WIN Semiconductors Corp.

2017 Annual General Shareholders' Meeting Minutes

(Translation)

Time: 9:00 a.m., June 16, Friday, 2017

Place: 2F, No. 68, Wuner 1st St., Gueishan District, Taoyuan City
(Fullon Hotel Linkou)

Attending Shareholders: The total number of shares represented by shareholders attending the meeting in person or by proxy is 402,666,384 shares (including casted electronically 335,450,197 shares), representing 83.30% of the total number of issued shares of the Company (i.e. 402,666,384 shares)

Chairman: Dennis Chen Recorder: Joan Lu

Attending Directors: Yu-Chi Wang (Director), Wen-Ming Chang (Director), Shun-Ping Chen (Director), Li-Cheng Yeh (Director), Shih-Chun Hsieh, Representative of International Fiber Technology Co., Ltd. (Director), Shen-Yi Li (Independent Director), Wei-Lin Wang (Independent Director)

Attendees: Ya-Ling Chen (CPA, KPMG)

I. As the number of shares represented by attending shareholder has reached the required quorum for shareholders' meeting, the chairman declares the shareholders' meeting begins

II. Chairperson Remarks: (Omitted)

III. Report Items

Report 1: 2016 business report (see Attachment I, pages 10-13).

Report 2: 2016 Audit Committee's review report (see Attachment II, page 14).

Report 3: 2016 employees' profit sharing bonus and Directors' compensation

1. The Company's profit of 2016 is NT$ 4,242,884,539 (this is the pre-tax profit after deducting of the employees' profit sharing bonus and compensation for Directors). The proposed employees' profit sharing bonus and Directors' compensation are NT$263,000,000 and NT$76,300,000 respectively, and are to be distributed in cash.
2. These amounts were approved by the Board of Directors meeting on March 23, 2017.

Report 4: Share buyback execution report

1. The execution is reported as followings:

Number of batches	2nd Batch	3rd Batch
Date of Board of Directors' resolution	2016/5/12	2016/11/15
Purpose of share buyback	Preserving company good will and shareholders' equity	Preserving company good will and shareholders' equity
Intended buyback period	2016/5/13~2016/7/12	2016/11/16~2017/1/15
Type and number of shares intended to buy back	Common stock 10,000,000 shares	Common stock 5,000,000 shares
Buyback price range	NT$55 to NT$85 per share	NT$78.8 to NT$120 per share
Buyback period	2016/5/16~2016/6/24	2016/11/17~2017/1/12
Number of shares actually bought back	Common stock 10,000,000 shares	Common stock 5,000,000 shares
Total monetary amount of shares buyback	NT$ 635,830,780	NT$ 443,977,225
Average price per share of buybacks	NT$ 63.58	NT$ 88.80
Shares cancelled	Common stock 10,000,000 shares	Common stock 5,000,000 shares
Accumulated number of shares held by the Company	0	0
Percentage of total shares held by the Company (%)	0%	0%

IV. Proposed Items

Proposal 1: **Proposed by the Board**

Adoption of the 2016 Business Report and Financial Statements.

Explanation:

1. The Company's Financial Statements, including the balance sheets, statements of comprehensive income, statement of changes in equity, and statements of cash flows, were audited by independent auditors, Ya-Ling Chen and Mei-Yen Chen of KPMG. In addition, the Financial Statements have been approved by the Board of Directors and have been examined by the Audit Committee of the Company.
2. The Business Report has been approved by the Board of Directors and has been examined by the Audit Committee of the Company.
3. The 2016 Business Report, independent auditors' audit report, and the above-mentioned Financial Statements are attached hereto as Attachments I (pages 10-13), III and IV (pages 15-29).

Voting Result:

Shares present at the time of voting was 335,450,197 votes. Voting in favor 291,009,455 votes (including votes casted electronically 224,775,285 votes) representing 86.75% of share presented, voting against 738,780 votes (including votes casted electronically 738,780 votes), voting invalid or abstained 43,701,962 votes (including votes casted electronically 40,827,953 votes). RESOLVED, that the 2016 Business Report and Financial Statements be and hereby were accepted as submitted.

Proposal 2: **Proposed by the Board**

Adoption of the proposal for distribution of 2016 profits.

Explanation:

1. The Company's net profit of 2016 is NT$ 3,112,774,301. In accordance with Article 22-1 of the Articles of Incorporation, the 2016 profit allocation proposal is made and attached hereto as Attachment V (page 30).
2. The proposed dividend to shareholders is a cash dividend of NT$4.5 per common share. Subject to the approval of the 2017 Annual Meeting of Shareholders, it is proposed that the Chairman of the Board be authorized to determine the ex-dividend date and payment date. If the total amount of outstanding common shares changes owing to WIN redeeming its common shares and the distribution ratio for the cash dividend needs to be adjusted, it is proposed that the Chairman of the Board of Directors of WIN is authorized by the General Shareholders Meeting to make such adjustments.
3. Distribution of cash dividend will be rounded down to an integer, and will

authorize the Chairman to distribute the total rounded down amounts to specific persons for adjustment.

Voting Result:

Shares present at the time of voting was 335,450,197 votes. Voting in favor 291,737,455 votes (including votes casted electronically 225,503,285 votes) representing 86.96% of share presented, voting against 10,780 votes (including votes casted electronically 10,780 votes), voting invalid or abstained 43,701,962 votes (including votes casted electronically 40,827,953 votes). RESOLVED, that the above proposal be and hereby was approved as proposed.

V. Discussion Items

Proposal 1: **Proposed by the Board**

Amendment to the Company's "Procedures for Acquisition or Disposal of Asset".

Explanation:

1. The Financial Supervisory Commission amended its "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" on Feb. 9, and Feb. 13, 2017. Therefore, WIN's "Procedures for Acquisition or Disposal of Assets" should be amended to reflect the regulatory changes and to form the Audit Committee of the Company.
2. The proposed amendment to the "Procedures for Acquisition or Disposal of Asset" is attached hereto as Attachment VI (pages 31-38).

Voting Result:

Shares present at the time of voting was 335,450,197 votes. Voting in favor 291,722,455 votes (including votes casted electronically 225,488,285 votes) representing 86.96% of share presented, voting against 10,780 votes (including votes casted electronically 10,780 votes), voting invalid or abstained 43,716,962 votes (including votes casted electronically 40,842,953 votes). RESOLVED, that the above proposal be and hereby was approved as proposed.

Proposal 2: **Proposed by the Board**

Proposal for fund raising plan by issuing common shares through private placement.

Explanation:

1. To ally with strategic investors and take into account effectiveness and cost of raising capital, the Company proposes to raise funds by issuing common shares, of no more than 40,000,000 shares, through private placement. The par value is NT$10 per share. Proceeds of the capital raised will be used for capital expenditures, research & development expenses and working capital needs, and is expected to generate a positive impact for the future return of our shareholders.

If this cash capital increase is issued at a maximum of 40,000,000 shares, the dilution for the existing shareholders will be 9.02%.

2. In accordance with Article 43-6, Security and Exchange Act and "Directions for Public Companies Conducting Private Placements of Securities", the particulars shall be stated were listed below:

   (1) Basis and reasonableness of the private placement pricing:

      a. The pricing method: 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.

      b. The actual issuance price shall no lower than the reference price. The pricing date, actual amounts are proposed to authorize the Board to determine, taking into consideration the market status, objective conditions and relevant regulations above-mentioned.

      c. The pricing methodology is in compliance with relevant regulations. The price determination above shall be reasonable.

   (2) The method to determine placee:

      a. The method to determine placee: 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.

      b. The objective of selecting the placee, the necessity for that selection, and the anticipated benefits:

         (a) The objective of selecting the placee and the necessity for that selection: With the industry developing trend, the Company plans to increase capital expenditure, research & development expenses and supplement working capital to ensure the long-term operation development. It is expected that the placee will assist the Company to expand its market, improve it revenue and profitability, and will help to enhance its development and competitive advantages, which can generate direct or indirect benefits for future operations.

(b) The anticipated benefits: The private placement of engaging with strategic investors and raising funds will strengthen our competitiveness, upgrade operating efficiency, enforce financial structure and strengthen shareholder structure, which can generate direct or indirect benefits for future operations.

(3) The necessity of the private placement:

a. The reason for not taking a public offering: 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.

b. The amount of the private placement: The Company plans to complete the private placement at one time not exceeding 40,000,000 shares within one year after shareholders' meeting resolution. The actual fundraising amount is proposed to be authorized to the Board to determine based on current market conditions, corporate needs and specific parties.

c. 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.

(4) Rights and obligations of the new private placement shares:

Share certificates of the new private placement shares will be issued in scripless form, the new shares will have the same rights and obligations as those of the original shares. Within three years after delivery, the shares issued under the private placement may not be transferred except under the circumstances in Article 43-8, Securities and Exchanges Act. After expiration of the three years following the delivery date of the private placement shares, the Company may file with authorization and listing the shares based on the relevant regulations.

(5) Except for the percentage relative to pricing based on the reference price, it is proposed to authorize the Company's Board to implement or modify the major plan of the private placement based on the market status, including

actual pricing date, actual price, actual issuance share, terms of issuance, issuance plan (use of proceeds), amount of the fund raising, projected timeline and benefits of private placement, and matter regarding the private placement. In addition, it is proposed to authorize the Board to revise the issuance plan based on operation assessment, environment changes or upon receipt of instructions from government authorities.

(6) It is proposed to authorize the Company's Board to complete the private placement at one time within one year after shareholders' meeting resolution. If the private placement cannot be completed within one year, the Board shall discuss not to continue this private placement and publish relevant information on the Market Observation Post System.

(7) It is proposed to authorize the Chairman or the person appointed by the Chairman to represent the Company to negotiate and sign any documents and contracts regarding the private placement plan and handle any and all matters relating to issuance of private placement shares as required.

(8) For matter regarding the private placement not included above, it is proposed to authorize the Chairman of the Board to handle according to related laws and regulations.

Voting Result:

Shares present at the time of voting was 335,450,197 votes. Voting in favor 260,121,255 votes (including votes casted electronically 193,887,085 votes) representing 77.54% of share presented, voting against 31,488,894 votes (including votes casted electronically 31,488,894 votes), voting invalid or abstained 43,840,048 votes (including votes casted electronically 40,966,039 votes). RESOLVED, that the above proposal be and hereby was approved as proposed.

VI. Directors Election

Proposal 1: **Proposed by the Board**

By-election of one Independent Director.

Explanation:

1. Mr. Chao-Shun Chang, Independent Director of the Company has resigned on Sep. 2, 2016. In accordance with Article 14-2 of the Securities and Exchange Act, a by-election for one independent director shall be held in this shareholders meeting. The tenure of this Independent Director is from June 16, 2017 to June 23, 2019.
2. Elections of directors at the Company is conducted in accordance with the candidate nomination system, the Independent Director candidate's information was reviewed by the Board meeting on May 5, 2017 and was shown as below:

Name	Education & Major Experience	Other Major Positions	Shareholdings (shares)
Mr. Jin-Shih Lin (林錦獅)	• Master Degree in Accounting, Tamkang University, Taiwan	• CPA • Supervisor, Prolific Technology Inc. • Independent Director, Namchow Chemical Industrial Co., Ltd. • Member of Compensation Committee, Namchow Chemical Industrial Co., Ltd.	0

3. The Company's "Rules for Election of Directors" is attached to the Meeting Handbook as Appendix III (pages 51-53).

Voting Result:

The elected Independent Director is listed as follows:

Title	ID No.	Name	Votes Received
Independent Director	A11121XXXX	Jin-Shih Lin (林錦獅)	259,955,816

VII. Other Items

Proposal 1: **Proposed by the Board**

Proposal for release of Directors from non-competition restrictions.

Explanation:

1. According to Article 209 of the Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. The candidate of the Independent Director of the Company who participate in the operations of another company, that engages in the same or similar business scope as the Company hereby requests the shareholders' approval to release these directors and their proxies from the non-competition restrictions.
3. In addition, Directors of the Company who participate in the operations of another company, that engages in the same or similar business scope as the Company hereby requests the shareholders' approval to release these directors and their proxies from the non-competition restrictions.

   The positions that Directors concurrently engage in:

Title	Name	The essential position the director engages in
Chairman	Mr. Chin-Tsai Chen (陳進財)	• Independent Director, PlexBio Co., Ltd. • Chairman, Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. • Director, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.
Director	Mr. Shun-Ping Chen (陳舜平)	• Independent Director, Wei Chuan Foods Corp.
Independent Director	Mr. Shen-Yi Li (李伸一)	• Director, East Tender Optoelectronics Corporation
Independent Director Candidate	Mr. Jin-Shih Lin (林錦獅)	• Independent Director, Namchow Chemical Industrial Co., Ltd.

Voting Result:

Shares present at the time of voting was 335,450,197 votes. Voting in favor 253,127,530 votes (including votes casted electronically 186,893,360 votes) representing 75.45% of share presented, voting against 11,530,626 votes (including votes casted electronically 11,530,626 votes), voting invalid or abstained 70,792,041 votes (including votes casted electronically 67,918,032 votes). RESOLVED, that the above proposal be and hereby was approved as proposed.

IIX. Special Motions: None

IX. Adjournment: At 9:33a.m. of June 16, 2017.

ATTACHMENT I: 2016 BUSINESS REPORT

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

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

2016 operating results and 2017 outlook are reported as follow:

A. Operating Performance in 2016

1. Operating Performance

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

2. Analysis of Receipts, Expenditures, and Profitability

Unit: NT$ thousands; %

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

3. Budget Implementation

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

4. Research and Development Status

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

B. Business Plan in 2017

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

C. Development Strategy

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

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

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

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

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

Chin-Tsai Chen	*Yu-Chi Wang*	*Linna Su*
Chairman	*CEO*	*Accounting Officer*

ATTACHMENT II: 2016 AUDIT COMMITTEE'S REVIEW REPORT

2016 AUDIT COMMITTEE'S REVIEW REPORT

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

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

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

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

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

March 23, 2017

ATTACHMENT III: INDEPENDENT AUDITORS' REPORT AND 2015 CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

The Board of Directors of WIN Semiconductors Corp. :

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

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

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

How the matter was addressed in our audit:

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

2. Evaluation of inventory

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

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

How the matter was addressed in our audit:

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

3. Business combination

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

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

How the matter was addressed in our audit:

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

Other Matter

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

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

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

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

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

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (The Republic of China)
March 23, 2017

Note to Readers

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

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

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

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

WIN Semiconductors Corp. and Its Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

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

.

Impairment loss on financial assets	-
Changes in biological assets at fair value	(16,959
Total adjustments to reconcile profit	2,105,35
Changes in operating assets and liabilities:	
Changes in operating assets:	
Decrease (increase) in current financial assets at fair value through profit or loss	(29,222
Increase in notes and accounts receivable, net	(347,001
Increase in inventories	(279,342
Decrease in biological assets	22,32
Decrease (increase) in other current assets	13
Total changes in operating assets	(633,100
Changes in operating liabilities:	
Increase (decrease) in accounts payable	(386,703
Increase in other payable	95,75
Increase (decrease) in other current liabilities	(398,223
Increase in other operating liabilities	1,64
Total changes in operating liabilities	(687,524
Total changes in operating assets and liabilities	(1,320,624
Cash inflow generated from operations	4,672,27
Dividends received	2,78
Income taxes paid	(888,561
Net cash flows from operating activities	3,786,50
Cash flows from (used in) investing activities:	
Acquisition of current financial assets at fair value through profit or loss	(2,796,160
Proceeds from disposal of current financial assets at fair value through profit or loss	3,669,43
Acquisition of current available-for-sale financial assets	(21,732
Acquisition of non-current available-for-sale financial assets	(376,870
Proceeds from non-current available-for-sale financial assets	284,14
Acquisition of investments accounted for using equity method	(486,720
Proceeds from capital reduction of investments accounted for using equity method	109,42
Proceeds from disposal of non-current investments in debt instrument without active market	67,00
Acquisition of property, plant and equipment	(2,036,046
Proceeds from disposal of property, plant and equipment	89
Decrease in other receivables due from related parties	4,93
Acquisition of intangible assets	(46,267
Net cash inflows from business combination	963,76
Increase in other non-current assets	(44,786
Increase in prepayments for business facilities	(1,189,832
Interest received	12,20
Dividends received	52,74
Net cash flows used in investing activities	(1,833,863
Cash flows from (used in) financing activities:	
Increase (decrease) in short-term loans	(23,656
Proceeds from long-term debt	2,514,00
Repayments of long-term debt	(841,506
Increase in other non-current liabilities	6,12
Cash dividends paid	(298,333
Capital reduction payments to shareholders	(1,789,999
Exercise of employee share options	2,90
Payments to acquire treasury shares	(965,293
Interest paid	(18,189
Net cash flows used in financing activities	(1,413,947
Effect of exchange rate changes on cash and cash equivalents	(20,204
Net increase (decrease) in cash and cash equivalents	518,48
Cash and cash equivalents at beginning of period	1,869,65
Cash and cash equivalents at end of period	$ 2,388,14

ATTACHMENT IV: INDEPENDENT AUDITORS’ REPORT AND 2016 PARENT-COMPANY-ONLY FINANCIAL STATEMENTS

Independent Auditors’ Report

The Board of Directors of WIN Semiconductors Corp. :

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

   For accounting policies of revenue recognition, please refer to Note 4 (p) "Revenue" of the parent company only financial statements.

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

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

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

2. Evaluation of inventory

   Please refer to Note 4(g) “Inventory” for accounting policies, Note 5 for accounting assumptions, judgments and estimation uncertainty of inventory, and Note 6(d) for the illustration of inventory of the parent company only financial statements.

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

   How the matter was addressed in our audit

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

KPMG
Taipei, Taiwan (The Republic of China)
March 23, 2017

Note to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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

WIN Semiconductors Corp.

Balance Sheets

December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 1,434,161	6	1,742,988	7
1110	Current financial assets at fair value through profit or loss (note 6(b))	72,750	-	948,291	4
1125	Current available-for-sale financial assets (note 6(b))	974,767	4	629,823	3
1170	Notes and accounts receivable, net (note 6(c))	532,672	2	300,134	1
1180	Accounts receivable due from related parties, net (notes 6(c) and 7)	521,957	2	375,716	2
1310	Inventories (note 6(d))	2,716,765	11	2,471,370	10
1470	Other current assets (note 6(i))	293,150	1	294,091	1
	Total current assets	6,546,222	26	6,762,413	28
	Non-current assets:				
1523	Non-current available-for-sale financial assets (note 6(b))	1,164,160	5	865,828	4
1546	Non-current investments in debt instrument without active market (note 6(b))	92,600	-	159,600	1
1550	Investments accounted for using equity method (note 6(e))	1,675,609	7	1,248,153	5
1600	Property, plant and equipment (note 6(f) and 8)	13,181,802	51	11,622,870	48
1760	Investment property (note 6(g) and 8)	1,468,113	6	1,085,846	5
1780	Intangible assets (note 6(h))	73,352	-	62,370	-
1840	Deferred tax assets (note 6(n))	75,354	-	85,104	-
1915	Prepayments for business facilities	1,263,897	5	2,135,838	9
1990	Other non-current assets (notes 6(i) and 8)	50,787	-	48,741	-
	Total non-current assets	19,045,674	74	17,314,350	72
	Total assets	$ 25,591,896	100	24,076,763	100

	Liabilities and Equity	December 31, 2016 Amount	%	December 31, 2015 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note6 (j))	$ -	-	23,656	-
2170	Accounts payable	941,535	4	1,309,867	5
2200	Other payables	1,978,321	8	1,789,058	7
2320	Long-term liabilities, current portion (notes 6(k) and 8)	940,194	3	841,507	4
2399	Other current liabilities	207,072	1	606,806	3
	Total current liabilities	4,067,122	16	4,570,894	19
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(k) and 8)	3,673,749	14	2,098,796	9
2570	Deferred tax liabilities (note 6(n))	33,728	-	28,159	-
2600	Other non-current liabilities (note 6(m))	190,858	1	169,814	1
	Total non-current liabilities	3,898,335	15	2,296,769	10
	Total liabilities	7,965,457	31	6,867,663	29
	Equity (notes 6(n), 6(o) and (6(p)):				
3110	Ordinary share	4,076,664	16	5,965,641	24
3200	Capital surplus	3,758,737	14	3,815,017	16
3300	Retained earnings	9,376,801	37	7,045,498	29
3400	Other equity interest	761,897	3	382,944	2
3500	Treasury shares	(347,660)	(1)	-	-
	Total equity	17,626,439	69	17,209,100	71
	Total liabilities and equity	$ 25,591,896	100	24,076,763	100

WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

		2016		2015	
		Amount	%	Amount	%
4000	**Operating revenue (note 7)**	$ 13,299,527	100	11,904,017	100
5000	**Operating costs (notes 6(d), (f), (h), (l), (m), (r), 7 and 12))**	(8,414,261)	(63)	(7,191,668)	(60)
	Gross profit from operating	4,885,266	37	4,712,349	40
	Operating expenses (notes 6(c), (f), (g), (h), (l), (m), (r), 7 and 12)):				
6100	Selling expenses	(85,376)	(1)	(69,803)	(1)
6200	Administrative expenses	(667,364)	(5)	(514,021)	(4)
6300	Research and development expenses	(605,674)	(5)	(572,485)	(5)
	Total operating expenses	(1,358,414)	(11)	(1,156,309)	(10)
	Net operating income	3,526,852	26	3,556,040	30
	Non-operating income and expenses:				
7010	Other income (notes 6(l) and 6(s))	130,025	1	98,413	1
7020	Other gains and losses (notes 6(e) and 6(s))	297,470	2	(48,306)	-
7050	Finance costs (note 6(s))	(20,220)	-	(13,852)	-
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	(30,543)	-	(158,912)	(1)
	Total non-operating income and expenses	376,732	3	(122,657)	-
7900	**Profit before tax**	3,903,584	29	3,433,383	30
7950	**Total tax expense (note 6(n))**	(790,810)	(6)	(761,756)	(6)
	Profit	3,112,774	23	2,671,627	24
	Other comprehensive income (loss):				
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans (note 6(m))	(13,272)	-	(6,304)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(n))	2,256	-	1,072	-
	Total components of other comprehensive income (loss) that will not be reclassified to profit or loss	(11,016)	-	(5,232)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	(6,675)	-	15,177	-
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets	357,577	3	43,012	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method (note 6(e))	27,714	-	103,884	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss, net of tax	**378,616**	**3**	**162,073**	**1**
	Other comprehensive income	367,600	3	156,841	1
8500	**Total comprehensive income**	**$ 3,480,374**	**26**	**2,828,468**	**25**
	Earnings per common share (expressed in dollars) (note 6(q))				
9750	Basic earnings per share	**$ 6.04**		**3.97**	
9850	Diluted earnings per share	**$ 5.99**		**3.94**	

WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(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, 2015	$ 7,422,377	3,768,620	604,607	3,923,175	4,527,782	4,909	215,962	220,871	-	15,939,650
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	196,347	(196,347)	-	-	-	-	-	-
Cash dividends	-	-	-	(148,679)	(148,679)	-	-	-	-	(148,679)
			196,347	(345,026)	(148,679)					(148,679)
Profit for the year ended December 31, 2015	-	-	-	2,671,627	2,671,627	-	-	-	-	2,671,627
Other comprehensive income for the year ended December 31, 2015	-	-	-	(5,232)	(5,232)	14,874	147,199	162,073	-	156,841
Total comprehensive income for the year ended December 31, 2015	-	-	-	2,666,395	2,666,395	14,874	147,199	162,073	-	2,828,468
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	1,916	-	-	-	-	-	-	-	1,916
Capital reduction	(1,486,790)	-	-	-	-	-	-	-	-	(1,486,790)
Exercise of employee stock options	30,054	44,481	-	-	-	-	-	-	-	74,535
Balance at December 31, 2015	5,965,641	3,815,017	800,954	6,244,544	7,045,498	19,783	363,161	382,944	-	17,209,100
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	267,163	(267,163)	-	-	-	-	-	-
Cash dividends	-	-	-	(298,333)	(298,333)	-	-	-	-	(298,333)
			267,163	(565,496)	(298,333)					(298,333)
Profit for the year ended December 31, 2016	-	-	-	3,112,774	3,112,774	-	-	-	-	3,112,774
Other comprehensive income for the year ended December 31, 2016	-	-	-	(11,016)	(11,016)	(18,401)	397,017	378,616	-	367,600
Total comprehensive income for the year ended December 31, 2016	-	-	-	3,101,758	3,101,758	(18,401)	397,017	378,616	-	3,480,374
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	-	5,549	-	-	-	337	-	337	-	5,886
Capital reduction	(1,789,999)	-	-	-	-	-	-	-	-	(1,789,999)
Exercise of employee stock options	1,022	1,880	-	-	-	-	-	-	-	2,902
Purchase of treasury share	-	-	-	-	-	-	-	-	(347,660)	(347,660)
Retirement of treasury share	(100,000)	(63,709)	-	(472,122)	(472,122)	-	-	-	-	(635,831)
Balance at December 31, 2016	**$ 4,076,664**	**3,758,737**	**1,068,117**	**8,308,684**	**9,376,801**	**1,719**	**760,178**	**761,897**	**(347,660)**	**17,626,439**

Note: The appropriations for 2016 and 2015 directors and supervisors' remuneration amounting to $76,300 and $67,100, employee's remuneration amounting to $263,000 and $231,300, were recognized and accrued in the 2016 and 2015 earnings.

Changes in operating assets and liabilities:	
Changes in operating assets:	
Decrease (increase) in notes and accounts receivable, net	(2
Increase in accounts receivable due from related parties, net	(1
Increase in inventories	(2
Increase in other current assets	
Total changes in operating assets	(6
Changes in operating liabilities:	
Increase (decrease) in accounts payable	(3
Increase in other payable	
Increase (decrease) in other current liabilities	(3
Increase in other non-current liabilities	
Total changes in operating liabilities	(6
Total changes in operating assets and liabilities	(1,3
Cash inflow generated from operations	4,7
Income taxes paid	(8
Net cash flows from operating activities	3,8
Cash flows from (used in) investing activities:	
Acquisition of current financial assets at fair value through profit or loss	(2,7
Proceeds from disposal of current financial assets at fair value through profit or loss	3,6
Acquisition of current available-for-sale financial assets	(
Acquisition of non-current available-for-sale financial assets	(3
Proceeds from disposal of non-current available-for-sale financial assets	2
Proceeds from disposal of non-current investments in debt instrument without active markets	
Acquisition of investments accounted for using equity method	(5
Acquisition of property, plant and equipment	(1,9
Proceeds from capital reduction of investments accounted for using equity method	1
Proceeds from disposal of property, plant and equipment	
Acquisition of intangible assets	(
Increase in other non-current assets	
Increase in prepayments for business facilities	(1,1
Interest received	
Dividends received	
Net cash flows used in investing activities	(2,7
Cash flows from (used in) financing activities:	
Increase (decrease) in short-term loans	(
Proceeds from long-term debt	2,5
Repayments of long-term debt	(8
Increase in other non-current liabilities	
Cash dividends paid	(2
Capital reduction payments to shareholders	(1,7
Exercise of employee share options	
Payments to acquire treasury shares	(9
Interest paid	(
Net cash flows used in financing activities	(1,4
Net decrease in cash and cash equivalents	(3
Cash and cash equivalents at beginning of period	1,7
Cash and cash equivalents at end of period	**$ 1,4**

ATTACHMENT V: PROFIT ALLOCATION PROPOSAL

WIN Semiconductors Corp.
2016 Profit Allocation Proposal

Unit: NT$

Net profit of 2016	**3,112,774,301**
Less: 10% legal reserve	(311,277,403)
Retained earnings in 2016 available for distribution	**2,801,496,871**
Distributable item:	
Cash dividends to common share holders (NT$4.5 per share)	**(1,811,998,728)**
Unappropriated retained earnings of 2016	**989,495,143**
Add: uappropriated retained earnings, Dec. 31, 2015	5,679,048,027
Less: remeasurements of defined benefit plans	(11,015,760)
Less: retirement of treasury share	(472,122,087)
Unappropriated retained earnings, Dec. 31, 2016	**6,185,408,323**

If there is any net profit after closing of a fiscal year, the Corporation 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 Corporation; 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.

Chin-Tsai Chen	*Yu-Chi Wang*	*Linna Su*
Chairman	*CEO*	*Accounting Officer*

ATTACHMENT VI: REVISIONS TO PROCEDURES FOR ACQUISITION OR DISPOSAL OF ASSET

Before and After Revision

BEFORE THE REVISION	AFTER THE REVISION
Article 5: The Company shall establish the procedures for the acquisition or disposal of assets. After the procedures have been approved by the Board of Directors, they shall be submitted to each supervisor, and then to a shareholders meeting for approval; the same applies when the procedures are amended. If any Director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the Director's dissenting opinion to each supervisor. When the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.	Article 5: The Company shall establish the procedures for the acquisition or disposal of assets. The procedures shall be approved by more than half of all audit committee members and submitted to the Board of Directors for a resolution, and then to a shareholders meeting for approval; the same applies when the procedures are amended. When the procedures for the acquisition and disposal of assets are submitted for discussion by the Board of Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. For matters that discussion and approval of the Audit Committee under the procedures are required, if approval of more than half of all audit committee members as required in the preceding paragraph is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors meeting.
Article 7: With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, if a director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the director's dissenting opinion to each supervisor. When a transaction involving the acquisition or disposal of assets is submitted for discussion by the Board of	Article 7: With respect to the Company's acquisition or disposal of assets that is subject to the approval of the Board of Directors under the Company's procedures or other laws or regulations, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, such objection or reservation shall be recorded in the minutes of the Board of Directors meeting.

BEFORE THE REVISION	AFTER THE REVISION
Directors pursuant to the preceding paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.	Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution.
Article 13: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the supervisors: 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.	Article 13: When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by more than half of all audit committee members and then submitted to the Board of Directors for a resolution: 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15. 4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party. 5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the

BEFORE THE REVISION	AFTER THE REVISION
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article. 7. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with second paragraph Article 29 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the supervisors need not be counted toward the transaction amount. With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's Board of Directors delegate the Chairman of Board of Directors to decide such matters when the transaction is within 10 percent of the Company's net value and subsequently submitted to and ratified by the next Board of Directors meeting. When a matter is submitted for discussion by the Board of Directors pursuant to the first paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.	transaction, and reasonableness of the funds utilization. 6. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the preceding Article. 7. Restrictive covenants and other important stipulations associated with the transaction. The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with second paragraph Article 29 herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Audit Committee and the Board of Directors need not be counted toward the transaction amount. With respect to the acquisition or disposal of business-use machinery and equipment between the Company and its subsidiaries, the Company's Board of Directors delegate the Chairman of Board of Directors to decide such matters when the transaction is within 10 percent of the Company's net value and subsequently submitted to and ratified by the next Board of Directors meeting. When a matter is submitted for discussion by the Board of Directors pursuant to the first paragraph, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.
Article 16: Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 14 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real	Article 16: Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Article 14 and Article 15 are uniformly lower than the transaction price, the following steps shall be taken: 1. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real

BEFORE THE REVISION	AFTER THE REVISION
property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Supervisors shall comply with Article 218 of the Company Law. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.	property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company's equity stake in the other company. 2. Audit Committee shall comply with Article 218 of the Company Law. 3. Actions taken pursuant to subparagraph 1 and subparagraph 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus. The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent. When the Company obtains real property from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.
Article 20: In accordance with the relevant regulations, a reference book shall be established and maintained to record the Company's financial derivative transactions. Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a	Article 20: In accordance with the relevant regulations, a reference book shall be established and maintained to record the Company's financial derivative transactions. Internal audit personnel is required to evaluate the suitability of the internal control system in connection with financial derivative transactions on a

BEFORE THE REVISION	AFTER THE REVISION
regular basis, to conduct auditing on how well the related departments according to the Procedures, and to make report on a monthly basis. Should there be any violation found, a written report is needed to notify the supervisors.	regular basis, to conduct auditing on how well the related departments according to the Procedures, and to make report on a monthly basis. Should there be any violation found, a written report is needed to notify the independent directors.
Article 21: The Company that conducts a merger, demerger, acquisition, or transfer of shares, shall, prior to convening the board of directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.	Article 21: The Company that conducts a merger, demerger, acquisition, or transfer of shares, shall, prior to convening the board of directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.
Article 29: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or redemption of domestic	Article 29: Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements or subscription or

BEFORE THE REVISION	AFTER THE REVISION
money market funds. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances: (1) Trading of government bonds. (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. (3) Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million. (4) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is less than NT$500 million. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.	redemption of domestic money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company. 4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount meets any of the following criteria: (1) When the Company's paid-in capital is less than NT$10 billion, the transaction amount reaches NT$500 million or more. (2) When the Company's paid-in capital is NT$10 billion or more, the transaction amount reaches NT$1 billion or more. 5. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT$500 million. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT$300 million; provided, this shall not apply to the following circumstances: (1) Trading of government bonds. (2) Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds

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3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety. The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.	issued by domestic securities investment trust enterprises. The amount of transactions above shall be calculated as follows: 1. The amount of any individual transaction. 2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year. 3. The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year. 4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted toward the transaction amount. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month. When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission. The Company acquiring or disposing of assets shall keep all relevant contracts,

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	meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the company headquarters, where they shall be retained for 5 years except where another act provides otherwise.