,891,577	15,939,650	17,209,100	17,626,439	25,569,215
Share Capital		7,392,754	7,422,377	5,965,641	4,076,664	4,226,664	7,392,754	7,422,377	5,965,641	4,076,664	4,226,664
Capital Surplus		3,728,358	3,768,620	3,815,017	3,758,737	9,052,896	3,728,358	3,768,620	3,815,017	3,758,737	9,052,896
Retained Earnings	Before Distribution	3,671,483	4,527,782	7,045,498	9,376,801	10,821,687	3,671,483	4,527,782	7,045,498	9,376,801	10,821,687
	After Distribution	2,561,686	4,379,103	6,747,165	7,564,802	(Note 2)	2,561,685	4,379,103	6,747,165	7,564,802	(Note 2)
Other Equity		98,982	220,871	382,944	761,897	1,467,968	98,982	220,871	382,944	761,897	1,467,968
Treasury Shares		0	0	0	(347,660)	0	0	0	0	(347,660)	0
Non-controlling Interests		0	0	0	691,445	235,530	0	0	0	0	0
Total Equity	Before Distribution	14,891,577	15,939,650	17,209,100	18,317,884	25,804,745	14,891,577	15,939,650	17,209,100	17,626,439	25,569,215
	After Distribution	13,781,780	15,790,971	16,910,767	16,505,885	(Note 2)	13,781,779	15,790,971	16,910,767	15,814,440	(Note 2)

Note 1: The financial information has been audited by independent auditors.
Note 2: The appropriation of earnings for 2017 shall be determined by the 2018 annual regular shareholders' meeting.

B. Condensed Statements of Comprehensive Income - IFRSs

Unit: NT$ thousand, except for earnings per share

Item / Year	Consolidated Financial Statement					Parent-company-only Financial Statement				
	Five-Year Financial Summary (Note)					Five-Year Financial Summary (Note)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Operating Revenue	10,481,303	9,910,010	12,015,747	13,623,076	17,086,355	10,340,949	9,776,226	11,904,017	13,299,527	16,477,395
Gross Profit	3,232,185	3,509,596	4,761,031	4,989,252	6,327,971	3,091,831	3,384,889	4,712,349	4,885,266	6,109,465
Net Operating Income	2,109,615	2,314,692	3,510,364	3,494,602	4,569,335	2,046,556	2,277,533	3,556,040	3,526,852	4,590,484
Non-operating Income and Expenses	102,780	114,262	(76,726)	392,942	(40,656)	165,815	151,361	(122,657)	376,732	(12,924)
Profit before Tax	2,212,395	2,428,954	3,433,638	3,887,544	4,528,679	2,212,371	2,428,894	3,433,383	3,903,584	4,577,560
Profit from Continuing Operations	1,811,510	1,963,469	2,671,627	3,096,305	3,715,295	1,811,510	1,963,469	2,671,627	3,112,774	3,764,200
Profit from Discontinued Operations	0	0	0	0	0	0	0	0	0	0
Profit	1,811,510	1,963,469	2,671,627	3,096,305	3,715,295	1,811,510	1,963,469	2,671,627	3,112,774	3,764,200
Other Comprehensive Income, after Tax	262,888	124,517	156,841	340,654	743,099	262,888	124,517	156,841	367,600	706,238
Comprehensive Income	2,074,398	2,087,986	2,828,468	3,436,959	4,458,394	2,074,398	2,087,986	2,828,468	3,480,374	4,470,438
Profit, Attributable to Owners of Parent	1,811,510	1,963,469	2,671,627	3,112,774	3,764,200	1,811,510	1,963,469	2,671,627	3,112,774	3,764,200
Profit, Attributable to Non-controlling Interests	0	0	0	(16,469)	(48,905)	0	0	0	0	0
Comprehensive Income, Attributable to Owners of Parent	2,074,398	2,087,986	2,828,468	3,480,374	4,470,438	2,074,398	2,087,986	2,828,468	3,480,374	4,470,438
Comprehensive Income, Attributable to Non-controlling Interests	0	0	0	(43,415)	(12,044)	0	0	0	0	0
Earnings Per Share (expressed in dollars)	2.40	2.65	3.97	6.04	9.34	2.40	2.65	3.97	6.04	9.34

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

C. Auditors' Opinions in the Past Five Years

Year	CPA Firm	CPA's Name	Auditing Opinion
2013	KPMG	Yai-Ling Chen and Mei-Yen Chen	Unqualified opinion
2014	KPMG	Mei-Yen Chen and Pei-Chi Chen	Unqualified opinion
2015	KPMG	Mei-Yen Chen and Pei-Chi Chen	Unqualified opinion
2016	KPMG	Yai-Ling Chen and Mei-Yen Chen	Unqualified opinion
2017	KPMG	Yai-Ling Chen and Mei-Yen Chen	Unqualified opinion

6.2. Five-Year Financial Analysis

A. Financial Analysis of Financial Statements - IFRSs

Item (Note 2)	Year	Consolidated Financial Statements					Parent-company-only Financial Statements				
		Financial Analysis in the Past Five Years (Note 1)					Financial Analysis in the Past Five Years (Note 1)				
		2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Financial Structure (%)	Debt Ratio	29.46	26.94	28.63	30.64	30.31	29.42	26.85	28.52	31.12	30.25
	Long-term Funds to Property, Plant and Equipment	148.65	163.63	167.82	166.43	220.83	148.65	163.64	167.82	163.29	223.75
Solvency (%)	Current Ratio	244.43	259.21	151.64	186.42	330.62	232.22	241.83	147.95	160.95	308.51
	Quick Ratio	189.95	202.49	94.60	115.00	250.51	177.49	184.60	90.48	91.12	229.41
	Times Interest Earned Ratio	22.38	34.34	63.29	76.33	60.07	22.38	34.34	63.28	76.65	60.71
Operating Ability	Accounts Receivable Turnover (turns)	12.33	14.79	17.29	15.40	13.04	14.51	23.29	21.78	15.37	11.79
	Days to Collect Accounts Receivable (day)	30	25	21	24	28	25	16	17	24	31
	Average Inventory Turnover (turns)	4.49	4.87	3.65	3.32	3.32	4.49	4.87	3.62	3.24	3.21
	Accounts Payable Turnover (turns)	8.25	8.18	6.48	7.56	8.05	8.25	8.17	6.42	7.47	7.90
	Average Days to Sell Inventory	81	75	100	110	110	81	75	101	113	114
	Property, Plant and Equipment Turnover (turns)	0.86	0.82	1.03	1.09	1.23	0.85	0.81	1.02	1.07	1.21
	Total Assets Turnover (turns)	0.47	0.46	0.52	0.54	0.54	0.46	0.46	0.52	0.54	0.53
Profitability	Return on Total Assets (%)	8.40	9.33	11.68	12.32	11.86	8.41	9.34	11.70	12.60	12.24
	Return on Equity (%)	12.39	12.74	16.12	17.87	17.43	12.39	12.74	16.12	17.87	17.43
	Profit before Tax to Issued Capital (%)	29.93	32.72	57.56	95.36	107.15	29.93	32.72	57.55	95.75	108.30
	Profit to Sales (%)	17.28	19.81	22.23	22.73	21.74	17.52	20.08	22.44	23.41	22.84
	Earnings Per Share ($)	2.40	2.65	3.97	6.04	9.34	2.40	2.65	3.97	6.04	9.34
Cash Flow	Cash Flow Ratio (%)	214.76	139.34	106.23	90.27	116.08	221.34	145.47	101.11	93.91	113.61
	Cash Flow Adequacy Ratio (%)	87.11	102.97	117.83	147.08	140.15	83.62	103.65	117.07	142.20	144.33
	Cash Flow Reinvestment Ratio (%)	15.42	10.07	16.19	10.43	9.02	15.92	10.56	15.27	10.75	8.52
Leverage	Operating Leverage	2.77	2.56	2.15	2.42	2.29	2.80	2.56	2.11	2.36	2.17
	Financial Leverage	1.04	1.02	1.00	1.01	1.01	1.04	1.02	1.00	1.01	1.01

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

1. Financial Structure:
   Long-term funds to property, plant and equipment increased mainly due to an increase in long-term funds from increased bank loans for capacity expansion and the newly issued common shares through a private placement.
2. Solvency:
   The higher current ratio and quick ratio were mainly due to increases in cash, accounts receivable and inventories from revenue growth and inflow of capital raised through a private placement.
   The lower times interest earned ratio was mainly due to an increase in interest expenses from increased bank loans for supporting capacity expansion.
3. Operating Ability: N/A.
4. Profitability:
   The higher EPS was mainly due to an increase in net income from revenue growth.
5. Cash Flow:
   The higher cash flow ratio was mainly due to an increase in net cash flows from operating activities.
6. Leverage: N/A.

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

Note 2: The Formula of Financial Analysis:

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

6.3. Audit Committee' Report for the Most Recent Year

2017 AUDIT COMMITTEE'S REVIEW REPORT

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements (parent-company-only & consolidated), and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit WIN's Financial Statements and has issued an audit report relating to the Financial Statements.

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

WIN Semiconductors Corp.
Chairman of the Audit Committee: Jin-Shih Lin

March 22, 2018

6.4. Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

Please refer to page 94-169 of this annual report.

6.5. Parent-company-only Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

Please refer to page 170-233 of this annual report.

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

None

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

7.1. Financial Status

Analysis of Financial Status

Unit: NT$ thousand

Year / Item	2016	2017	Difference	
			Amount	%
Current assets	7,819,409	16,787,114	8,967,705	+115%
Property, Plant and Equipment	13,348,978	14,468,268	1,119,290	+8%
Intangible assets	229,539	257,844	28,305	+12%
Other assets	5,012,713	5,514,226	501,513	+10%
Total assets	26,410,639	37,027,452	10,616,813	+40%
Current liabilities	4,194,420	5,077,465	883,045	+21%
Non-current liabilities	3,898,335	6,145,242	2,246,907	+58%
Total liabilities	8,092,755	11,222,707	3,129,952	+39%
Share capital	4,076,664	4,226,664	150,000	+4%
Capital surplus	3,758,737	9,052,896	5,294,159	+141%
Retained earnings	9,376,801	10,821,687	1,444,886	+15%
Other equity interest	761,897	1,467,968	706,071	+93%
Treasury shares	(347,660)	0	347,660	n.a.
Equity attributable to owners of parent	17,626,439	25,569,215	7,942,776	+45%
Total equity	18,317,884	25,804,745	7,486,861	+41%

Effect of Change on the Company's Financial Condition

1. Current assets: The increase in current assents was mainly due to increases in cash, accounts receivable and inventories from revenue growth and inflow of capital raised through a private placement.
2. Total assets: The increase in total assets was mainly due to an increase in current assets, as well as increases in property, plant and equipment and prepayments for business facilities to support capacity expansion.
3. Current liabilities: The increase in current liabilities was mainly due to an increase in accounts payable from increased business orders, and an increase in payables to business facilities arising from capacity expansion.
4. Non-current liabilities: The increase in non-current liabilities was mainly due to an increase in long-term debt to support capital expenditures for capacity expansion.
5. Capital surplus: The increase in capital surplus was due to the premium in excess of the par value of the common shares issued through a private placement.
6. Other equity interest: The increase in other equity interest was due to an increase unrealized valuation gain on available-for-sale financial assets from increased market price of financial assets.
7. Treasury shares: The decrease in treasury shares was due to the retirement of the entire portion of treasury shares purchased by the Company.

Future Response Actions

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

7.2. Finance Performance

Analysis of Finance Performance

Unit: NT$ thousand

Item \ Year	2016	2017	Difference	
			Amount	%
Operating revenue	13,623,076	17,086,355	3,463,279	+25%
Operating costs	8,616,865	10,758,385	2,141,520	+25%
Gross profit from operations	5,006,211	6,327,970	1,321,759	+26%
Operating expenses (Note)	1,511,609	1,758,635	247,026	+16%
Net operating income	3,494,602	4,569,335	1,074,733	+31%
Non-operating income and expenses	392,942	(40,656)	(433,598)	-110%
Profit before tax	3,887,544	4,528,679	641,135	+16%
Tax expense	791,239	813,384	22,145	+3%
Profit	3,096,305	3,715,295	618,990	+20%
Other comprehensive income, net	340,654	743,099	402,445	+118%
Comprehensive income	3,436,959	4,458,394	1,021,435	+30%
Total equity attributable to owners of parent	3,112,774	3,764,200	651,426	+21%
Comprehensive income attributable to owners of parent	3,480,374	4,470,438	990,064	+28%

Effect of Change on the Company's Financial Condition

1. The increase in operating revenue, operating costs, gross profit, net operating income and net profit were mainly due to an increase in demand for the smartphone market and the mass production of optical devices starting from 2017.
2. The decrease in non-operating income and expenses was due to an increase in foreign exchange losses arising from the appreciation of the NTD against the USD, a decrease in gains on disposal of financial assets, and an increase in investment loss from share of loss of associates and joint ventures accounted for using equity method.
3. The increase in other comprehensive income was due to an increase in unrealized valuation gain on available-for-sale financial assets from increased market price for financial assets.

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

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

7.3. Cash Flow

Cash Flow Analysis for the Current Year

Item \ Year	2016	2017	Variance (%)
Cash Flow Ratio (%)	90.27%	116.08%	+28.59%
Cash Flow Adequacy Ratio (%)	147.08%	140.15%	-4.71%
Cash Flow Reinvestment Ratio (%)	10.43%	9.02%	-13.52%
Analysis of financial ratio change: The higher cash flow ratio was mainly due to an increase in net cash inflows from operating activities.			

Remedy for Cash Deficit and Liquidity Analysis

None

Cash Flow Analysis for the Coming Year

Unit: NT$ thousand

<table>
<tr><th rowspan="2">Estimated Cash and Cash Equivalents, Beginning of Year</th><th rowspan="2">Estimated Net Cash Flow from Operating Activities</th><th rowspan="2">Estimated Cash Outflow</th><th rowspan="2">Cash Balance</th><th colspan="2">Leverage of Cash Surplus (Deficit)</th></tr>
<tr><th>Investment Plans</th><th>Financing Plans</th></tr>
<tr><td>7,849,123</td><td>7,081,510</td><td>(13,184,534)</td><td>1,746,099</td><td>—</td><td>—</td></tr>
<tr><td colspan="6">• Analysis of change in cash flow in the coming year:
(1) Operating Activities: The cash inflow will be generating from operating profit.
(2) Cash Outflow:
Investment Activities: The cash outflow will be mainly due to the acquisition of fixed assets.
Financing Activities: The cash outflow will be mainly due to repayments of loans from banks and cash dividends payment.
• Remedy for Cash Deficit and Liquidity Analysis: None</td></tr>
</table>

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

The 2017 capital expenditures was NT$3,994,469 thousand, which were primarily for building construction and expansion in facilities, machine and equipment. The source of funds came from working capital. The above-mentioned capital expenditures were to spend for future growth in operation, capacity and profitability by reducing unit cost from scale.

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

Investment Policy

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

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

The Company’s investment loss, totaling NT$166,787 thousand, mainly due to the weaker sales than expected in solar cell and microarray products.

The Investment Plans for the Coming Year

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

7.6. Risk Management

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

A. Interest Rate

In 2017, the Group’s (WIN and its subsidiaries, together referred to as “the Group”) interest expenses amounted NT$76,303 thousand, representing 0.44% and 2.05% of operating revenue and total equity attributable to owners of parent, respectively. The ratio increased for 2017 was mainly due to the appreciation of New Taiwan dollar. If the interest rate increases (decreases) by 0.5%, the Group’s net profit after tax would have (decreased) increased by NT$12,933 thousand and NT$12,443 thousand for the years ended December 31, 2017 and 2016, respectively, all other variable factors that remain constant. This is mainly due to the Group’s borrowing in floating rates.

The financial planning policies of the Group are based on the principles of conservatism and stability. Safety management is the primary factor under consideration in fund allocation. The interest rates of the monetary market and information on financial markets are assessed on a periodic basis, using appropriate response measures to lower the influence of interest rate fluctuation on the Group.

B. Foreign Exchange Rates

In 2017, the Group's foreign exchange losses amounted NT$174,496 thousand, representing 1.02% and 4.69% of operating revenue and total equity attributable to owners of parent, respectively. The ratios were low. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, JPY and RMB etc for the years ended December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by NT$125,856 thousand and NT$90,436 thousand, respectively, and would have increased (decreased) other comprehensive income by NT$16,773 thousand and NT$2,089 thousand, respectively. The analysis assumes that all other variables remain constant.

The Group's products are mainly sold in US dollars, and raw materials and mechanical equipment are typically purchased in US dollars. The resulting offsets of recurrent purchases and sales generate a certain degree of natural hedging that can mitigate the influence that exchange rate fluctuation has on the Group's business results. The Group has dedicated personnel to stay abreast of exchange rate trends and international markets as a way of monitoring changes in the foreign exchange rate. Furthermore, we stays in close contact with financial institutions to facilitate the timely adoption of response measures, such as adjustment of foreign currency assets and liabilities or operation of foreign currency hedging instruments.

C. Inflation

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

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

The Company has promulgated its "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee", and asked its subsidiaries to promulgate the relevant procedures. The Company and its subsidiaries shall follow the relevant procedures to protect the Company's equity. The Company did not engage in any high-risk or high-leveraged investments during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report. 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". We audit related transactions periodically and files public disclosure.

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. We expect optical devices and 5G communications to be our chief engines of growth during the next few years. In the case of optical devices, we will continue to team up with customers to jointly develop new 3D sensing technology for use in handheld devices. We are also developing technologies for data center, AR/VR, and LiDAR related applications, and are being qualified by some of our customers. As for 5G communications applications, our microwave communications technology roadmap spans both the sub-6GHz and millimeter waves. We began developing relevant processes as early as several years ago, and our products are currently being qualified by our customers. The 2017 R&D expenses was NT$692,809 thousand and expect to increase to NT$828,789 thousand in 2018, which will be adjusted from time to time.

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

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

Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales
The Company is fully monitors market trends and assesses the impact they may have on the Company's operations.

The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures
Working to strengthen internal management and conforming to all relevant corporate governance requirements, the Company has also organized many public welfare activities.

Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans
The Company has no ongoing merger and acquisition activities.

Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans
Any expansion of the Company's facilities will be subject to careful evaluation by a special task force in accordance with the Company's internal control system.

Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration
The Company has consistently focused on identifying alternative sources for purchasing, and has worked to diversify its customer base in order to reduce the concentration of sales.

Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%
The shareholdings of the Company's directors and supervisors have been stable during the last few years, and there have been no major transfers or swaps of shares.

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

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

Other Major Risks
None

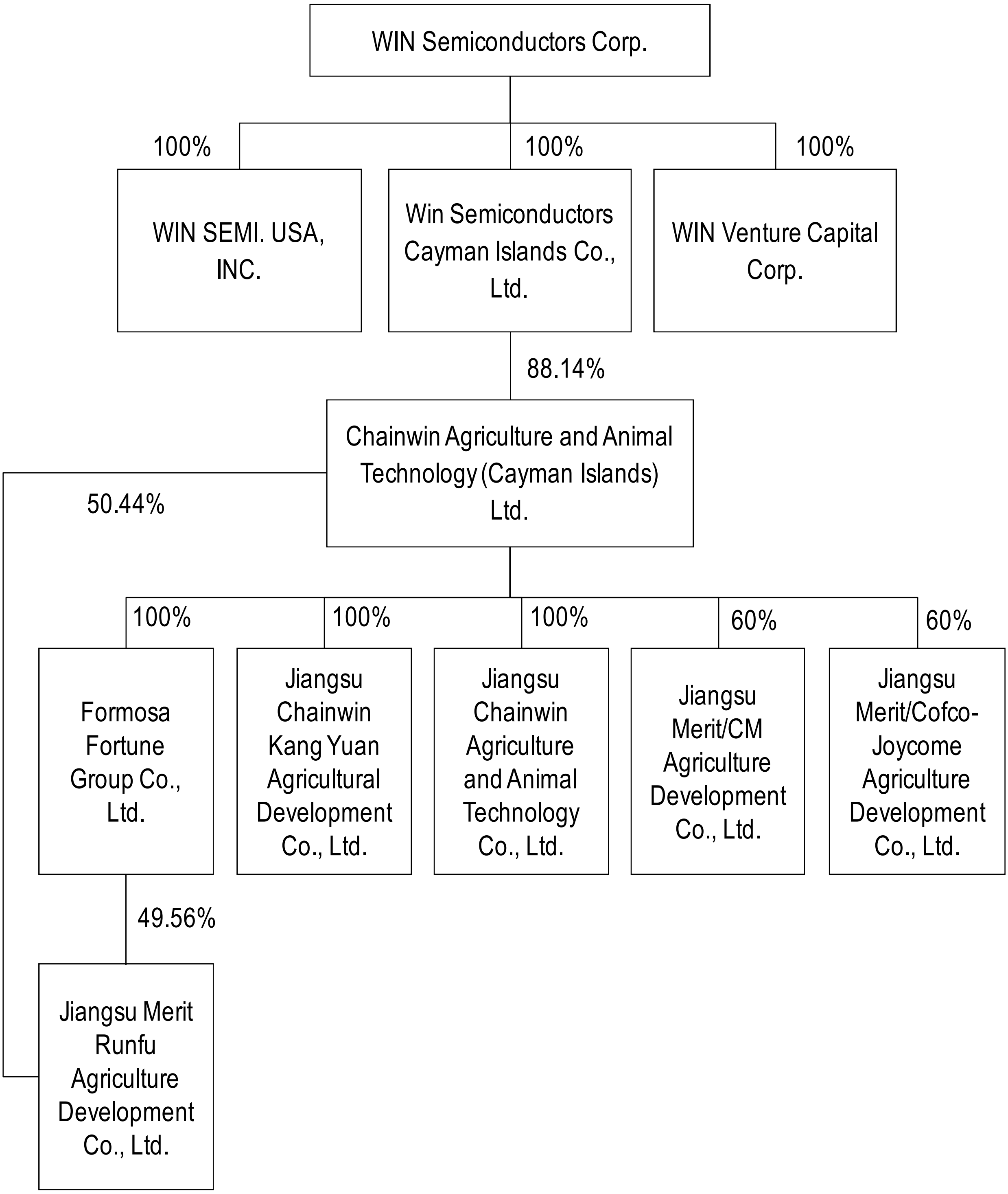
VIII. SPECIAL DISCLOSURE

8.1. Information Regarding Affiliates

Summary of Affiliates

A. Affiliates Overview

(1) Organization of Affiliates: Dec. 31, 2017



(2) Basic Information on Affiliates

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital	Main Business
WIN SEMI. USA, INC.	October 3, 2000	California, USA	USD 312 thousand	Market research
Win Semiconductors Cayman Islands Co., Ltd.	September 14, 2007	Cayman Islands	USD 62,000 thousand	Selling GaAs wafers
WIN Venture Capital Corp.	April 25, 2014	Taiwan, R.O.C.	NTD 250,000 thousand	Investment activities
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	January 7, 2010	Cayman Islands	USD 37,000 thousand	Investment activities
Formosa Fortune Group Co., Ltd.	May 6, 2012	British Virgin Islands	USD 1,283 thousand	Investment activities
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	March 22, 2012	Jiangsu, China	RMB 70,041 thousand	Developing hog farming technology and trading
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	November 2, 2016	Jiangsu, China	USD 1,790 thousand	Developing hog farming technology and trading
Jiangsu Merit/CM Agriculture Development Co., Ltd.	January 14, 2016	Jiangsu, China	USD 3,500 thousand	Developing hog farming technology and trading
Jiangsu Merit/Cofco- Joycome Agriculture Development Co., Ltd.	June 17, 2016	Jiangsu, China	USD 4,800 thousand	Developing hog farming technology and trading
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	March 14, 2012	Jiangsu, China	RMB 16,177 thousand	Developing hog farming technology and trading

(3) Controlling and Subsidiary Shareholder Information: None

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

(5) Directors, Supervisors, Presidents of Affiliates

Unit: Shares in thousands; %

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

B. Operation Status of Affiliates

Fiscal Year 2017; Unit: NT$ thousand

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
WIN SEMI. USA, INC.	8,203	19,093	12,252	6,841	75,295	(22)	(513)	(0.51) (Note 1)
Win Semiconductors Cayman Islands Co., Ltd.	1,922,136	3,799,293	1,330,754	2,468,539	7,385,304	56,138	10,417	0.17 (Note 2)
WIN Venture Capital Corp.	250,000	162,209	270	161,939	28,473	13,594	13,594	0.54 (Note 3)
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd	1,101,120	1,730,296	12,617	1,717,679	0	(57,173)	(85,572)	(2.31) (Note 4)
Formosa Fortune Group Co., Ltd.	38,573	28,788	0	28,788	0	0	(654)	Not applicable
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	320,086	468,401	55,549	412,852	392,303	(2,210)	7,139	Not applicable
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	53,270	49,527	805	48,722	0	(5,402)	(7,019)	Not applicable
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	73,929	60,565	2,567	57,998	0	(1,557)	(1,320)	Not applicable
Jiangsu Merit/CM Agriculture Development Co., Ltd.	104,160	117,830	15,401	102,429	0	(1,069)	(1,646)	Not applicable

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd.	142,848	142,020	204	141,816	0	(2,392)	(7,173)	Not applicable

Note1: Imputed based on 1,000 thousand shares of WIN SEMI. USA, INC.
Note2: Imputed based on 62,000 thousand shares of Win Semiconductors Cayman Islands Co., Ltd.
Note3: Imputed based on 25,000 thousand shares of WIN Venture Capital Corp.
Note4: Imputed based on 37,000 thousand shares of Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.

Report on Affiliations

Please refer to page 95 of this annual report.

Transaction in Endorsement, Capital Loans and Derivatives of Affiliates

None

8.2. Private Placement Securities in the Most Recent Years

Item	2017 1st Private Placement Date of issuance: January 17, 2018
Securities under private placement	Common shares
Date of resolution and approved quantity	June 16, 2017, not exceeding 40,000,000 shares
Basis and rationality of price setting	1. In accordance with "Directions for Public Companies Conducting Private Placements of Securities", the higher of the following two calculations shall be the reference price: (a) the simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days, or (b) for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. 2. The actual issuance price shall no lower than the reference price. 3. The pricing date is the Board meeting date on December 8, 2017. The simple average closing price of the common shares of the Company for the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction is NT$267.50, NT$268.17 and NT$283.60, respectively, the closing price for 1 business day, NT$267.50, has been chosen. In addition, the simple average closing price of the common shares of the Company for 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction is NT$276.92. The higher of the two prices, that is, NT$276.92 is the reference price. The actual issuance price, NT$277, is not lower than the reference price and meets the 2017 AGM resolutions.
Method of selection of specified parties	The strategic investors have the priority to be considered as Specific Persons for private placement if (i) being qualified for the rules in Article 43-6, Security and Exchange Act and relevant regulations, (ii) can meet the Company's business needs in terms of developing new market, expanding operation scale and generating direct or indirect benefits for future operations. The major targets will be the Company's customers and shall not be insiders or related parties of the Company. It is proposed to authorize the Company's Board to determine the Specific Persons for private placement.

<table>
<tr><td>The reasons for private placement</td><td colspan="5">Considering the effectiveness, feasibility and costs to raise capital, the Company proposes to raise funds by way of issuance of common shares through private placement. Also, it is proposed to authorize the Company's Board to implement the private placement based on the capital market status and Company's actual needs, which can increase the flexibility and effectiveness. Fundraising through private placement with the imposed trading limitation period of 3 years can ensure more long-term cooperation between the Company and the strategic investors.</td></tr>
<tr><td>Date of payment and completion</td><td colspan="5">The aggregate subscription price NT$5,540,000,000 was fully received on December 22, 2017.</td></tr>
<tr><td rowspan="2">Information of contributing parties</td><td>Target</td><td>Eligibility</td><td>Quantity purchased</td><td>Relationship with the company</td><td>Participation in company operations</td></tr>
<tr><td>Avago Technologies General IP (Singapore) Pte. Ltd.</td><td>Subparagraph 2, Paragraph 1, Article 43-6 of Security and Exchange Act</td><td>20,000,000 shares</td><td>Non related-party of the Company</td><td>No</td></tr>
<tr><td>Actual purchase price</td><td colspan="5">NT$277</td></tr>
<tr><td>Difference between the actual purchase price and the reference price</td><td colspan="5">The actual issuance price, NT$277, is not lower than the reference price and meets the 2017 AGM resolutions.</td></tr>
<tr><td>Impact of private placement on shareholder's equity</td><td colspan="5">Shares of private placement to total ordinary shares is 4.73%.</td></tr>
<tr><td rowspan="5">Use of funds from private placement and the progress of proposed plans</td><td colspan="5">The Board of Directors has resolved to issue 20,000,000 shares on December 8, 2017, the fundraising amount has been fully paid on December 22, 2017. Therefore, the Board has resolved to terminate the remaining 20,000,000 shares for private placement during the remaining period on December 29, 2017. The execution report was as follows:</td></tr>
<tr><td>Project name</td><td>Projected amount</td><td colspan="2">Actual amount (up to March 22, 2018)</td><td>Achievement</td></tr>
<tr><td>Capital expenditure</td><td>NT$1,277,163,603</td><td colspan="2">NT$980,023,166</td><td>76.73%</td></tr>
<tr><td>Research & development expenses and working capital</td><td>NT$4,262,836,397</td><td colspan="2">NT$2,319,110,083</td><td>54.40%</td></tr>
<tr><td>Total</td><td>NT$5,540,000,000</td><td colspan="2">NT$3,299,133,249</td><td>59.55%</td></tr>
<tr><td>Effectiveness of private placement</td><td colspan="5">The capital usage plan and projected benefits of private placement: Proceeds raised will be used as capital expenditure, research & development expenses and working capital. The private placement will reinforce the financial structure and contribute to the stability of the Company's growth, which can benefit shareholders' equity.</td></tr>
</table>

8.3. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

None

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

None.

APPENDIX I:

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

Representation Letter

The entities that are required to be included in the combined financial statements of WIN Semiconductors Corp. as of and for the year ended December 31, 2017, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WIN Semiconductors Corp. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: WIN Semiconductors Corp.
Chairman: CHEN, CHIN-TSAI
Date: March 22, 2018

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

We have audited the consolidated financial statements of WIN Semiconductors Corp. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Evaluation of inventory

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

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

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

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

2. Assessment of goodwill impairment

   Please refer to Note 4(o) "Impairment of non financial assets" for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of goodwill impairment, and Note 6(g) for the illustration of acquisition of subsidiary and non controlling interests of the consolidated financial statements.

   WIN Semiconductors Corp. and its subsidiaries periodically assess and perform their impairment test of goodwill based on the recoverable amount that is calculated by using the value in use method. The value in use method takes into account by predicting the future cash flow, and is decided by applying the discount rate. Since the assessment of goodwill impairment relies on the subjective judgment and estimation made by the management, it has been identified as a key audit matter.

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

   Our principal audit procedures included: Assessing the rationality of method used in measuring the recoverable amount, which is provided by the management of the Group, including evaluating the appropriateness of assumption and estimation on major parameters, such as the forecast of cash flow and discount rate. Comparing with the historical accuracy of judgments, including inspecting the amount of forecast of cash flow in prior year and with reference to actual cash flow to evaluate the appropriateness of the assumptions. Performing the sensitivity analysis on main assumption.

Other Matter

WIN Semiconductors Corp. has prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC as well as SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Mei Yen Chen.

KPMG

Taipei, Taiwan (The Republic of China)

March 22, 2018

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 7,849,123	21	2,388,143	9
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,301,307	3	218,250	1
1125	Current available-for-sale financial assets (note 6(b))	1,661,562	5	974,767	4
1170	Accounts receivable, net (note 6(c))	1,551,390	4	1,068,714	4
1210	Other receivables due from related parties (notes 6(c) and 7)	182,249	1	-	-
1310	Inventories (note 6(d))	3,744,681	10	2,727,432	10
1400	Current biological assets (note 6(e))	96,738	-	133,029	1
1470	Other current assets (notes 6(c) and 6(m))	400,064	1	309,074	1
	Total current assets	16,787,114	45	7,819,409	30
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	1,793,869	5	1,625,267	6
1543	Non-current financial assets at cost (note 6(b))	22,915	-	24,832	-
1546	Non-current investments in debt instrument without active market (note 6(b))	62,200	-	92,600	-
1550	Investments accounted for using equity method (note 6(f))	327,269	1	291,036	1
1600	Property, plant and equipment (notes 6(j) and 8)	14,468,268	39	13,348,978	51
1760	Investment property (notes 6(k) and 8)	1,441,902	4	1,468,113	6
1780	Intangible assets (notes 6(g) and 6(l))	257,844	1	229,539	1
1830	Non-current biological assets (note 6(e))	37,450	-	48,290	-
1840	Deferred tax assets (note 6(r))	77,200	-	75,354	-
1915	Prepayments for business facilities	1,640,765	5	1,263,897	5
1990	Other non-current assets (notes 6(m) and 8)	110,656	-	123,324	-
	Total non-current assets	20,240,338	55	18,591,230	70
	Total assets	$ 37,027,452	100	26,410,639	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2170	Notes and accounts payable	$ 1,698,485	4	975,478	4
2200	Other payables	2,802,419	8	2,056,522	7
2320	Long-term liabilities, current portion (notes 6(o) and 8)	352,056	1	940,194	4
2399	Other current liabilities	224,505	1	222,226	1
	Total current liabilities	5,077,465	14	4,194,420	16
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(o) and 8)	5,905,480	16	3,673,749	14
2570	Deferred tax liabilities (note 6(r))	33,489	-	33,728	-
2600	Other non-current liabilities (note 6(q))	206,273	-	190,858	1
	Total non-current liabilities	6,145,242	16	3,898,335	15
	Total liabilities	11,222,707	30	8,092,755	31
	Equity (notes 6(g), 6(q), 6(r), 6(s) and 6(t)) :				
3110	Ordinary share	4,226,664	11	4,076,664	15
3200	Capital surplus	9,052,896	25	3,758,737	14
3300	Retained earnings	10,821,687	29	9,376,801	36
3400	Other equity interest	1,467,968	4	761,897	2
3500	Treasury shares	-	-	(347,660)	(1)
	Total equity attributable to owners of parent	25,569,215	69	17,626,439	66
36XX	Non-controlling interests (notes 6(g) and 6(i))	235,530	1	691,445	3
	Total equity	25,804,745	70	18,317,884	69
	Total liabilities and equity	$ 37,027,452	100	26,410,639	100

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp. and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue**	$ 17,086,355	100	13,623,076	100
5000	**Operating costs (notes 6(d), 6(e), 6(f), 6(j), 6(l), 6(p), 6(q), 6(v), 7 and 12)**	(10,758,385)	(63)	(8,616,865)	(63)
	Gross profit from operating	6,327,970	37	5,006,211	37
	Operating expenses (notes 6(c),6(k),6(o),6(p),6(u),7 and 12):				
6100	Selling expenses	(197,524)	(1)	(169,804)	(1)
6200	Administrative expenses	(868,302)	(5)	(735,461)	(5)
6300	Research and development expenses	(692,809)	(4)	(606,344)	(5)
	Total operating expenses	(1,758,635)	(10)	(1,511,609)	(11)
	Net operating income	4,569,335	27	3,494,602	26
	Non-operating income and expenses (notes 6(c), 6(f), 6(g), 6(h), 6(j), 6(p), 6(w) and 7):				
7010	Other income	202,740	1	137,384	1
7020	Other gains and losses	(30,093)	-	318,332	2
7050	Finance costs	(54,946)	-	(20,220)	-
7770	Shares of losses of associates and joint ventures accounted for using equity method	(158,357)	(1)	(42,554)	-
	Total non-operating income and expenses	(40,656)	-	392,942	3
7900	**Profit before tax**	4,528,679	27	3,887,544	29
7950	**Total tax expense (note 6(r))**	(813,384)	(5)	(791,239)	(6)
	Profit	3,715,295	22	3,096,305	23
8300	**Other comprehensive income (loss):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss (notes 6(q) and 6(r)):**				
8311	Remeasurements of defined benefit plans	201	-	(13,272)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(34)	-	2,256	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	167	-	(11,016)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(f), 6(r) and 6(s)):**				
8361	Exchange differences on translation of foreign financial statements	(74,329)	(1)	(45,648)	(1)
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	807,998	5	397,017	3
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(f))	9,263	-	301	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	742,932	4	351,670	2
8300	**Other comprehensive income**	743,099	4	340,654	2
8500	**Total comprehensive income**	$ 4,458,394	26	3,436,959	25
	Profit (loss), attributable to:				
8610	Profit attributable to owners of parent	$ 3,764,200	22	3,112,774	23
8620	Loss attributable to non-controlling interests	(48,905)	-	(16,469)	-
		$ 3,715,295	22	3,096,305	23
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 4,470,438	26	3,480,374	26
8720	Comprehensive income (loss) , attributable to non-controlling interests	(12,044)	-	(43,415)	(1)
		$ 4,458,394	26	3,436,959	25
	Earnings per common share (expressed in dollars)(note 6(t))				
9750	Basic earnings per share	$ 9.34		6.04	
9850	Diluted earnings per share	$ 9.30		5.99	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
			Retained earnings			Other equity interest						
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	$ 5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100	-	17,209,100
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	267,163	(267,163)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
	-	-	267,163	(565,496)	(298,333)	-	-	-	-	(298,333)	-	(298,333)
Profit (losses) for the year ended December 31, 2016	-	-	-	3,112,774	3,112,774	-	-	-	-	3,112,774	(16,469)	3,096,305
Other comprehensive income for the year ended December 31, 2016	-	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	-	367,600	(26,946)	340,654
Total comprehensive income for the year ended December 31, 2016	-	-	-	3,101,758	3,101,758	(18,401)	397,017	378,616	-	3,480,374	(43,415)	3,436,959
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	-	(1,789,999)	-	(1,789,999)
Changes in equity of associates and joint ventures accounted for using equity method	-	5,549	-	-	-	-	-	-	-	5,549	-	5,549
Disposal of investments accounted for using equity method	-	-	-	-	-	337	-	337	-	337	-	337
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	-	2,902	-	2,902
Purchase of treasury share	-	-	-	-	-	-	-	-	(983,491)	(983,491)	-	(983,491)
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	635,831	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	734,860	734,860
Balance at December 31, 2016	4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	760,178	761,897	(347,660)	17,626,439	691,445	18,317,884
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	311,277	(311,277)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(1,811,999)	(1,811,999)	-	-	-	-	(1,811,999)	-	(1,811,999)
	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	(1,811,999)	-	(1,811,999)
Profit (losses) for the year ended December 31, 2017	-	-	-	3,764,200	3,764,200	-	-	-	-	3,764,200	(48,905)	3,715,295
Other comprehensive income for the year ended December 31, 2017	-	-	-	167	167	(101,927)	807,998	706,071	-	706,238	36,861	743,099
Total comprehensive income for the year ended December 31, 2017	-	-	-	3,764,367	3,764,367	(101,927)	807,998	706,071	-	4,470,438	(12,044)	4,458,394
Issue of shares	200,000	5,340,000	-	-	-	-	-	-	-	5,540,000	-	5,540,000
Purchase of treasury share	-	-	-	-	-	-	-	-	(96,317)	(96,317)	-	(96,317)
Retirement of treasury share	(50,000)	(45,841)	-	(348,136)	(348,136)	-	-	-	443,977	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	(159,346)	(159,346)	-	-	-	-	(159,346)	-	(159,346)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(443,871)	(443,871)
Balance at December 31, 2017	$ 4,226,664	9,052,896	1,379,394	9,442,293	10,821,687	(100,208)	1,568,176	1,467,968	-	25,569,215	235,530	25,804,745

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp. and Its Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	$ 4,528,679	3,887,544
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	2,514,612	2,338,116
Amortization expense	47,398	33,943
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	16,411	(28,838)
Interest expense	54,946	20,220
Interest income	(26,121)	(11,104)
Dividend income	(87,859)	(55,532)
Share of loss of associates and joint ventures accounted for using equity method	166,787	49,835
Losses on disposal of property, plant and equipment	1,809	2,786
Gains on disposal of investments	(163,028)	(227,111)
Impairment loss on financial assets	2,635	-
Changes in biological assets at fair value	17,455	(16,959)
Total adjustments to reconcile profit	2,545,045	2,105,356
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in current financial assets at fair value through profit or loss	(831)	(29,222)
Increase in notes and accounts receivable, net	(482,676)	(347,001)
Increase in inventories	(1,026,689)	(279,342)
Decrease (increase) in biological assets	(92,323)	22,327
Decrease (increase) in other current assets	(105,198)	138
Total changes in operating assets	(1,707,717)	(633,100)
Changes in operating liabilities:		
Increase (decrease) in accounts payable	912,344	(386,703)
Increase in other payable	371,790	95,757
Increase (decrease) in other current liabilities	2,397	(398,223)
Increase in other operating liabilities	1,361	1,645
Total changes in operating liabilities	1,287,892	(687,524)
Total changes in operating assets and liabilities	(419,825)	(1,320,624)
Cash inflow generated from operations	6,653,899	4,672,276
Dividends received	5,200	2,785
Income taxes paid	(765,072)	(888,561)
Net cash flows from operating activities	5,894,027	3,786,500
Cash flows from (used in) investing activities:		
Acquisition of current financial assets at fair value through profit or loss	(1,200,963)	(2,796,160)
Proceeds from disposal of current financial assets at fair value through profit or loss	109,289	3,669,438
Acquisition of current available-for-sale financial assets	-	(21,732)
Acquisition of non-current available-for-sale financial assets	(229,014)	(376,870)
Proceeds from disposal of current available-for-sale financial assets	181,000	-
Proceeds from disposal non-current available-for-sale financial assets	150,745	284,140
Acquisition of investments accounted for using equity method	(30,330)	(486,720)
Proceeds from capital reduction of investments accounted for using equity method	39,833	109,426
Proceeds from disposal of non-current investments in debt instrument without active market	30,400	67,000
Acquisition of property, plant and equipment	(2,694,713)	(2,036,046)
Proceeds from disposal of property, plant and equipment	3,947	891
Acquisition of investment properties	(1,258)	-
Decrease (increase) in other receivables due from related parties	(181,200)	4,938
Acquisition of intangible assets	(83,782)	(46,267)
Net cash inflows (outflows) from business combination	(36,959)	963,765
Increase in other non-current assets	(8,784)	(44,786)
Increase in prepayments for business facilities	(1,299,756)	(1,189,832)
Interest received	22,232	12,205
Dividends received	82,659	52,747
Net cash flows used in investing activities	(5,146,654)	(1,833,863)
Cash flows from (used in) financing activities:		
Decrease in short-term loans	-	(23,656)
Proceeds from long-term debt	5,963,500	2,514,000
Repayments of long-term debt	(4,320,979)	(841,506)
Increase in other non-current liabilities	14,255	6,127
Cash dividends paid	(1,811,999)	(298,333)
Proceeds from issuing shares	5,540,000	-
Capital reduction payments to shareholders	-	(1,789,999)
Exercise of employee share options	-	2,902
Payments to acquire treasury shares	(114,515)	(965,293)
Interest paid	(53,096)	(18,189)
Change in non-controlling interests	(462,802)	-
Net cash flows from (used in) financing activities	4,754,364	(1,413,947)
Effect of exchange rate changes on cash and cash equivalents	(40,757)	(20,204)
Net increase (decrease) in cash and cash equivalents	5,460,980	518,486
Cash and cash equivalents at beginning of period	2,388,143	1,869,657
Cash and cash equivalents at end of period	$ 7,849,123	2,388,143

See accompanying notes to financial statements.

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

(1) Company history:

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

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

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

(b) Developing hog farming technology and trading.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 22, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have a material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

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

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

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

The Group will include the required disclosures.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018, in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. As of December 31, 2017, the Group had equity investments classified as available-for-sale financial assets, with a fair value of $3,455,431 thousand, and financial assets measured at cost of $22,915 thousand, in which the amount of $2,865,368 thousand (including financial assets measured at cost of $22,915 thousand) was held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income. No impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The remainder, which amounted to $612,978 thousand, was held as debt instrument investments and should not be used for other purpose such as receiving the contract's cash inflow. At initial application of IFRS 9, the Group has designated preceding investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease and increase of $166,337 thousand in other equity interest and retained earnings, respectively.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date

(Continued)

has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that the application of IFRS 9's, Impairment Requirements, on January 1, 2018, would not have any material impact on its consolidated financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

1) Sales of goods

For the sale of products, revenue is currently measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the

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customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the Group's assessment, since the timing of the delivery of goods upon arrival to a customer and the related risks and rewards of ownership transfer are broadly similar, the Group does not expect any significant influences on its profit or loss.

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. January 1, 2018) will not be restated.

The Group estimates the adoption of IFRS 15, resulting in the increase of 9,300 thousand, 99,514 thousand and 9,300 thousand in accounts receivable, contract liabilities and refund liabilities (recognized as other current liabilities); and a decrease of 99,514 thousand in advance payments (recognized as other current liabilities), respectively, on January 1, 2018.

(iii) Amendment to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendment to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendment to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

(Continued)

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 “Leases”	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.
October 12, 2017	Amendment to IAS 28 “Long-term Interests in Associates and Joint Ventures”	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or ‘LTI’). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle: • IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"	• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. —If a party maintain joint control, then the previously held interest is not remeasured. — If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
	• IAS 12 "Income Taxes"	• Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.
	• IAS 23 "Borrowing Costs"	• Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.
February 7, 2018	Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

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

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(4) Summary of significant accounting policies:

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

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

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

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C.

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions, balances and any other unrealized profit or loss between the Company and other subsidiaries are all eliminated while

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preparing the consolidated financial reports. Comprehensive income (loss) of subsidiaries belongs to owner of the Company and the non-controlling interest respectively. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

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

(ii) Losing control of subsidiaries

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement.

The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) List of subsidiaries in the consolidated interim financial statements:

			Shareholding	
Name of investor	**Name of subsidiary**	**Principal activity**	**December 31, 2017**	**December 31, 2016**
The Company	WIN SEMI. USA, INC.	Marketing	100.00%	100.00%
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00%	100.00%
The Company	WIN Venture Capital Corp.	Investment activities	100.00%	100.00%
Win Cayman	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	Investment activities	88.14% (Note 2)	43.75% (Note 1)
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note 3)	Developing hog farming technology and trading	100.00%	100.00%
Chainwin Cayman	Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	49.00% (Note 4)	60.00%
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00%	60.00%
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00%	60.00%
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	100.00%	100.00%
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	100.00%	100.00%
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	50.44%	50.44%
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	49.56%	49.56%

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

Note 2: On July 1 and October 6, 2017, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD 5,067 thousand (NTD 154,149 thousand) and USD 20,000 thousand (NTD 603,400 thousand), respectively. Also, Win Cayman

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acquired shares of Chainwin Cayman amounting to USD 19,153 thousand (NTD 569,983 thousand) on December 18, 2017. Please refer to note 6(g) for further information.

Note 3: Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

Note 4: Since June 2017, Jiangsu CM/Merit Agriculture Development Co., Ltd is no longer included in the consolidated financial statements. Please refer to note 6(h) for further information.

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

(d) Foreign currency

(i) Foreign currency transaction

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

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

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

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

(ii) Foreign operations

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

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

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investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

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

An entity shall classify an asset as current when:

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

1) Financial assets at fair value through profit or loss

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

2) Available-for-sale financial assets

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

3) Loans and receivables

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

4) Impairment of financial assets

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

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

All individually significant receivables are assessed for specific impairment. Receivables that

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

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

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

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

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

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

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

5) Derecognition of financial assets

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

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

The Group allocates between the part that continues to be recognized and the part that is

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derecognized based on the relative fair values of those parts on the date of the transfer.

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

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

(ii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments, including hedge accounting

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

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is

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determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

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

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

(i) Biological assets

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

(j) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

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the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(k) Investment property

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

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property,

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plant and equipment are as follows:

1) Buildings and structures： 3 to 25 years

2) Machinery and equipment： 2 to 10 years

3) Factory and equipment： 2 to 15 years

4) Other equipment： 1 to 13 years

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

(m) Leases

(i) Lesser

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

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

(ii) Lessee

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

Other leases are operating leases and are not recognized in the Group's statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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

(n) Intangible assets

(i) Goodwill

1) Initial Recognition

Goodwill arising from the acquisition has been recognized as intangible assets. The initial measurement and recognition of Goodwill please refer to note 6(g)(i)3).

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2) Subsequent measurement

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

(ii) Other intangible assets

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

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

1) Technical know-how: 10 to 12 years

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

3) Land use rights: 50 years

4) Others: 1.5~5 years

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

(o) Impairment of non-financial assets

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

The recoverable amount for the individual asset or the cash-generating unit is the higher of its fair value less costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or cash-generating unit.

If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. The reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Group should assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

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

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

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

(p) Treasury stock

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

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

(q) Revenue

(i) Goods sold

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

(ii) Rent income

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

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

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(r) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

(iii) Short-term employee benefits

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

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

(s) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the

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number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

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

(t) Income taxes

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

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

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

(Continued)

(u) Business combinations

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

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non-controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

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

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

(v) Earnings per share

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

(w) Operating segment

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

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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

(Continued)

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

(a) Valuation of inventories

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

(b) Assessment of goodwill impairment

The assessment of impairment of goodwill requires management of the Group to make subjective judgments to identify cash-generating units (the "CGU"), allocate the goodwill to relevant CGUs, and estimate the recoverable amount of relevant CGUs.

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

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

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

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

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

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

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

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

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

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

		December 31, 2017	December 31, 2016
Cash on hand	$	286	227
Cash in bank		3,738,352	2,212,048
Time deposits		4,110,485	175,868
	$	7,849,123	2,388,143

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

(b) Financial instruments

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

		December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$	136,530	153,794
Money market funds, equity funds and bond funds		1,164,777	64,456
	$	1,301,307	218,250

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

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

		December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$	1,661,562	974,767

Refer to note 6(w) for the gain or losses on disposals of investments.

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

		December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$	-	13,628
Stocks listed on foreign markets		573,401	427,563
Non-public stocks		607,490	656,245
Private fund (Note)		612,978	527,831
	$	1,793,869	1,625,267

Note: As of December 31, 2017, part of the private fund is during the lock-up period.

Refer to note 6(w) for the gain or losses on disposals of investments.

(Continued)

(iv) Non-current financial assets at cost:

	December 31, 2017	December 31, 2016
Foreign unlisted stocks	$ 22,915	24,832
Less: accumulated impairment	-	-
Total	$ 22,915	24,832

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

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

	Issue period	Nominal rate (%)	December 31, 2017	December 31, 2016
Preferred stock B	2012.11.23~2019.11.22	-	$ 62,200	92,600

(vi) Sensitivity analysis in the equity price risk:

If the equity price changes, the impact to other comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	2017		2016	
Prices of securities at the reporting date	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	$ 103,663	39,039	78,001	6,548
Decreasing 3%	$ (103,663)	(39,039)	(78,001)	(6,548)

(vii) As of December 31, 2017 and 2016, the financial assets were not pledged. For information on the Group's currency risk and credit risk was disclosed in note 6(x).

(c) Accounts receivable, net and other receivables

	December 31, 2017	December 31, 2016
Accounts receivable	$ 1,553,476	1,071,937
Other receivables (included the related parties) (under other current assets)	356,282	173,771
Less：allowance for doubtful accounts	(2,086)	(3,223)
	$ 1,907,672	1,242,485

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

(Continued)

	December 31, 2017	December 31, 2016
Past due 1~60 days	$ 75,864	96,438
Past due 61~180 days	5,385	2,023
Past due more than 181 days	-	-
	$ 81,249	98,461

The movements of allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 3,223	-	3,223
Impairment loss reversed	(962)	-	(962)
Effect of changes in foreign exchange rates	(175)	-	(175)
Balance at December 31, 2017	$ 2,086	-	2,086

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

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

Assessment method:

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

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

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

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

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

As of December 31, 2017 and 2016, the accounts receivable, net and other receivables were not pledged.

(Continued)

(d) Inventories

		December 31, 2017	December 31, 2016
Raw materials, supplies and spare parts	$	2,321,414	1,868,533
Work in process		1,222,193	559,185
Finished goods		201,074	299,714
	$	3,744,681	2,727,432

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

		2017	2016
Losses on valuation of inventories and obsolescence (reversal of inventories write-downs)	$	(29,288)	31,765
Unallocated overheads	$	-	7,896
Revenues from sale of scraps	$	(12,534)	(7,323)

As of December 31, 2017 and 2016, the inventories were not pledged.

(e) Biological assets

(i) List of biological assets:

		December 31, 2017	December 31, 2016
Consumable biological assets	$	96,738	133,029
Bearer biological assets	$	37,450	48,290

(ii) Change in biological assets:

		2017	2016
Beginning balance	$	181,319	-
Acquisitions through business combinations (note 6(g))		-	197,900
Increase due to purchase		46,509	28,525
Input costs		404,325	216,402
Depreciation expenses		(9,840)	(2,886)
Decrease due to sales		(358,511)	(267,254)
Changes in fair value less costs to sell due to price changes		(17,455)	16,959
Effect of changes in consolidated entities		(104,745)	-
Effect of changes in foreign exchange rates		(7,414)	(8,327)
Ending balance	$	134,188	181,319
Current	$	96,738	133,029
Non-current		37,450	48,290
	$	134,188	181,319

(Continued)

For the years ended December 31, 2017 and 2016, the (losses) gains of $(17,455) thousand and $16,959 thousand was recognized as operating costs of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the (lower) higher of its carrying amount or fair value less costs to sell.

(iii) As of December 31, 2017 and 2016, number of the biological assets as follows:

	December 31, 2017	December 31, 2016
Farrows, hogs and breeders	31,455	34,100

(iv) Fair value

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

Costs of the biological assets include all of the costs within the growth cycle, such as the cost of new-born farrows, the feed and the raising farm. The cost of the productive biological assets shall be depreciated on a straight-line basis over the producible term. The amortized term are within 24 to 36 months. For the years ended December 31, 2017 and 2016, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were $9,840 thousand and $2,886 thousand, respectively.

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

1) Regulations and environmental risks

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

2) Supply and demand risks

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

3) Climate and other risks

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

(vi) As of December 31, 2017 and 2016, the biological assets were not pledged.

(vii) Fair value valuation technique of biological assets used inputs that were categorized in level 3. Please refer to the table above regarding the movement of biological assets for a reconciliation beginning from the opening balance to the closing balance for level 3 fair value. In this period the

(Continued)

fair value hierarchy of the biological assets were not transferred into or out of level 3. The valuation technique and significant unobservable inputs were as follows:

Items	Fair value valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Hogs in China	Price comparison: Estimated value of price comparison is compared with the biological assets of different type, quality and kinds, etc.	Evaluate the quality	Evaluate the changes in fair value, according to the quality of biological assets.

(f) Investments accounted for using equity method

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

		December 31, 2017	December 31, 2016
Associates	$	327,269	291,036

(i) Associates

On March 31, 2017, the Group subscribed the new shares contributed by Rainbow Star Group Limited for $30,330 thousand, and the percentage of the Group's ownership increased from 40% to 49.3%. However, the Group do not have the current ability to direct the relevant activities of Rainbow Star Group Limited. The Group did not control it.

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

		December 31, 2017	December 31, 2016
Total equity of the individually insignificant investments in associates	$	327,269	291,036

		2017	2016
Attributable to the Group:			
Net loss	$	(166,787)	(49,835)
Other comprehensive income (loss)		9,263	301
Total comprehensive income (loss)	$	(157,524)	(49,534)

(ii) As of December 31, 2017 and 2016, the investments accounted for using equity method were not pledged.

(g) Acquisition of subsidiary and non-controlling interests

(i) Acquisition of subsidiary

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

(Continued)

Islands) Co., Ltd. for $486,720 thousand.

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

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

From the acquisition date to December 31, 2016, Chainwin Cayman contributed revenue and net income of $187,588 thousand and $53,088 thousand, respectively. If the acquisition had occurred on January 1, 2016, the management estimates that revenue would have been $384,758 thousand and net income would have been $105,180 thousand. The abovementioned influences do not include adjustments on fair value.

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

1) Consideration transferred

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

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

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

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

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

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

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

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

3) Goodwill

Goodwill arising from the acquisition has been recognized as follows:

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

The Group remeasured the fair value of its existing equity interest in Chainwin Cayman before the business combination, and the resulting gain of $17,088 thousand is recognized as “other gains or losses”.

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

(ii) Acquisition of non-controlling interests

On July 1 and October 6, 2017, the Group subscribed the new shares contributed by Chainwin Cayman for $154,149 thousand and $603,400 thousand in cash, respectively, increasing its ownership from 43.75% to 62.25%, successively. On December 18, 2017, the Group acquired the shares of Chainwin Cayman amounting to $569,983 thousand, increasing its ownership from 62.25% to 88.14%. For the year ended December 31, 2016, there was no such transaction.

The effects of the changes in shareholdings were as follows:

Carrying amount of non-controlling interest on acquisition	$	1,168,186
Consideration paid to non-controlling interests		(1,327,532)
Retained earnings changes in ownership interests in subsidiaries	$	(159,346)

(Continued)

(h) Losing control of subsidiary

The Group did not take part in the issuance of common stock for cash of Jiangsu CM / Merit Agriculture Development Co., Ltd. at the second quarter of 2017. Therefore, the percentage of the Group's ownership was reduced to 49%, and the Group lost its control over Jiangsu CM / Merit Agriculture Development Co., Ltd.

The related disposal loss which was $1,991 thousand was recognized as other gains and losses in consolidated statements of comprehensive income.

The carrying amount of assets and liabilities of Jiangsu CM / Merit Agriculture Development Co., Ltd. on May 31, 2017 was as follows:

Cash and cash equivalents	$ 36,959
Inventories	9,176
Other current assets	14,539
Property, plant and equipment	358,353
Biological assets	104,745
Other non-current assets	21,452
Notes and accounts payable	(189,337)
Other payables	(8,540)
Other current liabilities	(118)
Carrying amount of net assets	**$ 347,229**

(i) Material non-controlling interests of subsidiaries

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

		Percentage of non-controlling interests	
Subsidiaries	**Registration**	**December 31, 2017**	**December 31, 2016**
Chainwin Cayman	Cayman Islands	11.86%	56.25%

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

	December 31, 2017	**December 31, 2016**
Current assets	$ 1,253,467	1,000,869
Non-current assets	661,687	334,984
Current liabilities	(63,077)	(85,042)
Non-current liabilities	(24,066)	-
Net assets	**$ 1,828,011**	**1,250,811**
Non-controlling interests	**$ 235,530**	**691,445**

(Continued)

		2017	2016
Operating revenue	$	393,983	384,758
Profit (loss)		(110,662)	22,896
Other comprehensive income (loss)		70,296	(46,703)
Total comprehensive income (loss)	$	(40,366)	(23,807)
Loss, attributable to non-controlling interests	$	(48,905)	(16,469)
Comprehensive income (loss), attributable to non-controlling interests	$	(12,044)	(43,415)

		2017	2016
Net cash flows used in operating activities	$	(10,859)	(58,040)
Net cash flows used in investing activities		(741,104)	(63,022)
Net cash flows from financing activities		875,202	840,618
Effect of changes in foreign exchange rate		29,301	(29,232)
Increase on cash and cash equivalents	$	152,540	690,324

(j) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2017 and 2016 were as follows:

		Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost：								
Balance as of January 1, 2017	$	2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Additions		-	41,307	1,847,437	99,983	110,590	751,766	2,851,083
Reclassification (Note 1)		-	(18,646)	1,131,654	112,066	400	(105,387)	1,120,087
Disposals		-	-	(381,463)	(6,621)	(28,134)	-	(416,218)
Effect of changes in consolidated entities		-	-	-	-	(4,028)	(354,533)	(358,561)
Effect of changes in foreign exchange rates		-	(84)	-	(342)	(341)	(2,503)	(3,270)
Balance as of December 31, 2017	$	2,546,534	2,153,117	17,777,113	4,255,435	363,944	649,245	27,745,388
Balance as of January 1, 2016	$	2,546,534	1,000,117	12,551,818	2,820,770	228,809	2,257,410	21,405,458
Acquisitions through business combinations		-	11,902	-	33,022	30,826	38,947	114,697
Additions		-	180,543	1,183,124	519,491	98,914	287,026	2,269,098
Reclassification (Note 2)		-	967,324	1,765,380	1,112,941	58,049	(2,221,867)	1,681,827
Disposals		-	(28,903)	(320,837)	(434,646)	(129,991)	-	(914,377)
Effect of changes in foreign exchange rates		-	(443)	-	(1,229)	(1,150)	(1,614)	(4,436)
Balance as of December 31, 2016	$	2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Accumulated depreciation：								
Balance as of January 1, 2017	$	-	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Depreciation		-	99,495	1,879,612	404,550	100,960	-	2,484,617
Reclassification		-	-	3,076	(3,076)	-	-	-
Disposals		-	-	(377,655)	(6,290)	(26,517)	-	(410,462)
Effect of changes in consolidated entities		-	-	-	-	(208)	-	(208)
Effect of changes in foreign exchange rates		-	(20)	-	(57)	(39)	-	(116)
Balance as of December 31, 2017	$	-	584,763	10,563,890	1,956,057	172,410	-	13,277,120

(Continued)

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Balance as of January 1, 2016	$ -	429,291	7,514,001	1,681,770	157,206	-	9,782,268
Acquisitions	-	2,427	-	7,110	4,882	-	14,419
Depreciation	-	81,030	1,865,423	306,975	66,286	-	2,319,714
Disposals	-	(27,366)	(320,567)	(434,645)	(129,974)	-	(912,552)
Effect of changes in foreign exchange rates	-	(94)	-	(280)	(186)	-	(560)
Balance as of December 31, 2016	$ -	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Carrying value：							
Balance as of December 31, 2017	$ 2,546,534	1,568,354	7,213,223	2,299,378	191,534	649,245	14,468,268
Balance as of January 1, 2016	$ 2,546,534	570,826	5,037,817	1,139,000	71,603	2,257,410	11,623,190
Balance as of December 31, 2016	$ 2,546,534	1,645,252	6,120,628	2,489,419	187,243	359,902	13,348,978

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Also, property, plant and equipment were adjusted by using the constructional refund.

Note 2: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were reclassified as investment property.

(i) Pledge to secure:

As of December 31, 2017 and 2016, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(ii) For the years ended December 31, 2017 and 2016, capitalized interest expenses amounted to $21,357 thousand and $30,975 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.15%~1.56% and 1.37%~1.64%, respectively.

(k) Investment property

	Land	Buildings and structures	Total
Cost:			
Balance as of January 1, 2017	$ 963,127	536,008	1,499,135
Additions	-	1,258	1,258
Reclassification (Note 1)	-	(7,314)	(7,314)
Balance as of December 31, 2017	$ 963,127	529,952	1,493,079
Balance as of January 1, 2016	$ 963,127	138,225	1,101,352
Reclassification (Note 2)	-	397,783	397,783
Balance as of December 31, 2016	$ 963,127	536,008	1,499,135
Accumulated depreciation:			
Balance as of January 1, 2017	$ -	31,022	31,022
Depreciation	-	20,155	20,155
Balance as of December 31, 2017	$ -	51,177	51,177
Balance as of January 1, 2016	$ -	15,506	15,506
Depreciation	-	15,516	15,516
Balance as of December 31, 2016	$ -	31,022	31,022
Carrying value:			
Balance as of December 31, 2017	$ 963,127	478,775	1,441,902
Balance as of January 1, 2016	$ 963,127	122,719	1,085,846
Balance as of December 31, 2016	$ 963,127	504,986	1,468,113
Fair value:			
Balance as of December 31, 2017			$ 1,576,821
Balance as of December 31, 2016			$ 1,639,399

(Continued)

Note 1: Investment property were adjusted by using the constructional refund.

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

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

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

Location	For the years ended December 31, 2017
Hsinchu	0.22%
Taoyuan	1.97%

As of December 31, 2017 and 2016, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(k) Intangible assets

(i) The movement in intangible assets for the years ended December 31, 2017 and 2016 were as follows:

	Technical know-how	Computer software and information systems	Goodwill	Land use rights	Others	Total
Cost:						
Balance as of January 1, 2017	$ 46,051	84,736	133,645	-	27,768	292,200
Additions	-	51,873	-	31,247	4,106	87,226
Reclassification (Note)	-	70	-	-	-	70
Disposals	-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates	-	-	(10,318)	201	(1,711)	(11,828)
Balance as of December 31, 2017	$ 46,051	119,718	123,327	31,448	26,059	346,603
Balance as of January 1, 2016	$ 46,005	57,702	-	-	1,843	105,550
Acquisition through business combinations	48	-	132,278	-	21,929	154,255
Additions	-	40,537	-	-	4,774	45,311
Disposals	-	(13,503)	-	-	(1,005)	(14,508)
Effect of changes in foreign exchange rates	(2)	-	1,367	-	227	1,592
Balance as of December 31, 2016	$ 46,051	84,736	133,645	-	27,768	292,200
Amortization:						
Balance as of January 1, 2017	$ 23,656	34,930	-	-	4,075	62,661
Amortization	3,838	34,542	-	52	8,966	47,398
Disposals	-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates	-	(1)	-	1	(235)	(235)
Balance as of December 31, 2017	$ 27,494	52,510	-	53	8,702	88,759
Balance as of January 1, 2016	$ 19,808	22,767	-	-	605	43,180
Acquisition through business combinations	13	-	-	-	-	13
Amortization	3,836	25,666	-	-	4,441	33,943
Disposals	-	(13,503)	-	-	(1,005)	(14,508)
Effect of changes in foreign exchange rates	(1)	-	-	-	34	33
Balance as of December 31, 2016	$ 23,656	34,930	-	-	4,075	62,661
Carrying value:						
Balance as of December 31, 2017	$ 18,557	67,208	123,327	31,395	17,357	257,844
Balance as of January 1, 2016	$ 26,197	34,935	-	-	1,238	62,370
Balance as of December 31, 2016	$ 22,395	49,806	133,645	-	23,693	229,539

Note: Other current assets were reclassified as intangible assets.

(Continued)

(ii) Amortization expense recognized in profit or loss

For the year ended December 31, 2017 and 2016, the amortization expenses of intangible assets were as follows:

		2017	2016
Operating costs	$	15,164	11,594
Operating expenses		32,234	22,349
	$	47,398	33,943

(iii) Impairment testing for goodwill

The goodwill of $132,278 thousand was derived from the acquisition of and the control over Chainwin Cayman by the Group on August 19, 2016. The goodwill was mainly attributed to the profitability of the hog farming in Mainland China. In accordance with IAS 36, goodwill through business combinations shall be tested for impairment at least annually. To test for impairment, goodwill must be allocated to the cash-generating units (the “CGU”) that are expected to benefit from the synergies of the combination. Chainwin Cayman is regarded as a CGU to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

Also, the Group estimated its operating revenue for certain periods based on the purchase price allocation valuation report issued by the specialist, who was entrusted by the Group. The preceding estimation was analyzed based on the financial forecasts from 2016 to 2021. The construction of certain factory farms of Chainwin Cayman had been delayed, resulting in failure to increase the scale on farm raising. Therefore, the actual operating revenue decreased by 58%, which was lower than that of the forecasted one for the year ended December 31, 2017. There were no significant differences between the actual results and the forecasts from the acquisition date to December 31, 2016.

On December 31, 2017, the recoverable amount determined by the value-in-use for the cash-generating unit is higher than the carrying amount. Therefore, there is no impairment loss should be recognized.

The total amount of goodwill has been allocated to the agriculture technology for the Group’s impairment testing purpose. The CGU are used as the minimum level for investment return of goodwill supervised by the management.

The Group’s goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value-in-use. The key assumption used in the estimation of the value-in-use of the CGU were as follows:

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

2) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2017 and 2016, the applied before-tax discount rate of the recoverable

(Continued)

amount of the units were 9.72% and 16.5%, respectively.

(iv) As of December 31, 2017 and 2016, the intangible assets were not pledged.

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

	December 31, 2017	December 31, 2016
Other receivable from metal recycling	$ 159,618	156,090
Tax refund receivable	123,967	68,579
Long-term prepaid rent	31,153	62,822
Prepaid expenses	89,079	65,706
Restricted assets	25,655	25,571
Refundable deposits	51,748	34,930
Others	29,500	18,700
	$ 510,720	432,398

Long-term prepaid rent, which the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease and for hog farming purpose. The durations of the agreements are 5~30 years. The payments for rental were made in accordance with the signed agreements. The Group entered into land lease agreements amounting to RMB183,420 thousand.

(n) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured short-term borrowings	$ -	-
Unused bank credit lines for short-term borrowings	$ 2,361,382	1,941,748
Unused bank credit lines for short-term and long-term borrowings	$ 510,778	1,352,188
Annual interest rate	1.997%~2.00%	0.63%~1.66%

(o) Long-term borrowings

	December 31, 2017	December 31, 2016
Unsecured long-term borrowings (settled in NTD)	$ 5,578,000	2,514,000
Secured long-term borrowings (settled in NTD)	679,536	2,099,943
Less：long-term liabilities, current portion	(352,056)	(940,194)
Total	$ 5,905,480	3,673,749
Unused bank credit lines for long-term borrowings	$ 2,093,000	2,002,000
Annual interest rate	1.23%~1.60%	1.23%~1.64%
Expiry date	2019/2/11~2020/8/31	2018/2/18~2020/3/1

(Continued)

As of December 31, 2017, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2018~December 31, 2018	$ 352,056
January 1, 2019~December 31, 2019	2,168,056
January 1, 2020~December 31, 2020	3,737,424
	$ 6,257,536

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

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

(iii) In January 2011, the Group entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 thousand and has been redeemed on December 2017.

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

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

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

(p) Operating lease

(i) Lease-lessor

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

For the years ended December 31, 2017 and 2016, the rental income recognized in other income amounting to $84,383 thousand and $68,793 thousand, respectively.

(ii) Lease-lessee

The Group leases a number of factories, offices and parking lots etc. under operating lease.

The leases typically run for a period of 1 to 6 years. For the years ended December 31, 2017 and 2016, the rental expense amounted to $51,158 thousand and $33,264 thousand, respectively, which were recorded as operating costs and operating expenses.

(q) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

(Continued)

		December 31, 2017	December 31, 2016
Present value of the defined benefit obligations	$	102,900	100,272
Fair value of plan assets		(40,312)	(38,844)
Net defined benefit liabilities (Note)	$	62,588	61,428

(Note) Recognized liabilities for defined benefit obligations were recognized as other non-current liabilities.

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

1) Composition of plan assets

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

The Group's labor pension reserve account balance in the Bank of Taiwan amounted to $40,312 thousand as of December 31, 2017. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Founds, Ministry of Labor.

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

For the years ended December 31, 2017 and 2016, movements in the present value of the defined benefit obligations for the Group were as follows:

		2017	2016
Defined benefit obligations as of January 1	$	100,272	84,407
Current service costs and interest cost		2,980	3,030
Remeasurements of the net defined benefit liability (asset):			
—Actuarial (gains) losses arising from financial assumption		(3,234)	6,348
—Experience adjustments		2,882	6,487
Defined benefit obligations as of December 31	$	102,900	100,272

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

For the years ended December 31, 2017 and 2016, movements in the fair value of the plan assets were as follows:

(Continued)

	2017	2016
Fair value of plan assets as of January 1	$ 38,844	37,896
Interest revenue	533	709
Remeasurements of the net defined benefit liability (asset):		
—Return on plan assets (excluding the interest revenue)	(151)	(437)
Amounts contributed to plan	1,086	676
Fair value of plan assets as of December 31	**$ 40,312**	**38,844**

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2017 and 2016, there were no changes in the effect of plan asset ceiling.

5) The expenses recognised in profit or losses

For the years ended December 31, 2017 and 2016, the expenses recognized in profit or losses for the Group were as follows:

	2017	2016
Current service costs	$ 1,633	1,487
Net interest expense of net defined benefit (liabilities (assets))	814	834
	$ 2,447	**2,321**

	2017	2016
Administrative expenses	**$ 2,447**	**2,321**

6) The remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income

For the years ended December 31, 2017 and 2016, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	2017	2016
Balance as of January1	$ 30,867	17,595
Recognized in the current period	(201)	13,272
Balance as of December 31	**$ 30,666**	**30,867**

7) Actuarial assumptions

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

	December 31, 2017	December 31, 2016
Discount rate	1.625%	1.375%
Future salary rate increases	3.000%	3.000%

(Continued)

The Group expects to make contributions of $242 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit plans is 17.35 years.

8) Sensitivity analysis

As of December 31, 2017 and 2016, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

		Effects to the defined benefit obligation	
		Increase by 0.25%	**Decrease by 0.25%**
Balance as of December 31, 2017			
Discount rate	$	(3,079)	3,234
Future salary rate increases		3,131	(3,005)
Balance as of December 31, 2016			
Discount rate	$	(3,247)	3,337
Future salary rate increases		3,272	(3,159)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

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

The Group set aside $75,907 thousand and $61,235 thousand, respectively, of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2017 and 2016..

(iii) The Group's Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2017 and the term within the acquisition date to December 31, 2016, the Group recognized the pension costs in accordance with the pension regulations and amounts to $1,767 thousand and $1,081 thousand, respectively.

(r) Income tax

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2017 and 2016 were as follows:

(Continued)

		2017	2016
Current tax expense			
Current period	$	815,583	777,979
Adjustment for prior periods		(80)	(4,315)
		815,503	773,664
Deferred tax expense			
Origination and reversal of temporary differences		(2,119)	17,575
Income tax expense	$	813,384	791,239

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

		2017	2016
Components of other comprehensive income that will not be classified to profit or loss:			
The remeasurements of defined benefit plans	$	(34)	2,256

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

		2017	2016
Profit before tax	$	4,528,679	3,887,544
Estimated income tax calculated using the Company's domestic tax rate	$	769,875	664,722
Tax-exempt income		(40,557)	(43,232)
10% surtax on unappropriated earnings		97,848	210,090
Others		(13,782)	(40,341)
	$	813,384	791,239

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 were as follows:

		Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:					
Balance as of January 1, 2017	$	32,951	13,949	28,454	75,354
Recognized in profit or loss		(9,959)	9,307	2,532	1,880
Recognized in other comprehensive income		-	-	(34)	(34)
Balance as of December 31, 2017	$	22,992	23,256	30,952	77,200
Balance as of January 1, 2016	$	30,379	12,841	41,884	85,104
Recognized in profit or loss		2,572	1,108	(15,686)	(12,006)
Recognized in other comprehensive income		-	-	2,256	2,256
Balance as of December 31, 2016	$	32,951	13,949	28,454	75,354

(Continued)

		Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:					
Balance as of January 1, 2017	$	31,718	2,010	-	33,728
Recognized in profit or loss		1,771	(2,010)	-	(239)
Balance as of December 31, 2017	$	33,489	-	-	33,489
Balance as of January 1, 2016	$	28,159	-	-	28,159
Recognized in profit or loss		3,559	2,010	-	5,569
Balance as of December 31, 2016	$	31,718	2,010	-	33,728

(iii) Examination and approval

The Company's corporate income tax returns for the years through 2015 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

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

	December 31, 2017	December 31, 2016
Unappropriated earnings after 1997	(note)	$ 8,308,68
Balance of imputation credit account (ICA)	(note)	$ 1,543,07
	2017(Estimated)	**2016(Actual)**
Creditable ratio for distributed to domestic shareholders of earnings	(note)	25.14%

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit-seeking income tax which was actually paid under the provisions of Article 66-9, half of the amount of the surcharge on profit-seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(note) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(s) Capital and other equity

(i) Ordinary share

As of December 31, 2017 and 2016, the Company's authorized share capital consisted of $1,000,000 thousand shares of ordinary share, with $10 dollars par value per share, of which $422,666 thousand shares, and $407,666 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 thousand for employee stock options.

(Continued)

Reconciliations of shares outstanding for the years ended December 31, 2017 and 2016:

	Ordinary share (in thousands)	
	2017	**2016**
Balance as of January 1	407,666	596,564
Issue of shares	20,000	-
Exercise of employee stock options	-	102
Capital reduction	-	(179,000)
Retirement of treasury share	(5,000)	(10,000)
Balance as of December 31	**422,666**	**407,666**

A resolution was passed during the general meeting of shareholders held on June 16, 2017 for the issuance of ordinary shares for cash within a year under private placement, a resolution was passed during the board meeting held on December 8, 2017 for the issuance of $20,000 thousand ordinary shares, with subscription price $277 per share, amounting to $5,540,000 thousands, with December 22, 2017 as the record date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded publicly after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

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

The resolution was passed during the meeting of shareholders held on June 24, 2016 for the capital reduction of $1,789,999 thousand representing 179,000 thousand shares of outstanding shares. On August 1, 2016, the authority had already approved the application and the Company's chairman of Board of Directors resolved the record date as August 2, 2016. The related registration process had been completed.

As of December 31, 2017, the Company issued $11,121 thousand units of Global Depositary Receipts (GDRs), representing $55,605 thousand ordinary shares of stock of the Company.

(ii) Capital surplus

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

		December 31, 2017	December 31, 2016
Additional paid-in capital	$	9,031,035	3,736,867
Changes in equity of associates and joint ventures accounted for using equity method		21,163	21,163
Employee stock options		698	707
	$	**9,052,896**	**3,758,737**

(Continued)

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reverse

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

3) Appropriations of earnings

The appropriations of earning for 2016 and 2015 had been approved in shareholders' meetings held on June 16, 2017 and June 24, 2016, respectively. The appropriations and dividends were as follows:

	2017	2016
Cash dividends	$ 1,811,999	298,333

The above-mentioned appropriations of earning for 2016 and 2015 were consistent with the resolutions of the meeting of the Board of Directors.

(Continued)

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

(iv) Treasury shares

In 2017 and 2016, in accordance with the requirements under article 28-2 of the Securities and Exchange Act, the Company repurchased $1,080 thousand shares and $13,920 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2017 and 2016, all the shares repurchased by the Company have been cancelled.

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

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

(v) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2017	$ 1,719	760,178
Foreign currency differences (net of tax):		
The Group	(110,108)	-
Associates	6,190	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	973,961
Adjustments in reclassification of the impairment of available-for-sale financial assets (net of tax)	-	(7,908)
Cumulative gains (losses) reclassified to profit or loss upon disposal of available -for-sale financial assets (net of tax)	-	(158,055)
Other comprehensive income reclassified to profit or loss on disposal of foreign operations	1,991	-
Balance as of December 31, 2017	$ (100,208)	1,568,176

(Continued)

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

(t) Share-based payment

The details of share-based payment were as follows:

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

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

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

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

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

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

(Continued)

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

(ii) For the years ended December 31, 2017 and 2016, the related outstanding units and weighted-average exercise price of employee stock options were as follows:

	2017		2016	
	Weighted-average exercise price (expressed in dollars)	**Shares (in thousands)**	**Weighted-average exercise price (expressed in dollars)**	**Shares (in thousands)**
Outstanding at the beginning	$ -	-	28.40	142
Granted	-	-	-	-
Exercised	-	-	28.40	(102)
Expired	-	-	-	(40)
Outstanding at the end	-	-	-	-

As of December 31, 2017 and 2016, there were no compensatory employee stock options outstanding.

(iii) Compensation cost for employee stock options

For the years ended December 31, 2017 and 2016, the compensation cost for employee stock options both amounted to $0 thousand.

(u) Earnings per share ("EPS")

For the years ended December 31, 2017 and 2016, the Company's earnings per share were calculated as follows:

	2017	2016
Basic earnings per share：		
Profit belonging to common shareholders	$ 3,764,200	3,112,774
Weighted average number of outstanding shares of common stock (in thousands)	403,214	515,536
Basic earnings per share (in dollars)	$ 9.34	6.04
Diluted earnings per share：		
Profit belonging to common shareholders	$ 3,764,200	3,112,774
Weighted average number of outstanding shares of common stock (in thousands)	403,214	515,536
Effect of potentially dilutive common stock Employee remuneration (in thousands)	1,510	3,695
Weighted average number of common stock (diluted) (in thousands)	404,724	519,231
Diluted earnings per share (in dollars)	$ 9.30	5.99

(Continued)

(v) Employees', directors' and supervisors' remuneration

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

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

(ii) Remuneration of Directors and Supervisors: no more than 3%.

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

For the years ended December 31, 2017 and 2016, the Company estimated its employees' and directors'and supervisors' remuneration as follows:

		2017	2016
Employee remuneration	$	308,400	263,000
Directors' remuneration		89,500	76,300
	$	397,900	339,300

The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration were included in the operating costs and operating expenses of the years ended December 31, 2017 and 2016. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2017 and 2016.

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

(w) Non-operating income and expenses

(i) Other income

		2017	2016
Interest income	$	26,121	11,104
Dividend income		82,659	52,747
Rent income		93,960	73,533
	$	202,740	137,384

(ii) Other gains and losses

		2017	2016
Foreign exchange gains (losses)	$	(174,496)	(15,952)
Gains (losses) on disposals of investments		158,112	227,075
Gains (losses) on financial assets or liabilities at fair value through profit or loss		(34,768)	13,993
Gains (losses) on disposal of property, plant and equipment		(1,809)	(2,786)
Other		22,868	96,002
	$	**(30,093)**	**318,332**

(iii) Finance costs

		2017	2016
Interest expense on bank borrowings	$	76,044	50,770
Other interest expenses		259	425
Less: capitalized interest expense		(21,357)	(30,975)
	$	**54,946**	**20,220**

(x) Financial instruments

(i) Credit risk

1) Exposure of credit risk

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

2) Disclosures about concentrations of risk

As of December 31, 2017 and 2016, the Group's accounts receivable were both concentrated on 3 and 7 customers, respectively, whose accounts represented 61% and 69% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Group continues to evaluate the financial status of these customers and request for collaterals when necessary. The Group evaluates the possible collectability of account receivables periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

(Continued)

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$	679,536	689,099	308,797	304,758	75,544	-
Unsecured bank loans		5,578,000	5,725,263	119,553	1,921,648	3,684,062	-
Accounts payable		1,698,485	1,698,485	1,698,485	-	-	-
Other payables		1,254,346	1,254,346	1,254,346	-	-	-
	$	9,210,367	9,367,193	3,381,181	2,226,406	3,759,606	-
As of December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$	2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans		2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable		975,478	975,478	975,478	-	-	-
Other payables		878,426	878,426	878,426	-	-	-
	$	6,467,847	6,551,930	2,838,070	896,840	2,817,020	-

(iii) Currency risk

1) Exposure to currency risk

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

		December 31, 2017				December 31, 2016		
		Foreign currency	Exchange rate		NT$	Foreign currency	Exchange rate	NT$
Financial assets								
Monetary items								
USD	$	140,645	29.76		4,185,590	83,868	32.25	2,704,780
EUR		531	35.57		18,902	28	33.90	935
JPY		394,637	0.2642		104,265	67,409	0.2756	18,575
GBP		12	40.11		481	12	39.61	463
HKD		62	3.81		237	63	4.16	261
				$	4,309,475			2,725,014
Non-monetary items								
USD	$	3,941	29.76	$	102,944	1,569	32.25	50,332
RMB		40,972	4.57		185,537	-	-	-
				$	288,481			50,332
Financial liabilities								
Monetary items								
USD	$	36,711	29.76		1,092,511	13,904	32.25	448,395
EUR		680	35.57		24,170	476	33.90	16,123

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, net, other receivables, available-for-sale financial assets, loans and borrowings, notes and

(Continued)

accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, JPY and the RMB etc. for the years ended December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by $125,856 thousand and $90,436 thousand, respectively, and other comprehensive income would have increased (decreased) by $16,773 thousand and $2,089 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Exchange gain or loss

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange losses (including realized and unrealized portions) amounted to loss $174,496 thousand and $15,952 thousand, respectively.

(iv) Interest rate risk

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

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

If the interest rate increases (decreases) by 0.5%, the Group's net profit after tax would have (decreased) increased by $12,933 thousand and $12,443 thousand for the years ended December 31, 2017 and 2016, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

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

(Continued)

	December 31, 2017				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 136,530	136,530	-	-	136,530
Funds and investment	1,164,777	1,164,777	-	-	1,164,777
Subtotal	$ 1,301,307	1,301,307	-	-	1,301,307
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 2,234,963	2,234,963	-	-	2,234,963
Non-public stocks	607,490	-	607,490	-	607,490
Private fund	612,978	-	612,978	-	612,978
Subtotal	$ 3,455,431	2,234,963	1,220,468	-	3,455,431
Loans and receivables					
Cash and cash equivalents (Note)	$ 7,849,123	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (Note)	1,551,390	-	-	-	-
Other receivables (including related parties) (Note)	356,282	-	-	-	-
Subtotal	$ 9,818,995	-	-	-	-
Amortized cost of financial liabilities					
Bank loans (Note)	$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,698,485	-	-	-	-
Other payables (Note)	1,254,346	-	-	-	-
Subtotal	$ 9,210,367	-	-	-	-

	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 153,794	153,794	-	-	153,794
Funds and investment	64,456	64,456	-	-	64,456
Subtotal	$ 218,250	218,250	-	-	218,250
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 1,415,958	1,415,958	-	-	1,415,958
Non-public stocks	656,245	-	656,245	-	656,245
Private fund	527,831	-	527,831	-	527,831
Subtotal	$ 2,600,034	1,415,958	1,184,076	-	2,600,034
Loans and receivables					
Cash and cash equivalents (Note)	$ 2,388,143	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (Note)	1,068,714	-	-	-	-
Other receivables (Note)	173,771	-	-	-	-
Subtotal	$ 3,723,228	-	-	-	-
Amortized cost of financial liabilities					
Bank loans (Note)	$ 4,613,943	-	-	-	-
Accounts payable (Note)	975,478	-	-	-	-
Other payables (Note)	878,426	-	-	-	-
Subtotal	$ 6,467,847	-	-	-	-

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

(Continued)

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

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

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

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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

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

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

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

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

(Continued)

commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

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

- Equity instruments do not have any quoted market price: the fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

b) Derivative instruments

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

4) Transfer between level 2 and level 1

For the years ended December 31, 2017 and 2016, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy level 3 for the years ended December 31, 2017 and 2016.

(y) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

The Group’s Audit Committee oversees how management monitors compliance with the Group’s

(Continued)

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

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

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

2) Investments

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

3) Guarantees

As of December 31, 2017 and 2016, the Group did not provide guarantee.

(iv) Liquidity risk

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

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Group also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2017, the Group has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused

(Continued)

bank credit lines for short-term borrowings and long-term borrowings amounted to $2,361,382 thousand, $510,778 thousand and $2,093,000 thousand, respectively.

(v) Market risk

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

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

The policy of response to currency risk：

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

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

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

(z) Capital management

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

For the years ended December 31, 2017 and 2016, the Group's return on common equity was 17.43% and 17.87%, respectively. The Group's debt ratio at the reporting date were as follows:

	December 31, 2017	December 31, 2016
Debt ratio	30.31%	30.64%

As of December 31, 2017, there were no changes in the Group's approach to capital management.

(7) Related-party transactions:

(a) Parent Company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Names and relationship with related parties

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

(Continued)

Name of related party	Relationship with the Group
Merit Biotech INC.	Other related parties (Note)
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Associates

Note: Merit Biotech INC. lost its control or influence over Chainwin Cayman. Also, it does not have any representative in the managerial level of Chainwin Cayman. Therefore, Merit Biotech INC. was no longer a related party of the Group beginning 2017.

(c) Significant transactions with related parties

(i) Loans to related parties were as follows:

Chainwin Cayman provided an unsecured loan, with an interest rate of 1.18% to other related parties, Merit Biotech INC. In 2016, the amount of used loan facilities amounting to USD 856 thousand, which had been repaid in November 2016.

Chainwin Cayman provided an unsecured loan, with an interest rate of 4.35% to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. As of December 31, 2017, the outstanding balance of the loan amounted to USD 6,000 thousand (NTD 178,560 thousand). Also, the amount of interest receivable and interest revenue arising from the aforementioned loan were USD 124 thousand (NTD 3,689 thousand and NTD 3,734 thousand, respectively) for the year ended December 31, 2017.

(ii) Acquisitions of property and other assets

In 2016, the Group purchased property, plant and equipment from its other related party, Merit Biotech INC. amounting to USD 843 thousand (NTD 26,668 thousand). As of December 31, 2016, the purchased amount on property, plant and equipment had been received. There was no such transaction for the year ended December 31, 2017.

(iii) Receivables from related parties

Account	Relationship	December 31, 2017	December 31, 2016
Other receivables	Associates-Jiangsu CM / Merit Agriculture Development Co., Ltd.	$ 182,249	-

(d) Transactions with key management personnel

Key management personnel compensation were comprised as below:

	2017	2016
Short-term employee benefits	$ 385,172	362,278
Post-employment benefits	766	801
	$ 385,938	363,079

(Continued)

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2017	December 31, 2016
Other non-current assets	Gas deposits	$ 4,700	4,700
Other non-current assets	Customs guarantee	20,955	20,871
Property, plant and equipment	Long-term borrowings	2,858,234	3,176,314
Investment property	Long-term borrowings	1,441,902	1,468,113
		$ 4,325,791	4,669,998

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

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

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

	December 31, 2017	December 31, 2016
The unrecognized amount	$ 6,114,772	2,916,764

	December 31, 2017	December 31, 2016
(iii) The unused letters of credit	$ 54,918	234,314

(10) Losses due to major disasters: None.

(11) Subsequent events:

(a) On January 2, 2018, the Board of Directors of the Company's subsidiary, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman), resolved to subscribe the new shares contributed by its associate, Jiangsu CM/ Merit Agriculture Development Co., Ltd., amounting to USD 12,000 thousand in cash.

(b) The Company resolved to subscribe the new shares contributed by its subsidiary, Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman), for the 12,000 thousand shares, with par value of USD 1 per share, amounting to USD 12,000 thousand in cash, as proposed in the Board of Directors' meeting held on January 11, 2018.

(c) On January 16, 2018, the Board of Directors of the Company's subsidiary, Win Cayman, resolved to subscribe the new shares contributed by its subsidiary, Chainwin Cayman, for 6,000 thousand shares (upper limit), with par value of USD 2 per share, amounting to USD 12,000 thousand (upper limit) in cash.

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(d) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $13,623 thousand and $5,910 thousand, respectively.

(12) Other:

The followings were the summary statement of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2017 and 2016:

	2017			2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,809,615	797,169	2,606,784	1,308,032	674,549	1,982,581
Labor and health insurance	132,238	40,809	173,047	101,727	36,634	138,361
Pension	60,578	19,543	80,121	49,469	15,168	64,637
Others	52,062	102,243	154,305	44,967	88,407	133,374
Depreciation	2,334,089	180,523	2,514,612	2,196,934	141,182	2,338,116
Amortization	15,164	32,234	47,398	11,594	22,349	33,943

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In thousands of Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Amount of used loan facilities during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Jiangsu CM / Merit Agriculture Development Co., Ltd.	Other receivables	Yes	178,560 ((USD 6,000))	178,560 ((USD 6,000))	178,560 ((USD 6,000))	4.35%	2	-	Working Capital	-	None	-	Net equity 20%= 343,536	Net equity 40%= 687,072

Note 1: Company numbering as follow:

Subsidiaries to subsidiaries－0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1.Business relationship

2.Short-term financing

(Continued)

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 20% and 40%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	Highest Percentage of ownership (%)	Remark
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	490	31,671	0.30	31,671	0.34	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	24,086	300,007	-	300,007	-	
〃	Capital Money Market Fund	〃	〃	12,469	200,005	-	200,005	-	
〃	Yuanta De Li Money Market Fund	〃	〃	12,340	200,005	-	200,005	-	
〃	Yuanta De Bao Money Market Fund	〃	〃	16,737	200,003	-	200,003	-	
〃	Union Money Market Fund	〃	〃	15,234	200,005	-	200,005	-	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	〃	〃	1,238	104,859	0.50	104,859	0.51	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	995	12,393	-	12,393	-	
〃	Capital Money Market Fund	〃	〃	1,082	17,352	-	17,352	-	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	CTBC Hwa Win Money Market Fund	〃	〃	3,195	35,007	-	35,007	-	
					1,301,307		1,301,307		
The Company	ITEQ CORPORATION / Stock	None	Current available-for-sale financial assets	24,364	1,590,950	8.04	1,590,950	8.57	
〃	MAG. LAYERS Scientific Technics Co., Ltd. / Stock	〃	〃	1,096	68,388	1.17	68,388	2.50	
〃	Solar Applied Meterials Technology Corp. / Stock	〃	〃	105	2,224	0.03	2,224	0.03	
					1,661,562		1,661,562		
〃	Inventec Solar Energy Cororation / Stock	〃	Non-current available-for-sale financial assets	34,000	194,970	10.51	194,970	10.51	
〃	CDIB Capital Creative Industries Limited / Stock	〃	〃	5,000	85,413	3.33	85,413	3.33	
〃	Fuh Hwa Tung-ta Fund	〃	〃	15,725	250,414	-	250,414	-	
〃	MagiCap Venture Capital Co., Ltd./ Preferred Stock A	〃	〃	1,000	112,960	2.53	112,960	2.53	
〃	New Future Capital Co., Ltd. / Stock	〃	〃	10,000	91,582	15.87	91,582	15.87	
〃	Magicapital Fund II L.P.	〃	〃	-	102,944	5.81	102,944	5.81	
〃	Grand Fortune Venture Corp. / Stock	〃	〃	5,000	51,932	6.87	51,932	6.87	
〃	Fuh Hwa Oriental Fund	〃	〃	15,000	105,750	-	105,750	-	
〃	Fuh Hwa Smart Energy Fund	〃	〃	12,000	116,160	-	116,160	-	
〃	CDIB Capital Growth Partners L. P.	〃	〃	-	37,710	4.17	37,710	4.29	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest Percentage of ownership (%)	Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value		
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. / Stock	Subsidiary's main client	〃	75	573,401	0.02	573,401	0.02	
〃	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	〃	1,264	53,295	10.05	53,295	14.37	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	〃	3,300	6,514	7.33	6,514	7.33	
〃	MOAI Electronics Corporation/Stock	None	〃	300	953	0.92	953	1.27	
〃	Merit Biotech INC./Stock	〃	〃	1,320	9,871	2.93	9,871	2.93	
					1,793,869		1,793,869		
The Company	MagiCap Venture Capital Co., Ltd / Preferred Stock B	〃	Non-current investments in debt instrument without active market	6,220	62,200	15.75	(Note 1)	16.50	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	〃	Non-current financial assets measured at cost	12	22,915	4.78	(Note 2)	4.78	

Note 1: The redeemable preferred stock was the nature of bond, which was recognized as non current investment in debt instrument without active market.

Note 2: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	22,000	718,136	40,000	1,204,000	-	-	-	-	62,000	2,421,659 (Note 1)
〃	Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	26,079	324,740	1,993	24,741	24,740	1	24,086	300,007 (Note 2)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd./ Stock	Investments accounted for using equity method	(Note 3)	Investment through subsidiary	10,500	686,123	22,110	1,327,532	-	-	-	-	32,610	1,762,688 (Note 1)

Note 1: The amount of ending balance was calculated using equity method. The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

Note 2: The amount of ending balance includes the amount of the unrealized gains (losses) on financial assets at fair value through profit or loss.

Note 3: The total purchase amount was $1,327,532 thousand (22,110 thousand shares), in which the amount of $757,549 thousand (12,534 thousand shares) was increased by using cash, and the remaining shares amounting to $569,983 thousand (9,576 thousand shares) was purchased from Merit Biotech INC.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(Continued)

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/ Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(7,198,799)	44%	1~2 Month	-	-	1,285,142	74%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	7,198,799	100%	1~2 Month	-	-	(1,285,142)	100%	(Note)

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

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Remark
					Amount	Action taken			
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	1,285,142	7.97	-	-	1,285,142	-	(Note)

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	7,198,799	Note 3	42.13%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable －related parties	1,285,142	〃	3.47%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable －related parties	1,285,142	〃	3.47%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	7,198,799	〃	42.13%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	75,295	〃	0.44%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	75,295	〃	0.44%

Note 1: Company numbering as follows:

Parent company－0

Subsidiary starts from 1

(Continued)

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

Parent company to subsidiary－1

Subsidiary to parent company－2

Subsidiary to subsidiary－3

Note 3: There is no significant difference from transaction terms with non-related parties.

(b) Information on investments:

The following is the information on investees for the years ended December 31, 2017 (excluding information on investees in Mainland China):

(In thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Remark
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of ownership	Carrying value				
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00%	6,841	100.00%	(513)	(513)	(Note)
〃	Win semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	1,922,136	718,136	62,000	100.00%	2,421,659	100.00%	10,417	10,417	(Note)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	640,197	680,029	11,768	34.52%	23,767	34.52%	(273,094)	(94,417)	
〃	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00%	161,939	100.00%	13,595	13,595	(Note)
〃	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06%	45,826	31.06%	(120,164)	(38,405)	
〃	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	25.00%	(56,643)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	62,920	39,600	3,600	6.82%	10,059	6.82%	(120,164)	(8,430)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	32,590	32,590	38	49.30%	62,080	49.30%	9,198	3,518	
〃	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	〃	2,009,792	682,260	32,610	88.14%	1,762,688	88.14%	(85,572)	(61,757)	(Note)
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	〃	38,573	38,573	1,283	100.00%	28,788	100.00%	(654)	(654)	(Note)

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

(Continued)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Highest percentage of ownership	Percentage of ownership	Investment income (losses) (Note 2)	Carrying value as of December 31, 2017 (Note 3)	Accumulated remittance of earnings in current period	Remark
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	320,086 (RMB 70,041)	(Note 1)	-	-	-	-	7,139 (USD 235)	88.14%	88.14%	7,139 (USD 235)	412,852 (USD 13,873)	-	(note 6)
Jiangsu Chainwin Agriculture Development Co., Ltd.	Developing hog farming technology and trading	53,270 (USD 1,790)	(Note 1)	-	-	-	-	(7,019) (USD (231))	88.14%	88.14%	(7,019) (USD (231))	48,722 (USD 1,637)	-	(note 6)
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	437,290 (USD 14,694)	(Note 1)	107,136 (USD 3,600)	71,424 (USD 2,400)	-	178,560 (USD 6,000)	(65,795) (USD (2,162))	43.75%	43.19%	(32,890) (USD (1,081))	185,537 (USD 6,234)	-	(note 6)
Jiansu Merit/ CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	104,160 (USD 3,500)	(Note 1)	53,568 (USD 1,800)	8,928 (USD 300)	-	62,496 (USD 2,100)	(1,646) (USD (54))	52.88%	52.88%	(988) (USD (32))	61,458 (USD 2,065)	-	(note 6)
Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	142,848 (USD 4,800)	(Note 1)	85,709 (USD 2,880)	-	-	85,709 (USD 2,880)	(7,173) (USD (236))	52.88%	52.88%	(4,304) (USD (141))	85,090 (USD 2,859)	-	(note 6)
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	73,929 (RMB 16,177)	(Note 1)	-	-	-	-	(1,320) (USD (43))	88.14%	88.14%	(1,320) (USD (43))	57,998 (USD 1,949)	-	(note 6)

(ii) Limitation on investment in Mainland China:

(In thousands of Dollars)

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 5)
326,765 (USD 10,980)	1,691,235 (USD 56,829)	15,482,847

Note 1: The Group invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2017 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (loss) recognized was translated into New Taiwan Dollars at the average exchange rate for the year ended December 31, 2017. The other amounts related to foreign currency were translated into New Taiwan Dollars at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

Note 6: The amount of the transaction and the ending balance had been offset in the consolidated financial statements, Jiangsu Chainwin CM/Merit Agriculture Development Co., Ltd. was no longer included in consolidated financial statements since June 2017.

(iii) Significant transactions: None.

(14) Segment information:

(a) The Group's reportable segment is the foundry segment. The foundry segment engages mainly in

(Continued)

researching, developing, manufacturing, and selling of GaAs wafers, etc.

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

(b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the years ended December 31, 2017 and 2016, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in note 4 "significant accounting policies" were as follows:

For the year ended December 31, 2017	Foundry	Other	Reconciliation and elimination	Total
Revenue：				
Revenue from external customers	$ 16,663,899	422,456	-	17,086,355
Interest expense	$ 54,946	-	-	54,946
Depreciation and amortization	$ 2,529,494	29,639	2,877	2,562,010
Share of loss of associates and joint ventures accounted for using equity method	$ (129,304)	(37,483)	-	(166,787)
Reportable segment profit or loss	$ 4,648,412	(59,939)	(19,138)	4,569,335
Assets:				
Capital expenditures in noncurrent assets	$ 3,548,838	530,671	-	4,079,509

For the year ended December 31, 2016	Foundry	Other	Reconciliation and elimination	Total
Revenue：				
Revenue from external customers	$ 13,417,822	205,254	-	13,623,076
Interest expense	$ 20,220	-	-	20,220
Depreciation and amortization	$ 2,363,376	7,436	1,247	2,372,059
Share of loss of associates and joint ventures accounted for using equity method	$ (42,554)	(7,281)	-	(49,835)
Reportable segment profit or loss	$ 3,529,126	47,760	(82,284)	3,494,602
Assets:				
Capital expenditures in noncurrent assets	$ 3,220,851	51,294	-	3,272,145

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

(c) Segment information by products and services

The information from the product and the service segment coincides with the administrative segment, and its revenue from external customers was disclosed in Note 14(b).

(Continued)

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenue from external customers for the years ended December 31, 2017 and 2016 were as follows:

Area	2017	2016
External Customers:		
America	$ 3,141,216	850,744
Asia	10,564,507	10,352,382
Taiwan	2,838,695	2,018,653
Europe	540,249	401,297
Australia	1,688	-
Total	$ 17,086,355	13,623,076

Area	2017	2016
Non-current Assets:		
Taiwan	$ 17,327,761	16,041,501
Asia	357,399	134,988
America	292	393
Total	$ 17,685,452	16,176,882

Non-current assets include property, plant and equipment, investment property, intangible assets and prepayments for business facilities; not including financial instruments, goodwill and deferred tax assets.

(e) Major customers

For the years ended December 31, 2017 and 2016, sales to customers greater than 10% of net revenue were as follows:

	2017		2016	
	Net revenue amount	Percentage of net revenue (%)	Net revenue amount	Percentage of net revenue (%)
Operating revenue of the Group-A company	$ 3,634,444	21	3,821,509	28
Operating revenue of the Group-B company	1,697,935	10	2,035,699	15
Operating revenue of the Group-C company	2,024,175	12	2,113	-
Operating revenue of the Group-D company	1,998,397	12	1,112,707	8
	$ 9,354,951	55	6,972,028	51

APPENDIX II:

WIN Semiconductors Corp.

Parent-Company-Only Financial Statements

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp. :

Opinion

We have audited the financial statements of WIN Semiconductors Corp. ("the Company"), which comprise the balance sheets as of December 31, 2017 and 2016, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2017 and 2016, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report was as follows:

Evaluation of inventory
Please refer to Note 4(g) "Inventories" for accounting policies, Note 5 for accounting assumptions, judgments and estimation uncertainty of inventories, and Note 6(d) for the amount of loss on valuation of inventories of the parent-company-only financial statements.

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG

Taipei, Taiwan (The Republic of China)
March 22, 2018

Note to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.
The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.
Balance Sheets
December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 6,692,816	18	1,434,161	6
1110	Current financial assets at fair value through profit or loss (note 6(b))	1,131,696	3	72,750	-
1125	Current available-for-sale financial assets (note 6(b))	1,661,562	5	974,767	4
1170	Accounts receivable, net (note 6(c))	454,663	1	532,672	2
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	1,285,142	4	521,957	2
1310	Inventories (note 6(d))	3,735,524	10	2,716,765	11
1470	Other current assets (notes 6(c) and 6(i))	368,740	1	293,150	1
	Total current assets	15,330,143	42	6,546,222	26
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	1,149,835	3	1,164,160	5
1546	Non-current investments in debt instrument without active market (note 6(b))	62,200	-	92,600	-
1550	Investments accounted for using equity method (note 6(e))	2,660,032	7	1,675,609	7
1600	Property, plant and equipment (notes 6(f) and 8)	14,163,365	39	13,181,802	51
1760	Investment property (notes 6(g) and 8)	1,441,902	4	1,468,113	6
1780	Intangible assets (note 6(h))	81,879	-	73,352	-
1840	Deferred tax assets (note 6(n))	77,200	-	75,354	-
1915	Prepayments for business facilities	1,640,615	5	1,263,897	5
1990	Other non-current assets (notes 6(i) and 8)	52,271	-	50,787	-
	Total non-current assets	21,329,299	58	19,045,674	74
	Total assets	$ 36,659,442	100	25,591,896	100

		December 31, 2017		December 31, 2016	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2170	Accounts payable	1,682,749	5	941,535	4
2200	Other payables	2,722,598	7	1,978,321	8
2320	Long-term liabilities, current portion (notes 6(k) and 8)	352,056	1	940,194	3
2399	Other current liabilities	211,649	1	207,072	1
	Total current liabilities	4,969,052	14	4,067,122	16
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(k) and 8)	5,905,480	16	3,673,749	14
2570	Deferred tax liabilities (note 6(n))	33,489	-	33,728	-
2600	Other non-current liabilities (note 6(m))	182,206	-	190,858	1
	Total non-current liabilities	6,121,175	16	3,898,335	15
	Total liabilities	11,090,227	30	7,965,457	31
	Equity (notes 6(m), 6(n), 6(o) and 6(p)):				
3110	Ordinary shares	4,226,664	11	4,076,664	16
3200	Capital surplus	9,052,896	25	3,758,737	14
3300	Retained earnings	10,821,687	30	9,376,801	37
3400	Other equity interests	1,467,968	4	761,897	3
3500	Treasury shares	-	-	(347,660)	(1)
	Total equity	25,569,215	70	17,626,439	69
	Total liabilities and equity	$ 36,659,442	100	25,591,896	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

		2017		2016	
		Amount	%	Amount	%
4000	**Operating revenue (note 7)**	$ 16,477,395	100	13,299,527	100
5000	**Operating costs (notes 6(d), (f), (h), (l), (m), (r), 7 and 12)**	(10,367,930)	(63)	(8,414,261)	(63)
	Gross profit form operating	6,109,465	37	4,885,266	37
	Operating expenses (notes 6(c), (f), (g), (h), (l), (m), (r), 7 and 12):				
6100	Selling expenses	(109,666)	(1)	(85,376)	(1)
6200	Administrative expenses	(734,840)	(4)	(667,364)	(5)
6300	Research and development expenses	(674,475)	(4)	(605,674)	(5)
	Total operating expenses	(1,518,981)	(9)	(1,358,414)	(11)
	Net operating income	4,590,484	28	3,526,852	26
	Non-operating income and expenses (notes 6(c), 6(e), 6(f), 6(l) and 6(s)):				
7010	Other income	181,820	1	130,025	1
7020	Other gains and losses	(30,475)	-	297,470	2
7050	Finance costs	(54,946)	-	(20,220)	-
7070	Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	(109,323)	(1)	(30,543)	-
	Total non-operating income and expenses	(12,924)	-	376,732	3
7900	**Profit before tax**	4,577,560	28	3,903,584	29
7950	**Total tax expense (note 6(n))**	(813,360)	(5)	(790,810)	(6)
	Profit	3,764,200	23	3,112,774	23
8300	**Other comprehensive income (loss):**				
8310	**Components of other comprehensive income (loss) that will not be reclassified to profit or loss (notes 6(m) and 6(n)):**				
8311	Remeasurements of defined benefit plans	201	-	(13,272)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(34)	-	2,256	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	167	-	(11,016)	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss (notes 6(e) and 6(o)):**				
8361	Exchange differences on translation of foreign financial statements	(136,844)	(1)	(6,675)	-
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	617,146	4	357,577	3
8380	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	225,769	1	27,714	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	706,071	4	378,616	3
8300	**Other comprehensive income**	706,238	4	367,600	3
8500	**Total comprehensive income**	$ 4,470,438	27	3,480,374	26
	Earnings per common share (expressed in dollars) (note 6(q))				
9750	Basic earnings per share	$ 9.34		6.04	
9850	Diluted earnings per share	$ 9.30		5.99	

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.
Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Retained earnings: Total retained earnings	Other equity interest: Exchange differences on translation of foreign financial statements	Other equity interest: Unrealized gains (losses) on available-for-sale financial assets	Other equity interest: Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2016	$ 5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	267,163	(267,163)	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)
	-	-	267,163	(565,496)	(298,333)	-	-	-	-	(298,333)
Profit for the year ended December 31, 2016	-	-	-	3,112,774	3,112,774	-	-	-	-	3,112,774
Other comprehensive income for the year ended December 31, 2016	-	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	-	367,600
Total comprehensive income for the year ended December 31, 2016	-	-	-	3,101,758	3,101,758	(18,401)	397,017	378,616	-	3,480,374
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	-	(1,789,999)
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	5,549	-	-	-	337	-	337	-	5,886
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	-	2,902
Purchase of treasury share	-	-	-	-	-	-	-	-	(983,491)	(983,491)
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	635,831	-
Balance at December 31, 2016	4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	760,178	761,897	(347,660)	17,626,439
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	311,277	(311,277)	-	-	-	-	-	-
Cash dividends	-	-	-	(1,811,999)	(1,811,999)	-	-	-	-	(1,811,999)
	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	(1,811,999)
Profit for the year ended December 31, 2017	-	-	-	3,764,200	3,764,200	-	-	-	-	3,764,200
Other comprehensive income for the year ended December 31, 2017	-	-	-	167	167	(101,927)	807,998	706,071	-	706,238
Total comprehensive income for the year ended December 31, 2017	-	-	-	3,764,367	3,764,367	(101,927)	807,998	706,071	-	4,470,438
Issue of shares	200,000	5,340,000	-	-	-	-	-	-	-	5,540,000
Purchase of treasury share	-	-	-	-	-	-	-	-	(96,317)	(96,317)
Retirement of treasury share	(50,000)	(45,841)	-	(348,136)	(348,136)	-	-	-	443,977	-
Changes in ownership interests in subsidiaries	-	-	-	(159,346)	(159,346)	-	-	-	-	(159,346)
Balance at December 31, 2017	**$ 4,226,664**	**9,052,896**	**1,379,394**	**9,442,293**	**10,821,687**	**(100,208)**	**1,568,176**	**1,467,968**	**-**	**25,569,215**

Note：The appropriations for 2017 and 2016 directors and supervisors' remuneration amounting to $89,500 and $76,300, employee's remuneration, amounting to $308,400 and $263,000, were recognized and accrued in the 2017 and 2016 earnings.

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.
Statements of Cash Flows
For the years ended December 31, 2017and 2016
(Expressed in Thousands of New Taiwan Dollars)

		2017	2016
Cash flows from (used in) operating activities:			
Profit before tax	$	4,577,560	3,903,584
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		2,487,549	2,331,155
Amortization expense		41,826	32,129
Net losses (gains) on financial assets or liabilities at fair value through profit or loss		34,775	(13,993)
Interest expenses		54,946	20,220
Interest income		(18,285)	(9,811)
Dividend income		(70,680)	(46,681)
Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method		109,323	30,543
Losses on disposal of property, plant and equipment		1,809	2,768
Gains on disposal of investments		(160,043)	(209,987)
Total adjustments to reconcile profit		2,481,220	2,136,343
Changes in operating assets and liabilities:			
Changes in operating assets:			
Decrease (increase) in accounts receivable, net		78,009	(232,538)
Increase in accounts receivable due from related parties, net		(763,185)	(146,241)
Increase in inventories		(1,019,023)	(281,748)
Increase in other current assets		(75,862)	(159)
Total changes in operating assets		(1,780,061)	(660,686)
Changes in operating liabilities:			
Increase (decrease) in accounts payable		741,214	(368,332)
Increase in other payable		384,189	95,132
Increase (decrease) in other current liabilities		4,577	(399,734)
Increase in other non-current liabilities		1,361	1,645
Total changes in operating liabilities		1,131,341	(671,289)
Total changes in operating assets and liabilities		(648,720)	(1,331,975)
Cash inflow generated from operations		6,410,060	4,707,952
Income taxes paid		(764,527)	(888,336)
Net cash flows from operating activities		5,645,533	3,819,616
Cash flows from (used in) operating activities:			
Acquisition of current financial assets at fair value through profit or loss		(1,165,963)	(2,761,160)
Proceeds from disposal of current financial assets at fair value through profit or loss		74,230	3,669,438
Acquisition of current available-for-sale financial assets		-	(21,732)
Acquisition of non-current available-for-sale financial assets		(229,014)	(356,864)
Proceeds from disposal of current available-for-sale financial assets		181,000	-
Proceeds from disposal of non-current available-for-sale financial assets		150,745	284,140
Acquisition of investments accounted for using equity method		(1,204,000)	(540,500)
Proceeds from capital reduction of investments accounted for using equity method		39,833	109,426
Proceeds from disposal of non-current investments in debt instrument without active markets		30,400	67,000
Acquisition of property, plant and equipment		(2,201,117)	(1,986,782)
Proceeds from disposal of property, plant and equipment		3,929	891
Acquisition of investment properties		(1,258)	-
Acquisition of intangible assets		(46,839)	(44,067)
Increase in other non-current assets		(1,484)	(2,046)
Increase in prepayment for business facilities		(1,299,606)	(1,189,832)
Interest received		18,487	10,911
Dividends received		70,680	46,681
Net cash flows used in investing activities		(5,579,977)	(2,714,496)
Cash flows from (used in) financing activities:			
Decrease in short-term loans		-	(23,656)
Proceeds from long-term debt		5,963,500	2,514,000
Repayments of long-term debt		(4,320,979)	(841,506)
Increase (decrease) in other non-current liabilities		(9,812)	6,127
Cash dividends paid		(1,811,999)	(298,333)
Proceeds from issuing shares		5,540,000	-
Capital reduction payments to shareholders		-	(1,789,999)
Exercise of employee share options		-	2,902
Payments to acquire treasury shares		(114,515)	(965,293)
Interest paid		(53,096)	(18,189)
Net cash flows from (used in) financing activities		5,193,099	(1,413,947)
Net decrease in cash and cash equivalents		5,258,655	(308,827)
Cash and cash equivalents at beginning of period		1,434,161	1,742,988
Cash and cash equivalents at end of period	$	6,692,816	1,434,161

See accompanying notes to financial statements.

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

(1) Company history:

Win Semiconductors Corp. (the "Company") was incorporated on October 16, 1999 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan. The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

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

The parent-company-only financial statements was authorized for issued by the Board of Directors as of March 22, 2018.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Presentation of Financial Statements-Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendment to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012–2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

Except for the following items, the Company believes that the adoption of the above IFRSs would not have a material impact on its financial statements. The extent and impact of signification changes are as follows:

(Continued)

(i) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

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

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

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

The Company will include the required disclosures.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018, in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

1) Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale

(Continued)

financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliable. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. As of December 31, 2017, the Company had equity investments classified as available-for-sale financial assets, with a fair value of $2,811,397 thousand, in which the amount of $2,198,419 thousand was held for long-term strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income. No impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The remainder, which amounted to $612,978 thousand, was held as debt instrument investments and should not be used for other purpose such as receiving the contract's cash inflow. At initial application of IFRS 9, the Company has designated the preceding investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. The Company estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease and increase of $166,337 thousand in other equity interest and retained earnings, respectively.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Company may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that the application of IFRS 9's, Impairment Requirements, on January 1, 2018, would not have any material impact on its parent-company-only financial statement.

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3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and other equity interest as at January 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The Company has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its financial statements.

1) Sales of goods-GaAs wafers

For the sale of products, revenue is currently measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the Company's assessment, since the timing of the delivery of goods upon arrival to a customer and the related risks and rewards of ownership transfer are broadly similar, the Company does not expect any significant influences on its profit or loss.

2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the

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comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. January 1, 2018) will not be restated.

The Company estimates the adoption of IFRS 15, resulting in the increase of 9,237 thousand, 91,259 thousand and 9,237 thousand in accounts receivable, contract liabilities and refund liabilities (recognized as other current liabilities); and a decrease of 91,259 thousand in advance payments (recognized as other current liabilities), respectively, on January 1, 2018.

(iii) Amendment to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendment to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendment to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendment to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

Those which may be relevant to The Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.
October 12, 2017	Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 12, 2017	Annual Improvements to IFRS Standards 2015–2017 Cycle:	• Clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business.
	• IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"	—If a party maintain joint control, then the previously held interest is not remeasured. —If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
	• IAS 12 "Income Taxes"	• Clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits-i.e. in profit or loss, OCI or equity.
	• IAS 23 "Borrowing Costs"	• Clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale–or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.
February 7, 2018	Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognized in other comprehensive income.

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

(Continued)

(4) Summary of significant accounting policies:

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

The significant accountings policies have been applied consistently to all periods presented in these parent-company-only financial statements.

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers. "

(b) Basis of preparation

(i) Basis of measurement

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

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

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

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

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

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

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

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

(ii) Foreign operations

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

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

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

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

An entity shall classify an asset as current when:

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

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

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

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

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

An entity shall classify a liability as current when:

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

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

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

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

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

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

1) Financial assets at fair value through profit or loss

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

2) Available-for-sale financial assets

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

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non-current debt instrument investment without active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs.

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Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. Interest income is recognized in profit or loss, and it is included in other income.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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gains and losses.

5) Derecognition of financial assets

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

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

The Company allocates between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer.

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

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

(ii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

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

2) Other financial liabilities

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

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company

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has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

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

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

(g) Inventories

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

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

(h) Investment in associates

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

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

The parent-company-only financial statements include the Company’s share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

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

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

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basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent-company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Investment property

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

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

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(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

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

Land has an unlimited useful life and therefore is not depreciated.

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

1) Buildings and structures： 3 to 25 years

2) Machinery and equipment： 2 to 10 years

3) Factory and equipment： 2 to 10 years

4) Other equipment： 1 to 5 years

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

(l) Leases

(i) Lesser

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

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

(ii) Lessee

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

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Other leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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

(m) Intangible assets

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

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

(i) Technical know-how: 12 years

(ii) Computer software and information systems: 1 to 3 years

(iii) Others: 1.5 years

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

(n) Impairment of non-financial assets

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

The reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

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

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

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

(o) Treasury stock

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

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

(p) Revenue

(i) Goods sold

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

(ii) Rent income

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

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned

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in return for their service in the current and prior periods; That benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

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

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

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

(iii) Short-term employee benefits

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

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

(r) Share-based payment

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

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

(s) Income taxes

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

(Continued)

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

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

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

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

(iii) Initial recognition of goodwill.

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

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

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

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

1) levied by the same taxing authority; or

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

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

(t) Earnings per share

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

(u) Operating segment

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

(Continued)

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

The preparation of the parent-company-only financial statements in conformity with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" requires the management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

- Valuation of inventories:

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

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

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

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

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

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

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

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

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

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

(Continued)

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	$ 163	175
Cash in bank	3,092,653	1,423,986
Time deposits	3,600,000	10,000
	$ 6,692,816	1,434,161

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

(b) Financial instruments

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

	December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$ 31,671	72,750
Money market funds, equity funds and bond funds	1,100,025	-
	$ 1,131,696	72,750

Refer to note 6(s) for the gains or losses on disposals of investments and the amount of remeasurement at fair value through profit or loss.

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

	December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$ 1,661,562	974,767

Refer to note 6(s) for the gains or losses on disposals of investments.

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

	December 31, 2017	December 31, 2016
Stocks listed on domestic markets	$ -	13,628
Non-public stocks	536,857	622,701
Private fund (Note)	612,978	527,831
	$ 1,149,835	1,164,160

Note: As of December 31, 2017, part of the private fund is during the lock-up period.

Refer to note 6(s) for the gains or losses on disposals of investments.

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

	Issue period	Nominal rate (%)	December 31, 2017	December 31, 2016
Preferred stock B	2012.11.23~2019.11.22	-	$ 62,200	92,600

(v) Sensitivity analysis in the equity price risk:

(Continued)

For the years ended December 31, 2017 and 2016, the sensitivity analyses for the changes in the securities price at the reporting date as illustrated below:

	2017			2016	
Prices of securities at the reporting date		**After-tax other comprehensive income**	**After-tax profit (loss)**	**After-tax other comprehensive income**	**After-tax profit (loss)**
Increasing 3%	$	84,342	33,951	64,168	2,183
Decreasing 3%	$	(84,342)	(33,951)	(64,168)	(2,183)

(vi) As of December 31, 2017 and 2016, the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(t).

(c) Accounts receivable, net and other receivables

		December 31, 2017	December 31, 2016
Accounts receivable	$	454,663	533,634
Accounts receivable due from related parties		1,285,142	521,957
Other receivables (under other current assets)		173,395	169,616
Less：allowance for doubtful accounts		-	(962)
	$	1,913,200	1,224,245

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

		December 31, 2017	December 31, 2016
Past due 1~60 days	$	19,382	31,114
Past due 61~180 days		89	2,023
Past due more than 181 days		-	-
	$	19,471	33,137

(Continued)

The movement of allowance for doubtful accounts were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ 962	-	962
Impairment loss recognized	(962)	-	(962)
Balance at December 31, 2017	$ -	-	-

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 3,371	-	3,371
Impairment loss recognised	1,553	-	1,553
Uncollected amounts written off	(3,962)	-	(3,962)
Balance at December 31, 2016	$ **962**	-	**962**

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

Assessment method:

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

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

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

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

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

As of December 31, 2017 and 2016, the accounts receivable, net and other receivables were not pledged.

(d) Inventories

	December 31, 2017	December 31, 2016
Raw materials, supplies and spare parts	$ 2,312,397	1,857,866
Work in process	1,222,053	559,185
Finished goods	201,074	299,714
	$ 3,735,524	**2,716,765**

(Continued)

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

	2017	2016
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	$ (29,288)	31,692
Unallocated overheads	$ -	7,896
Revenue from sale of scraps	$ (12,534)	(7,323)

As of December 31, 2017 and 2016, the inventories were not pledged.

(e) Investments accounted for using equity method

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

	December 31, 2017	December 31, 2016
Subsidiaries	$ 2,590,439	1,434,211
Associates	69,593	241,398
	$ 2,660,032	1,675,609

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2017.

(ii) Associates:

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

	December 31, 2017	December 31, 2016
Total equity of the individually insignificant investments in associates	$ 69,593	241,398

	2017	2016
Attributable to the Company:		
Net loss	$ (132,822)	(57,518)
Other comprehensive income	850	247
Total comprehensive income (loss)	$ (131,972)	(57,271)

(iii) As of December 31, 2017 and 2016, the investments accounted for using equity method were not pledged.

(f) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2017 and 2016 were as follows:

(Continued)

		Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost：								
Balance as of January 1, 2017	$	2,546,534	2,119,081	15,178,622	4,003,294	249,043	270,597	24,367,171
Additions		-	10,678	1,847,437	95,057	99,811	281,625	2,334,608
Reclassification (Note 1)		-	(18,646)	1,116,888	126,832	400	(105,387)	1,120,087
Disposals		-	-	(381,463)	(6,621)	(28,106)	-	(416,190)
Balance as of December 31, 2017	$	2,546,534	2,111,113	17,761,484	4,218,562	321,148	446,835	27,405,676
Balance as of January 1, 2016	$	2,546,534	1,000,117	12,551,818	2,820,770	227,998	2,257,410	21,404,647
Additions		-	180,543	1,182,261	504,229	92,464	235,054	2,194,551
Reclassification (Note 2)		-	967,324	1,765,380	1,112,941	58,049	(2,221,867)	1,681,827
Disposals		-	(28,903)	(320,837)	(434,646)	(129,468)	-	(913,854)
Balance as of December 31, 2016	$	2,546,534	2,119,081	15,178,622	4,003,294	249,043	270,597	24,367,171
Accumulated depreciation：								
Balance as of January 1, 2017	$	-	482,641	9,058,821	1,552,253	91,654	-	11,185,369
Depreciation		-	98,655	1,874,258	399,117	95,364	-	2,467,394
Disposals		-	-	(377,655)	(6,290)	(26,507)	-	(410,452)
Balance as of December 31, 2017	$	-	581,296	10,555,424	1,945,080	160,511	-	13,242,311
Balance as of January 1, 2016	$	-	429,291	7,514,001	1,681,770	156,715	-	9,781,777
Depreciation		-	80,716	1,865,387	305,128	64,408	-	2,315,639
Disposals		-	(27,366)	(320,567)	(434,645)	(129,469)	-	(912,047)
Balance as of December 31, 2016	$	-	482,641	9,058,821	1,552,253	91,654	-	11,185,369
Carrying value：								
Balance as of December 31, 2017	$	2,546,534	1,529,817	7,206,060	2,273,482	160,637	446,835	14,163,365
Balance as of January 1, 2016	$	2,546,534	570,826	5,037,817	1,139,000	71,283	2,257,410	11,622,870
Balance as of December 31, 2016	$	2,546,534	1,636,440	6,119,801	2,451,041	157,389	270,597	13,181,802

Note 1: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were adjusted by using the construction refund.

Note 2: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were classified as investment property.

(i) Pledge to secure:

As of December 31, 2017 and 2016, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(ii) For the years ended December 31, 2017 and 2016, capitalized interest expenses amounted to $21,357 thousand and $30,975 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.15%~1.56% and 1.37%~1.64%, respectively.

(Continued)

(g) Investment property

	Land	Buildings and structures	Total
Cost：			
Balance as of January 1, 2017	$ 963,127	536,008	1,499,135
Additions	-	1,258	1,258
Reclassification (Note 1)	-	(7,314)	(7,314)
Balance as of December 31, 2017	$ 963,127	529,952	1,493,079
Balance as of January 1, 2016	$ 963,127	138,225	1,101,352
Reclassification (Note 2)	-	397,783	397,783
Balance as of December 31, 2016	$ 963,127	536,008	1,499,135
Accumulated depreciation：			
Balance as of January 1, 2017	$ -	31,022	31,022
Depreciation	-	20,155	20,155
Balance as of December 31, 2017	$ -	51,177	51,177
Balance as of January 1, 2016	$ -	15,506	15,506
Depreciation	-	15,516	15,516
Balance as of December 31, 2016	$ -	31,022	31,022
Carrying value：			
Balance as of December 31, 2017	$ 963,127	478,775	1,441,902
Balance as of January 1, 2016	$ 963,127	122,719	1,085,846
Balance as of December 31, 2016	$ 963,127	504,986	1,468,113
Fair value：			
Balance as of December 31, 2017			$ 1,576,821
Balance as of December 31, 2016			$ 1,639,399

Note1: Investment property were adjusted by using the construction refund.

Note2: Prepayments for business facilities and property, plant and equipment were reclassified as investment property.

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

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

Location	For the year ended December 31, 2017
Hsinchu	0.22%
Taoyuan	1.97%

As of December 31, 2017 and 2016, investment property were subject to a registered debenture to secured bank loans, the collateral for these long term borrowings was disclosed in note 8.

(h) Intangible assets

(Continued)

(i) The movement in intangible assets for the years ended December 31, 2017 and 2016 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Cost：					
Balance as of January 1, 2017	$	46,005	82,536	5,612	134,153
Additions		-	46,177	4,106	50,283
Reclassification (Note)		-	70	-	70
Disposals		-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	**$**	**46,005**	**111,822**	**5,614**	**163,441**
Balance as of January 1, 2016	$	46,005	57,702	1,843	105,550
Additions		-	38,337	4,774	43,111
Disposals		-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	**$**	**46,005**	**82,536**	**5,612**	**134,153**
Amortization：					
Balance as of January 1, 2017	$	23,642	34,930	2,229	60,801
Amortization		3,833	33,209	4,784	41,826
Disposals		-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	**$**	**27,475**	**51,178**	**2,909**	**81,562**
Balance as of January 1, 2016	$	19,808	22,767	605	43,180
Amortization		3,834	25,666	2,629	32,129
Disposals		-	(13,503)	(1,005)	(14,508)
Balance as of December 31, 2016	**$**	**23,642**	**34,930**	**2,229**	**60,801**
Carrying value：					
Balance as of December 31, 2017	**$**	**18,530**	**60,644**	**2,705**	**81,879**
Balance as of January 1, 2016	**$**	**26,197**	**34,935**	**1,238**	**62,370**
Balance as of December 31, 2016	**$**	**22,363**	**47,606**	**3,383**	**73,352**

Note：Other current assets were reclassified as intangible assets.

(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2017 and 2016, the amortization expenses of intangible assets were as follows:

	2017	2016
Operating costs	$ 10,980	9,782
Operating expenses	30,846	22,347
	$ 41,826	32,129

(iii) As of December 31, 2017 and 2016, the intangible assets were not pledged.

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

	December 31, 2017	December 31, 2016
Other receivable from metal recycling	$ 159,618	156,090
Tax refund receivable	123,766	68,579
Prepayments for purchases and prepaid expenses	71,507	54,955
Restricted assets	25,655	25,571
Refundable deposits	24,516	25,216
Others	15,949	13,526
	$ 421,011	343,937

(j) Short-term borrowings

	December 31, 2017	December 31, 2016
Unsecured short-term borrowings	$ -	-
Unused bank credit lines for short-term borrowings	$ 2,361,382	1,941,748
Unused bank credit lines for short-term and long-term borrowings	$ 510,778	1,352,188
Annual interest rate	1.997%~2.00%	0.63%~1.66%

(k) Long-term borrowings

	December 31, 2017	December 31, 2016
Unsecured long-term borrowings (Settled in NTD)	$ 5,578,000	2,514,000
Secured long-term borrowings (Settled in NTD)	679,536	2,099,943
Less：long-term liabilities, current portion	(352,056)	(940,194)
Total	$ 5,905,480	3,673,749
Unused bank credit lines for long-term borrowings	$ 2,093,000	2,002,000
Annual interest rate	1.23%~1.60%	1.23%~1.64%
Expiry date	2019/2/1~2020/8/31	2018/2/18~2020/3/1

As of December 31, 2017, the remaining balances of the borrowing due were as follows:

Year due	Amount

(Continued)

January 1, 2018~December 31, 2018	$ 352,056
January 1, 2019~December 31, 2019	2,168,056
January 1, 2020~December 31, 2020	3,737,424
	$ 6,257,536

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

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

(iii) In January 2011, the Company entered into a seven-year syndicated loan agreement with Mega International Commercial Bank and other sixteen banks. The total credit facility under this loan agreement is $4,800,000 thousand and has been redeemed on December 2017.

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

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

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

(l) Operating lease

(i) Lease-lessor

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

For the years ended December 31, 2017 and 2016, the rental income recognized in other income amounting to $84,383 thousand and $68,793 thousand, respectively.

(ii) Lease-lessee

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

For the years ended December 31, 2017 and 2016, the rent expense amounted to $31,076 thousand and $28,298 thousand, respectively, which were recorded as operating costs and operating expenses.

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

(Continued)

	December 31, 2017	December 31, 2016
Present value of the defined benefit obligations	$ 102,900	100,272
Fair value of plan assets	(40,312)	(38,844)
Net defined benefit liabilities (Note)	$ 62,588	61,428

(Note) Recognized liabilities for defined benefit obligations were recognized as other non current liabilities.

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

1) Composition of plan assets

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

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $40,312 thousand as of December 31, 2017. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Founds, Ministry of Labor.

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

For the years ended December 31, 2017 and 2016, movements in the present value of the defined benefit obligations for the Company were as follows:

	2017	2016
Defined benefit obligations as of January 1	$ 100,272	84,407
Current service costs and interest cost	2,980	3,030
Remeasurements of the net defined benefit liability (asset):		
—Actuarial (gains) losses arising from financial assumption	(3,234)	6,348
—Experience adjustments	2,882	6,487
Defined benefit obligations as of December 31	$ 102,900	100,272

(Continued)

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

For the years ended December 31, 2017 and 2016, movements in the fair value of the plan assets were as follows:

	2017	2016
Fair value of plan assets as of January 1	$ 38,844	37,896
Interest revenue	533	709
Remeasurements of the net defined benefit liability (asset)		
—Return on plan assets (excluding the interest expense)	(151)	(437)
Amounts contributed to plan	1,086	676
Fair value of plan assets as of December 31	**$ 40,312**	**38,844**

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2017 and 2016, there were no changes in the effect of plan asset ceiling.

5) The expenses recognised in profit or losses

For the years ended December 31, 2017 and 2016, the expenses recognized in profit or losses for the Company were as follows:

	2017	2016
Current service costs	$ 1,633	1,487
Net interest expense of net defined benefit (liabilities (assets))	814	834
	$ 2,447	**2,321**

	2017	2016
Administrative expenses	**$ 2,447**	**2,321**

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

For the years ended December 31, 2017 and 2016, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

	2017	2016
Balance as of January1	$ 30,867	17,595
Recongnised in the current period	(201)	13,272
Balance as of December 31	**$ 30,666**	**30,867**

(Continued)

7) Actuarial assumptions

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

	December 31, 2017	December 31, 2016
Discount rate	1.625%	1.375%
Future salary rate increases	3.000%	3.000%

The Company expects to make contributions of $242 thousand to the defined benefit plans in the next year starting from December 31, 2017. The weighted average duration of the defined benefit plans is 17.35 years.

8) Sensitivity analysis

As of December 31, 2017 and 2016, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows::

		Effects to the defined benefit obligation	
		Increase by 0.25%	Decrease by 0.25%
Balance as of December 31, 2017			
Discount rate	$	(3,079)	3,234
Future salary rate increases		3,131	(3,005)
Balance as of December 31, 2016			
Discount rate	$	(3,247)	3,337
Future salary rate increases		3,272	(3,159)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2017 and 2016.

(ii) Defined contribution plans

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

The Company set aside $75,340 thousand and $61,235 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2017 and 2016, respectively.

(n) Income tax

(i) Income tax expense

The amount of income tax expenses for the years ended December 31, 2017 and 2016 were as follows:

(Continued)

		2017	2016
Current tax expense			
Current period	$	815,559	777,550
Adjustment for prior periods		(80)	(4,315)
		815,479	773,235
Deferred tax expense			
Origination and reversal of temporary differences		(2,119)	17,575
Income tax expense	$	813,360	790,810

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

		2017	2016
Components of other comprehensive income that will not be classified to profit or loss:			
The remeasurements of defined benefit plans	$	(34)	2,256

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

		2017	2016
Profit before tax	$	4,577,560	3,903,584
Estimated income tax calculated using the Company's domestic tax rate	$	778,185	663,609
Tax-exempt income		(39,486)	(43,808)
10% surtax on unappropriated earnings		97,848	210,090
Others		(23,187)	(39,081)
	$	813,360	790,810

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2017 and 2016 were as follows:

		Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:					
Balance as of January 1, 2017	$	32,951	13,949	28,454	75,354
Recognized in profit or loss		(9,959)	9,307	2,532	1,880
Recognized in other comprehensive income		-	-	(34)	(34)
Balance as of December 31, 2017	$	22,992	23,256	30,952	77,200
Balance as of January 1, 2016	$	30,379	12,841	41,884	85,104
Recognized in profit or loss		2,572	1,108	(15,686)	(12,006)
Recognized in other comprehensive income		-	-	2,256	2,256
Balance as of December 31, 2016	$	32,951	13,949	28,454	75,354

(Continued)

		Unrealized investment income recognized under equity method	Unrealized exchange rate	Others	Total
Deferred tax liabilities:					
Balance as of January 1, 2017	$	31,718	2,010	-	33,728
Recognized in profit or loss		1,771	(2,010)	-	(239)
Balance as of December 31, 2017	$	33,489	-	-	33,489
Balance as of January 1, 2016	$	28,159	-	-	28,159
Recognized in profit or loss		3,559	2,010	-	5,569
Balance as of December 31, 2016	$	31,718	2,010	-	33,728

(iii) Examination and approval

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

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

	December 31, 2017	December 31, 2016
Unappropriated earnings after 1997	(note)	$ 8,308,684
Balance of imputation credit account (ICA)	(note)	$ 1,540,683

	2017(Estimated)	2016(Actual)
Creditable ratio for distributed to domestic shareholders of earnings	(note)	25.14%

According to the amendment by the Ministry of Finance on October, 17, 2013 under Decree No. 10204562810, the Company's integrated income tax should be covering the disclosed information of imputation tax credit as above. According to the amended Income Tax Act which was announced in June 2014, the amount of the deductible tax of an individual shareholder residing in the territory of R.O.C. was calculated by 50% of its original tax deduction ratio, starting from 2015. However, if the gross dividends or the gross earnings received by a shareholder residing outside the territory of the ROC contain any income subject to a 10% surcharge on profit seeking income tax which was actually paid under the provisions of Article 66 9, half of the amount of the surcharge on profit seeking income tax may offset the amount of income tax which should be withheld from the payment of the net amount of such dividends or earnings.

(note): According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(Continued)

(o) Capital and other equity

(i) Ordinary share

As of December 31, 2017 and 2016, the Company's authorized share capital consisted of 1,000,000 thousand shares of ordinary share, with $10 dollars par value per share, of which 422,666 thousand shares, and 407,666 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 thousand for employee stock options.

Reconciliations of shares outstanding for the years ended December 31, 2017 and 2016:

	Ordinary share (in thousands)	
	2017	**2016**
Balance as of January 1	407,666	596,564
Issue of shares	20,000	-
Exercise of employee stock options	-	102
Capital reduction	-	(179,000)
Retirement of treasury share	(5,000)	(10,000)
Balance as of December 31	**422,666**	**407,666**

A resolution was passed during the general meeting of shareholders held on June 16, 2017 for the issuance of ordinary shares for cash within a year under private placement, a resolution was passed during the board meeting held on December 8, 2017 for the issuance of 20,000 thousands ordinary shares, with subscription price $277 per share, amounting to $5,540,000 thousand, with December 22, 2017 as the record date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43 8 requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded publicly after a three year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

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

The resolution was passed during the meeting of shareholders held on June 24, 2016 for the capital reduction of $1,789,999 thousand representing 179,000 thousand shares of outstanding shares. On August 1, 2016, the authority had already approved the application and the Company's chairman of Board of Directors resolved the record date as August 2, 2016. The related registration process had been completed.

As of December 31, 2017, the Company issued 11,121 thousand units of Global Depositary Receipts (GDRs), representing 55,605 thousand ordinary shares of stock of the Company.

(Continued)

(ii) Capital surplus

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

		December 31, 2017	December 31, 2016
Additional paid-in capital	$	9,031,035	3,736,867
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method		21,163	21,163
Employee stock options		698	707
	$	9,052,896	3,758,737

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

(iii) Retained earnings

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

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

1) Legal reserve

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

2) Special reverse

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

(Continued)

3) Appropriations of earnings

The appropriations of earning for 2016 and 2015 had been approved in shareholders' meetings held on June 16, 2017 and June 24, 2016, respectively. The appropriations and dividends were as follows:

	2016	2015
Cash dividends	$ 1,811,999	298,333

The above mentioned appropriations of earning for 2016 and 2015 were consistent with the resolutions of the meeting of the Board of Directors.

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

(iv) Treasury shares

In 2017 and 2016, in accordance with the requirements under section 28 2 of the Securities and Exchange Act, the Company repurchased 1,080 thousand and 13,920 thousand shares, respectively, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2017 and 2016, all of the shares had been cancelled.

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

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

(v) Other equity interest, net of tax

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2017	$	1,719	760,178
Foreign currency differences (net of tax)：			
Subsidiaries		(102,777)	-
Associates		850	-
Changes in fair value of available-for-sale financial assets (net of tax):			
The Company		-	775,201
Subsidiaries		-	190,852
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(158,055)
Balance as of December 31, 2017	$	(100,208)	1,568,176

		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets
Balance as of January 1, 2016	$	19,783	363,161
Foreign currency differences (net of tax):			
Subsidiaries		(18,311)	-
Associates		247	-
Changes in fair value of available-for-sale financial assets (net of tax):			
The Company		-	548,820
Subsidiaries		-	39,440
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)		-	(191,243)
Balance as of December 31, 2016	$	1,719	760,178

(Continued)

(p) Share-based payment

The details of share-based payment were as follows:

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

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

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

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

The Company used the fair value based method to evaluate the options using the Black Scholes model, the assumptions at the various grant dates were as follows:

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

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

(ii) For the years ended December 31, 2017 and 2016, the related outstanding units and weighted average exercise price of employee stock options were as follows:

	2017		2016	
	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)	Weighted-average exercise price (expressed in dollars)	Shares (in thousands)
Outstanding at the beginning	$ -	-	$ 28.40	142
Granted	-	-	-	-
Exercised	-	-	28.40	(102)
Expired	-	-	-	(40)
Outstanding at the end	-	-	-	-

(Continued)

As of December 31, 2017 and 2016, there were no compensatory employee stock options outstanding.

(iii) Compensation cost for employee stock options

For the years ended December 31, 2017 and 2016, the compensation cost for employee stock options both amounted to $0 thousand.

(q) Earnings per share ("EPS")

For the years ended December 31, 2017 and 2016, the Company's earnings per share were calculated as follows:

		2017	2016
Basic earnings per share：			
Profit belonging to common shareholders	$	3,764,200	3,112,774
Weighted average number of outstanding shares of common stock (in thousands)		403,214	515,536
Basic earnings per share (in dollars)	$	9.34	6.04
Diluted earnings per share：			
Profit belonging to common shareholders	$	3,764,200	3,112,774
Weighted average number of outstanding shares of common stock (in thousands)		403,214	515,536
Effect of potentially dilutive common stock			
Employee remuneration (in thousands)		1,510	3,695
Weighted average number of common stock (diluted) (in thousands)		404,724	519,231
Diluted earnings per share (in dollars)	$	9.30	5.99

(r) Employees', directors' and supervisors' remuneration

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

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

(ii) Remuneration of Directors and Supervisors: no more than 3%.

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

For the years ended December 31, 2017 and 2016, the Company estimated its employees' and directors' and supervisors' remuneration as follows:

		2017	2016
Employee remuneration	$	308,400	263,000

(Continued)

Directors' remuneration		89,500	76,300
	$	397,900	339,300

The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration were included in the operating costs and operating expenses of the years ended December 31, 2017 and 2016. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2017 and 2016.

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

(s) Non-operating income and expenses

(i) Other income

		2017	2016
Interest income	$	18,285	9,811
Dividend income		70,680	46,681
Rent income		92,855	73,533
	$	181,820	130,025

(ii) Other gains and losses

		2017	2016
Foreign exchange losses	$	(167,901)	(16,128)
Gains on disposals of investments		160,043	209,987
Gains (losses) on financial assets or liabilities at fair value through profit or loss		(34,775)	13,993
Losses on disposals on the property, plant and equipment		(1,809)	(2,768)
Others		13,967	92,386
	$	(30,475)	297,470

(iii) Finance cost

		2017	2016
Interest expense on bank borrowings	$	76,044	50,770
Other interest expenses		259	425
Less: capitalized interest expense		(21,357)	(30,975)
	$	54,946	20,220

(Continued)

(t) Financial instruments

(i) Credit risk

1) Exposure of credit risk

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

2) Disclosures about concentrations of risk

As of December 31, 2017 and 2016, the Company's accounts receivable (included the related parties) were both concentrated on 2 and 5 customers, whose accounts represented 83% and 84% of the total accounts receivable, respectively. 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 collectability of accounts receivable periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$	679,536	689,099	308,797	304,758	75,544	-
Unsecured bank loans		5,578,000	5,725,263	119,553	1,921,648	3,684,062	-
Accounts payable		1,682,749	1,682,749	1,682,749	-	-	-
Other payables		1,215,113	1,215,113	1,215,113	-	-	-
	$	9,155,398	9,312,224	3,326,212	2,226,406	3,759,606	-
As of December 31, 2016							
Non-derivative financial liabilities							
Secured bank loans	$	2,099,943	2,134,653	961,594	675,808	497,251	-
Unsecured bank loans		2,514,000	2,563,373	22,572	221,032	2,319,769	-
Accounts payable		941,535	941,535	941,535	-	-	-
Other payables		824,335	824,335	824,335	-	-	-
	$	6,379,813	6,463,896	2,750,036	896,840	2,817,020	-

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

(iii) Currency risk

1) Exposure to currency risk

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

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	NT$	Foreign currency	Exchange rate	NT$
Financial assets						
Monetary items						
USD	$ 133,142	29.76	3,962,306	74,977	32.25	2,418,000
EUR	527	35.57	18,760	27	33.90	930
JPY	392,579	0.2642	103,719	65,504	0.2756	18,053
GBP	3	40.11	118	3	39.61	104
			$ 4,084,903			2,437,087
Non-monetary items						
USD	86,889	29.76	$ 2,524,603	40,623	32.25	1,316,726
Financial liabilities						
Monetary items						
USD	36,299	29.76	1,080,259	13,628	32.25	439,503
EUR	648	35.57	23,039	442	33.90	14,993
JPY	604,535	0.2642	159,718	291,236	0.2756	80,265
			$ 1,263,016			534,761

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, net (included the related parties), other receivables, available-for-sale financial assets, loans and borrowings, accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, JPY and the GBP etc. for the years ended December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by $117,108 thousand and $78,947 thousand, respectively, and other comprehensive income by $16,773 thousand and $2,089 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2017 and 2016, foreign exchange losses (including realized and unrealized portions) amounted to $167,901 thousand and $16,128 thousand, respectively.

(iv) Interest rate risk

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

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

(Continued)

If the interest rate increases (decreases) by 0.5%, the Company's net profit after tax would have (decreased) increased by $12,933 thousand and $12,443 thousand for the years ended December 31, 2017 and 2016, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

(v) Fair value

1) Accounting classifications and fair values

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

	December 31, 2017				
	Carrying	Fair value			
	value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 31,671	31,671	-	-	31,671
Funds and investment	1,100,025	1,100,025	-	-	1,100,025
Subtotal	$ 1,131,696	1,131,696	-	-	1,131,696
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 1,661,562	1,661,562	-	-	1,661,562
Non-public stocks	536,857	-	536,857	-	536,857
Private fund	612,978	-	612,978	-	612,978
Subtotal	$ 2,811,397	1,661,562	1,149,835	-	2,811,397
Loans and receivables					
Cash and cash equivalents (Note)	$ 6,692,816	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (including related parties) (Note)	1,739,805	-	-	-	-
Other receivables (Note)	173,395	-	-	-	-
Subtotal	$ 8,668,216	-	-	-	-
Amortized cost of financial liabilities					
Bank loans (Note)	$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,682,749	-	-	-	-
Other payables (Note)	1,215,113	-	-	-	-
Subtotal	$ 9,155,398	-	-	-	-

(Continued)

	December 31, 2016				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 72,750	72,750	-	-	72,750
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 988,395	988,395	-	-	988,395
Non-public stocks	622,701	-	622,701	-	622,701
Private fund	527,831	-	527,831	-	527,831
Subtotal	$ 2,138,927	988,395	1,150,532	-	2,138,927
Loans and receivables					
Cash and cash equivalents (Note)	$ 1,434,161	-	-	-	-
Investments in debt instrument without active market (Note)	92,600	-	-	-	-
Accounts receivable (Note)	1,054,629	-	-	-	-
Other receivables (Note)	169,616	-	-	-	-
Subtotal	$ 2,751,006	-	-	-	-
Amortized cost of financial liability					
Bank loan (Note)	$ 4,613,943	-	-	-	-
Accounts payable (Note)	941,535	-	-	-	-
Other payables (Note)	917,320	-	-	-	-
Subtotal	$ 6,472,798	-	-	-	-

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

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

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

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

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

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

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

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

- the bid-ask spread is increasing; or
- the bid-ask spread varies significantly; or

(Continued)

- there has been a significant decline in trading volume.

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

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

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

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

- Equity instruments do not have any quoted market price: the fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

b) Derivative instruments

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

4) Transfer between level 2 and level 1

For the years ended December 31, 2017 and 2016, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

There were no financial assets with fair value hierarchy Level 3 for the years ended December 31, 2017 and 2016.

(Continued)

(u) Management of financial risk

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

1) Credit risk

2) Liquidity risk

3) Market risk

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

(ii) Risk management framework

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

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

(iii) Credit risk

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

1) Notes and accounts receivable

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

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

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

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and equity instruments are measured and monitored by the Company's finance department. Since the Company's transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly traded stock companies and

(Continued)

unlisted companies with good reputation, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

As of December 31, 2017 and 2016, the Company did not provide guarantee.

(iv) Liquidity risk

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

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2017, the Company has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused bank credit lines for short-term borrowings and long-term borrowings amounted to $2,361,382 thousand, $510,778 thousand and $2,093,000 thousand, respectively.

(v) Market risk

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

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

The policy of response to currency risk：

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

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

3) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also stays in contact with the foreign currency department to control the foreign currency trend and market information.

(v) Capital management

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

(Continued)

For the years ended December 31, 2017 and 2016, the Company's return on common equity was 17.43% and 17.87%, respectively. The Company's debt ratio at the reporting date were as follows:

	December 31, 2017	December 31, 2016
Debt ratio	30.25%	31.12%

As of December 31, 2017, there were no changes in the Company's approach to capital management.

(7) Related-party transactions:

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

Name of related party	Relationship with the Company
WIN SEMI. USA, INC.	The Subsidiary
WIN Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	"
WIN Venture Capital Corp.	"
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman)	"
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. (Note 1)	"
Jiangsu CM/ Merit Agriculture Development Co. ,Ltd.	(Note 2)
Jiangsu Merit/ CM Agriculture Development Co., Ltd.	The Subsidiary
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	"
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	"
Formosa Fortune Group Co., Ltd. (abbrev. Formosa BVI)	"
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	"

(Note 1) Jiangsu Kang Yuan Merit Agriculture Development Co., Ltd. renamed Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd. in January 2017.

(Note 2) Jiangsu CM / Merit Agriculture Development Co., Ltd. has been no longer listed in the subsidiaries of the Company since June, 2017. Please refer to the consolidated financial statements for the years ended December 31, 2017.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant transaction with related-parties for the years ended December 31, 2017 and 2016 were as follow:

	2017	2016
Subsidiary－WIN Cayman	$ 7,198,799	4,497,103

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

(ii) Receivable from related parties

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

Account	Categories	December 31, 2017	December 31, 2016

(Continued)

Accounts receivable	Subsidiary—WIN Cayman	$	1,285,142	521,957

(c) Transactions with key management personnel

For the years ended December 31, 2017 and 2016, key management personnel compensation were comprised as below:

		2017	2016
Short-term employee benefits	$	351,465	321,188
Post-employment benefits		766	745
	$	352,231	321,933

(8) Pledged assets:

The carrying amount of pledged assets was as follows:

Pledged assets	Pledged to secure		December 31, 2017	December 31, 2016
Other non-current assets	Gas deposits	$	4,700	4,700
Other non-current assets	Customs guarantee		20,955	20,871
Property, plant and equipment	Long-term borrowings		2,858,234	3,176,314
Investment property	Long-term borrowings		1,441,902	1,468,113
		$	4,325,791	4,669,998

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

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

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

		December 31, 2017	December 31, 2016
The unrecognized amount	$	5,479,023	1,662,434

		December 31, 2017	December 31, 2016
(iii) The unused letters of credit	$	54,918	234,314

(10) Losses Due to major disasters: None.

(11) Subsequent events

(a) On January 2, 2018, the Board of Directors of the Company's subsidiary, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. (abbrev. Chainwin Cayman), resolved to subscribe the new shares contributed by its associate, Jiangsu CM/ Merit Agriculture Development Co., Ltd., amounting to

(Continued)

USD 12,000 thousand in cash.

(b) The Company resolved to subscribe the new shares contributed by its subsidiary, Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman), for the 12,000 thousand shares, with par value of USD 1 per share, amounting to USD 12,000 thousand in cash, as proposed in the Board of Directors' meeting held on January 11, 2018.

(c) On January 16, 2018, the Board of Directors of the Company's subsidiary, Win Cayman, resolved to subscribe the new shares contributed by its subsidiary, Chainwin Cayman, for 6,000 thousand shares (upper limit), with par value of USD 2 per share, amounting to USD 12,000 thousand (upper limit) in cash.

(d) According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $13,623 thousand and $5,910 thousand, respectively.

(12) Other:

The followings were the summary statements of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2017 and 2016:

	2017			2016		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,782,998	656,191	2,439,189	1,302,384	570,406	1,872,790
Labor and health insurance	132,187	32,643	164,830	101,522	27,767	129,289
Pension	60,571	17,216	77,787	48,927	14,629	63,556
Others	52,038	99,015	151,053	44,961	84,652	129,613
Depreciation	2,320,541	167,008	2,487,549	2,191,586	139,569	2,331,155
Amortization	10,980	30,846	41,826	9,782	22,347	32,129

As of December 31, 2017 and 2016, the Company had 2,540 and 2,051 employees, respectively.

(Continued)

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In thousands of Dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
0	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Jiangsu CM/ Merit Agriculture Development Co. ,Ltd.	Other receivables	Yes	178,560 (USD 6,000)	178,560 (USD 6,000)	178,560 (USD 6,000)	4.35%	2	-	Working Capital	-	None	-	Net equity 20%= 343,536	Net equity 40%= 687,072

Note 1: Company numbering as follow:
Subsidiaries to subsidiaries－0

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:
1.Business relationship
2.Short-term financing

Note 4: The loan limit provided by Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. to a particular single party and to other parties should not exceed 20% and 40%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties: None.

(iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
The Company	Green Seal Holding Limited / Stock	None	Current financial assets at fair value through profit or loss	490	31,671		31,671	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	24,086	300,007	-	300,007	
〃	Capital Money Market Fund	〃	〃	12,469	200,005	-	200,005	
〃	Yuanta De-Li Money Market Fund	〃	〃	12,340	200,005	-	200,005	
〃	Yuanta De-Bao Money Market Fund	〃	〃	16,737	200,003	-	200,003	
〃	Union Money Market Fund	〃	〃	15,234	200,005	-	200,005	
					1,131,696		1,131,696	

(Continued)

WIN Semiconductors Corp.

Notes to Parent-company-only Financial Statements

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	Remark
WIN Venture Capital Corp.	Sercomm Corporation / Stock	〃	〃	1,238	104,859		104,859	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	995	12,393	-	12,393	
〃	Capital Money Market Fund	〃	〃	1,082	17,352	-	17,352	
					134,604		134,604	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	CTBC Hwa-Win Money Market Fund	〃	〃	3,195	35,007	-	35,007	
The Company	ITEQ CORPORATION / Stock	None	Current available-for-sale financial assets	24,364	1,590,950	8.04	1,590,950	
	MAG. LAYERS Scientific-Technics Co., Ltd. / Stock	〃	〃	1,096	68,388	1.17	68,388	
	Solar Applied Meterials Technology Corp. / Stock	〃	〃	105	2,224	0.03	2,224	
					1,661,562		1,661,562	
	Inventec Solar Energy Cororation / Stock	〃	Non-current available-for-sale financial assets	34,000	194,970	10.51	194,970	
	CDIB Capital Creative Industries Limited / Stock	〃	〃	5,000	85,413	3.33	85,413	
	Fuh Hwa Tung-ta Fund	〃	〃	15,725	250,414	-	250,414	
	MagiCap Venture Capital Co., Ltd./ Preferred Stock A	〃	〃	1,000	112,960	2.53	112,960	
	New Future Capital Co., Ltd. / Stock	〃	〃	10,000	91,582	15.87	91,582	
	Magicapital Fund II L.P.	〃	〃	-	102,944	5.81	102,944	
	Grand Fortune Venture Corp. / Stock	〃	〃	5,000	51,932	6.87	51,932	
	Fuh Hwa Oriental Fund	〃	〃	15,000	105,750	-	105,750	
	Fuh Hwa Smart Energy Fund	〃	〃	12,000	116,160	-	116,160	
	CDIB Capital Growth Partners L. P.	〃	〃	-	37,710	4.17	37,710	
					1,149,835		1,149,835	

(Continued)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of Ownership (%)	Fair value	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd. / Stock	Subsidiary's main client	〃	75	573,401	0.02	573,401	
	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	〃	1,264	53,295	10.05	53,295	
					626,696		626,696	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	〃	3,300	6,514	7.33	6,514	
	MOAI Electronics Corporation/Stock	None	〃	300	953	0.92	953	
	Merit Biotech INC./Stock	〃	〃	1,320	9,871	2.93	9,871	
					17,338		17,338	
The Company	MagiCap Venture Capital Co., Ltd / Preferred Stock B	〃	Non-current investments in debt instrument without active market	6,220	62,200	15.75	(Note 1)	
Chainwin Agriculture and Animal Technology(Cayman Islands) Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	〃	Non-current financial assets measured at cost	12	22,915	4.78	(Note 2)	

Note 1: The redeemable preferred stock was the nature of bond, which was recognized as non current investment in debt instrument without active market.

Note 2: Because the fair value of the investment cannot be measured reliably, the Group recognized it as financial assets measured at cost.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	22,000	718,136	40,000	1,204,000	-	-	-	-	62,000	2,421,659 (Note 1)
〃	Allianz Global Investors Taiwan Money Market Fund	Current financial assets at fair value through profit or loss	-	-	-	-	26,079	324,740	1,993	24,741	24,740	1	24,086	300,007 (Note 2)
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd./ Stock	Investments accounted for using equity method	(Note 3)	Investment through subsidiary	10,500	686,123	22,110	1,327,532	-	-	-	-	32,610	1,762,688 (Note 1)

Note 1: The amount of ending balance was calculated using equity method.

Note 2: The amount of ending balance includes the amount of the unrealized gains (losses) on financial assets at fair value through profit or loss.

Note 3: The total purchase amount was $1,327,532 thousand (22,110 thousand shares), in which the amount of $757,549 thousand (12,534 thousand shares) was increased by using cash, and the remaining shares amounting to $569,983 thousand (9,576 thousand shares) was purchased from Merit Biotech INC.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of

(Continued)

the capital stock: None.

(vii) Related party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(7,198,799)	44%	1~2 Month	-	-	1,285,142	74%	
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	7,198,799	100%	1~2 Month	-	-	(1,285,142)	100%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	1,285,142	7.97	-	-	1,285,142	-

(ix) Trading in derivative instruments: None.

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2017 (excluding information on investees in Mainland China):

(In thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2017			Net income (losses) of investee	Share of profits/losses of investee	Remark
				December 31, 2017	December 31, 2016	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	WIN SEMI USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00%	6,841	(513)	(513)	
〃	Win Semiconductors Cayman Islands Co., Ltd.	Cayman Islands	Selling of GaAs wafers	1,922,136	718,136	62,000	100.00%	2,421,659	10,417	10,417	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	640,197	680,029	11,768	34.52%	23,767	(273,094)	(94,417)	
〃	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00%	161,939	13,595	13,595	
〃	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	180,400	180,400	16,400	31.06%	45,826	(120,164)	(38,405)	
〃	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00%	-	(56,643)	-	
WIN Venture Capital Corp.	Phalanx Biotech Group Corp.	Taiwan	Microarray products manufacturing	39,600	39,600	3,600	6.82%	10,059	(120,164)	(8,430)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	32,590	38	49.30%	62,080	9,198	3,518	
〃	Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Cayman Islands	Investment activities	2,009,792	682,260	32,610	88.14%	1,762,688	(85,572)	(61,757)	
Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	Investment activities	38,573	38,573	1,283	100.00%	28,788	(654)	(654)	

(Continued)

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 2)	Carrying value as of December 31, 2017 (Note 3)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	320,086 (RMB 70,041)	(Note 1)	-	-	-	-	7,139 (USD 235)	88.14%	7,139 (USD 235)	412,852 (USD 13,873)	-
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Developing hog farming technology and trading	53,270 (USD 1,790)	(Note 1)	-	-	-	-	(7,019) (USD (231))	88.14%	(7,019) (USD (231))	48,722 (USD 1,637)	-
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Developing hog farming technology and trading	437,290 (USD 14,694)	(Note 1)	107,136 (USD 3,600)	71,424 (USD 2,400)	-	178,560 (USD 6,000)	(65,795) (USD (2,162))	43.19%	(32,890) (USD (1,081))	185,537 (USD 6,234)	-
Jiangsu Merit /CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	104,160 (USD 3,500)	(Note 1)	53,568 (USD 1,800)	8,928 (USD 300)	-	62,496 (USD 2,100)	(1,646) (USD (54))	52.88%	(988) (USD (32))	61,458 (USD 2,065)	-
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	142,848 (USD 4,800)	(Note (1)	85,709 (USD 2,880)	-	-	85,709 (USD 2,880)	(7,173) (USD (236))	52.88%	(4,304) (USD (141))	85,090 (USD 2,859)	-
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	73,929 (RMB 16,177)	(Note 1)	-	-	-	-	(1,320) (USD (43))	88.14%	(1,320) (USD (43))	57,998 (USD 1,949)	-

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Accumulated investment in Mainland China as of December 31, 2017	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment (Note 5)
326,765 (USD 10,980)	1,691,235 (USD 56,829)	15,482,847

Note 1: The Company invested in Mainland China companies through Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd., which is established in a third region.

Note 2: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 3: Carrying value as of December 31, 2017 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 4: Investment income (losses) recognized was translated into New Taiwan Dollar at the average exchange rate for the year ended December 31, 2017. The other amounts related to foreign currency were translated into New Taiwan Dollar at the exchange rate at the balance sheet date.

Note 5: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

(iii) Significant transactions: None.

(14) Segment information

Please refer to the consolidated financial statements for the years ended December 31, 2017.

WIN Semiconductors Corp.

Chairman: Chin-Tsai Chen