



Stock Symbol : 6488

GlobalWafers Co., Ltd.

2018 Annual Report

The annual report may be accessed on the website at:

Information website: <http://mops.twse.com.tw>

Corporate website: <http://www.sas-globalwafers.com>

Prepared by GlobalWafers Co., Ltd.

Issue Date: May 15, 2019

1. **Company Spokesman:**

Name of spokesman: Wei-wen Chen

Job title: Vice President of Administration Dept.

Tel.: (03) 577-2255

Email: GWCIR@sas-globalwafers.com

Name of deputy spokesman: Pao-chuan Chen

Job title: Senior Manager of Financial Dept.

Tel.: (03) 578-3131

Email: GWCIR@sas-globalwafers.com

2. **Address and Telephone Number of The Company Headquarter, Subsidiaries, and Plants :**

Headquarter

Address: No.8, Industrial East Road 2, Hsinchu Science Park, Hsinchu, Taiwan

Tel: +886-3-577-2255

Chunan Plant

Address: No. 21, Kejung Rd., Chunan, Miaoli County, Hsinchu Science Park, Taiwan

Tel: +886-37-582533

Taiwan Subsidiary I

Address: No.2, Yanxin 1st Road, Hsinchu Science Park, Hsinchu, Taiwan

Tel: +886-3-5783131

Japan Subsidiary

Niigata

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Tel: +81-25-256-3200

Tokuyama

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Tel: +81-834-41-3001

Sekikawa

Address: 278 Tatsutashin, Sekikawa, Iwafune District, Niigata Prefecture, Japan

Tel: +81-254-64-0254

Oguni Silicon Crystal Center

Address: 378 Ogunimachi, Oguni, Nishiokitama District, Yamagata Prefecture, Japan

Tel: +81-238-62-5926

Utsunomiya

Address: 11-2 Kiyohara Industrial Park, Utsunomiya City Tochigi Prefecture, Japan

Tel: +81 28 667 6333

Korea Subsidiary

Cheonan Plant

Address: 854, Manghyang-Ro, Seonggeo-eup, Sebuk-gu, Cheonan-Si, Chungcheongnam-do,
331-831 Korea

Tel: +82 41 550 4114

China Subsidiary

Kunshan Plant

Address: No. 303 Hanpu Road, Chengbei, Kunshan, Jiangsu, China

TEL:+ 86-512-5778-1262

Malaysia Subsidiary

Kuala Lumpur Plant

Address: Jalan SS 8/2, Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul
Ehsan, Malaysia

Tel: +603 7877 3277

Singapore Subsidiary

Address: Block D #01-41A, 11 Lorong 3 Toa Payoh, Singapore 319579

Tel: +65 6361 9720

US Subsidiary

Texas Plant

Address: 200 F.M. 1417 West Sherman, Texas, USA 75092

Tel: 903.957.1999

Missouri Plant

Address: 501 Pearl Drive, St. Peters, Missouri, USA 63376

Tel: 636.474.5000

Italy Subsidiary

Merano Plant

Address: Via Nazionale, 59, 39012 Merano (Bolzano), Italy

Tel: +39 0473 333.333

Novera Plant

Address: SpA Viale Gherzi, 31, 28100 Novara, Italy

Tel: +39 0321 33.4444

Denmark Subsidiary

Copenhagen Plant

Address: Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark

Tel: +45 47 36 56 00

Poland Subsidiary

Warsaw Plant

Address: 133 Wolczynska St., 01-919 Warsaw, Poland

Tel: +48 22 835 19 39

3. Stock Transfer Agency

Agency name: Stock Agency Department, Yuanta Securities

Address: B1, No. 210, Sec. 3, Chengde Rd., Taipei, Taiwan

Website: <http://www.yuanta.com.tw/>

Tel: +886-2-2586-5859

4. External Auditor

Name of Accounting Firm: KPMG Taiwan

Name of CPAs: An-Chih Cheng, Cheng-Chien Chen

Address: 68F, No. 7, Sec. 5, Hsinyi Rd., Taipei, Taiwan

Website: <http://www.kpmg.com>

Tel: +886-2-8101-6666

5. Global Depositary Receipt (GDR) Agency

Luxembourg Stock Exchange

Website: <https://www.bourse.lu/security/US37891E1038/250465>

6. Company Website

<http://www.sas-globalwafers.com>

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I. Letter to Shareholders

Dear shareholders,

Thank you for sparing time in attending the Company's 2019 general shareholders' meeting. We also appreciate the care and support extended by you to the Company.

The semiconductor market grows rapidly in 2018. New development of capacity and technologies stimulate the demand for high-quality silicon wafers. Under such prosperity, GlobalWafers dedicates to maximize the synergy of the merger and acquisition. Through flexible arrangement and operation reinforcement, all subsidiaries are fully loaded to cope with robust demands. Through the concerted efforts of all colleagues, GlobalWafers has set numerous records. By the end of 2018, GlobalWafers has achieved revenue growth for 12 consecutive quarters with outstanding results and annual profit reaches record high! The consolidated revenue for 2018 is NT\$ 59.064 billion, up by 27.8% from last year. Due to the increase in wafer prices and aggressive cost control, gross profit increases to 38%, amounting to NT\$ 22.299 billion; net profit is NT\$17.578 billion, after-tax earnings per share is NT\$ 31.18. Please see below summary on 2018 operation performance, 2018 business plan, future strategy, influence of competition, regulations and macro economics:

I. Operation Performance in 2018

(I) Operation Performance

Unit: NT\$ 1,000

Item \ Year	2018 (IFRSs)	2017 (IFRSs)	Increase/decrease percentage (%)
Revenue	59,063,510	46,212,601	28%
Cost of Goods	36,764,666	34,404,835	7%
Gross Profit	22,298,844	11,807,766	89%
Operating Expenses	4,720,793	4,394,224	7%
Operating Income	17,578,051	7,413,542	137%
Profit Before Tax	18,253,367	6,874,699	166%
Net Profit	13,633,771	5,278,207	158%

Benefiting from the rapid growth of the semiconductor industry and applications evolution, GlobalWafers' one-stop order, global service operation model along with diversified and complete product portfolio fully satisfy strict requirements of customers, revenue soars consequently. Selling price adjustment and strict cost control also optimizes profitability, gross

margin increases from 26% to 38%, and net profit also improves from 11% to 23%.

(II) Budget Implementation: No financial forecast for 2018.

(III) Profitability Analysis

	Item	2018	2017
Financial structure	Debt ratio (%)	51.95%	51.51%
	Long-term funds to PPE (%) (PPE-plant, property, equipment)	211.74%	170.13%
Profitability	ROA (%) (return on assets)	17.14%	8.53%
	ROE (%) (return on equity)	35.32%	21.18%
	Operating Income to Capital Stock (%)	402.01%	169.54%
	Profit Before Tax to Capital Stock (%)	417.46%	157.22%
	Net Profit Margin (%)	23.08%	11.42%
	EPS (NT\$)	31.18	12.68

(IV) Financial Structure

(expressed in NTD thousands)

2018 revenue is NT\$59,063,510; cost of goods is NT\$36,764,666. Operating expense is NT\$4,720,793. Net non-operating income is NT\$675,316. Net profit before tax is NT\$18,253,367. Net profit after tax is NT\$13,633,771. The financial structure is healthy.

(V) Research & Development

1. 2018 Research & Development Expenditure

Unit: NT\$ 1,000

Item / Year	2018	2017
Research and Development Expenses	1,650,559	1,445,060
Sales Revenue	59,063,510	46,212,601
%	2.79%	3.13%

2. 2018 Achievement

Technology/Product

- (1) Monocrystalline ingot growth technology for Boron-doped MCZ Ingot with resistivity $>8000\Omega\text{-cm}$
- (2) Automatic counter doping high resistivity ingot growth technology
- (3) High frequency application SOI wafer
- (4) Silicon substrate for 7nm IC process
- (5) Big data application for wire saw slicing process
- (6) 12-hour single crystal twin rod continuous feeding CZ crystal growth
- (7) Model Predictive Automatic Crystal Pulling Process Control
- (8) 8" Ultra high flatness acid etched single side polishing technology development
- (9) New "ECAS®" wafer for highresolution CMOS image sensor with lower white defect
- (10) Lower carbon technology for 8" and 12" MCZ crystal growth
- (11) High Breakdown voltage E-mode GaN on Novel SOI wafer development
- (12) GaN On semi-Insulated SiC Epitaxy technology development

3. Future Plan:

- (1) Ultra low resistivity $<0.7\text{m}\Omega\text{-cm}$ wafer with Phosphorus doped
- (2) Ultra low resistivity $<1.8\text{m}\Omega\text{-cm}$ wafer with Arsenic doped
- (3) SiC wafer for next generation high power automotive electronic device application
- (4) Epi-substrate for GaN_HEMT application
- (5) High strength and ultra thin silicon substrate with nano structure
- (6) SOI substrate for next generation RF device application
- (7) Silicon wafer for 3 nano IC process
- (8) "ECAS®" wafer for highresolution CMOS image sensor(CIS)
- (9) "ECAS®" wafer for next generation 3D memory device
- (10) 12" MCZ wafer with lower carbon and lower oxygen for power devices, memory devices, and mobile CIS

II. Future Business Plan

(I) Business Guideline

- (1) Flexible production arrangement to achieve economies-of-scale competitiveness; synchronize with end market and strengthen R&D bonding with customers; expand market share and profitability.
- (2) Use current customer networking to expand FZ/SOI sales territory, increasing utilization rate and profitability.
- (3) Active deployment on niche patents and process so as to facilitate new technology and product development; strengthen patent strategy.

(II) Sales Forecast and the basis:

World Semiconductor Trade Statistics (WSTS) announced the global semiconductor industry posted sales of \$468.8 billion in 2018, an increase of 13.7 % compared to \$412.2 billion in 2017 total. The year 2019 is forecasted to be down 3.0%, modest growths are expected to return in 2020 and 2021 by 3.2% and 3.7% respectively. 2017~2021 annual average growth rate of global semiconductor shipments will reach 3.6%.

Among major semiconductor product categories, WSTS recorded growth in 2018 for discrete (11.7%/ \$ 24.194 billion), optoelectronics (11.2%/ \$38.715 billion), sensors (6.6%/ \$13.402 billion), IC (17%/ \$401.625 billion). When break down to details, Memory (33.2%/ \$165.11 billion), Logic (7.3%/ \$109.672 billion), Micro (6.4%/ \$68.041 billion) and Analog (10.8%/ \$58.803 billion).

(III) Production & Marketing Strategy:

- (1) Integrate technology and resources among group, debottleneck to maximize capacity. Speed up in R&D consolidation of newly acquired business entities and set up international platform for further technology discussion in pursuit of better quality and customer satisfaction.
- (2) Stabilize supply of key raw materials and parts to ensure superior production quality and on-time delivery in order to secure smooth production.
- (3) Focus on development of high-efficiency niche products with core technology for more value.
- (4) Sign long-term agreement with key partners to solidify cooperation.

(IV) Future Strategy

- (1) Develop next-generation wafers with our advancing technology; explore large size heavy-dopant & high-power epitaxial technology to become the biggest wafer maker with most complete product portfolio in the world.
- (2) Closely grasp market and industry trends as well as fine tune business strategies

simultaneously; restlessly develop potential products in various applications; carry out patent protection measures to strengthen our own competitiveness.

- (3) Synchronize with markets and strengthen R&D bonding with customers; focus on development of high-efficiency niche products with core technology for more value; aggressively control manufacturing cost so as to maximize profits,
- (4) Search for technology and sales strategic alliance to meet our needs for R&D new materials as well as fast product introduction into end market so as to enlarge market share.

(V) Influences from External Competition, Regulations and Economy

- (1) Semiconductor industry has brought all kinds of products into people's daily life, embodying the deep bonding between semiconductor cycle and macroeconomics. GlobalWafers has extensive customers, and end products are widely expanded into all applications and business, such as automobile, power device and memory.....etc, which effectively reduces dangerous dependence of one industry. Consequently, we could lower the impact when macroeconomic worsens.
- (2) Entry into semiconductor business is not so easy for other competitors because of this industry is capital and technology intensive. GlobalWafers has achieved economics-of-scale operation via merge & acquisition as well as equipment expansion. Our manufacturing process and technology is qualified by tier-1 customers with deep trust. We will use our current foundation along with unique technologies in worldwide manufacturing sites to develop new niche products with higher value via core technology, and minimize costs for better profits in the same time.
- (3) Recent international situation is volatile, China-US trade tension results uncertainty to macro economy. With extensive global footprint in US and worldwide, GlobalWafers will flexibly arrange production to cope with relevant regulations and reduce the impact of trade tariffs on operating costs.

After the golden leap in 2018, the semiconductor industry is expected to return to a stable and moderate growth pace. Although China-US trade tension brings uncertainty to global economics, consumer electronics and evolving innovations such as AI, IoT (Internet of Things) and IoV (Internet of vehicles) still support the demands for high quality semiconductor silicon wafers. GlobalWafers will continue to collaborate closely with customers, focus on next-generation innovative products, and maximize the advantage of complete product portfolio. Not only dedicates in the existing market, GlobalWafers also grasps opportunities for further development, explore new product areas, aiming to create more values for employees, customers and shareholders.

Chairman	Hsiu-Lan Hsu
President	Mark Lynn England
Chief Account	Yu-Ting Lo

II. Company Profile

I. Date of incorporation: October 18, 2011

II. Corporate Milestones

October 2011	Formal establishment of GlobalWafers Co., Ltd. (carved out from SAS semiconductor business unit) Paid-in capital-NTD 1,800,000,000.
April 2012	GlobalWafers acquired all the semiconductor silicon wafer related business in the subsidiaries of the Japanese Covalent Materials Corp. Paid-in capital-NTD 3,175,000,000.
August 2013	ISO14001 certified
December 2013	Taiwan Intellectual Property Management System (TIPS) Certificate approved
December 2013	2013 Occupational Health initial mark certified by Ministry of Health and Welfare
July 2014	TS16949:2009 Quality Assurance Certificate granted
September 2014	IPO
October 2014	Emerging Stock Listing
January 2015	Paid-in capital increase to NTD 3,492,500,000 via cash offering
April 2015	Listing application on TPEX
September 2015	Paid-in capital increase to NTD 3,692,500,000 via cash offering
September 2015	List on Taipei Exchange
April 2016	2015 Best Supplier Award From Texas Instrument
July 2016	The acquisition for the semiconductor business of Topsil Semiconductor Materials A/S in Denmark
August 2016	Occupational Safety and Health System OHSAS 18001:2007 certificated
August 2016	ISO 14001:2015 Certified
August 2016	TOSHMS/CNS 15506 : 2011 Certified
December 2016	Acquisition of SunEdison Semiconductor
April 2017	Top 20% of Corporation Governance Award of the third term from Securities and Futures Institute
May 2017	Paid-in capital increase to NTD 4,372,500,000 via GDR issuance
May 2017	The Outstanding Cooperation Supplier Award from HHGrace
June 2017	The Front End Direct Materials Supplier of the Year Award from ONSEMI
July 2017	Passed the IATF 16949:2016 certification.
December 2017	2017 Merge & Acquisition Award from MAPECT
January 2018	Triple A Country Award Taiwan 2017– Best GDR by The Asset
April 2018	Top 20% of Corporation Governance Award of the fourth term from Securities

	and Futures Institute
June 2018	Passed the Cleaner Production Assessment System of the Green Factory Label certification.
November 2018	Received the Golden Tower Award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by Corporate Synergy Development Center.
November 2018	The subsidiary, Taisil Electronic, received two silver top awards and one bronze top award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by Corporate Synergy Development Center.
December 2018	President of the subsidiary, Taisil Electronic, Yin-sheng Hsueh received the “National Manager Excellence Award-Excellent President” of 36th term organized by Chinese Professional Management Association.
January 2019	GWC Hsinchu Plant passed the the golden award certification for Green Building (renovation).
April 2019	Ranking at Top 5% among TPEX-listed companies in the Corporate Governance Evaluation of 4th term organized by Securities and Futures Bureau.

(II) Responsibilities of Major Departments

Department	Responsibilities
Chairman	<ul style="list-style-type: none"> - Set up business plans, strategies, and targets. - Execute resolutions from Board of Directors Meeting and Shareholder Meeting
Audit Office	<ul style="list-style-type: none"> - Inspect and assess the soundness, adequacy and effectiveness over the Company's internal control system. - Responsible for the execution, audit and reports over the internal controls.
President and President's Office	<ul style="list-style-type: none"> - Perform resolutions from meetings of Board of Directors. - Execution of management and projects - Define business plans and strategies - Ensure planned business targets achieved. - Evaluate and analyze business and management performance.
Sustainable Development Committee	Legislate and advocate policies such as environmental protection, corporate governance and corporate social responsibility so as to pursue sustainable development and fulfill social responsibility.
MIS	<ul style="list-style-type: none"> - Maintain IT hardware & software - Plan and execute E-working
Quality Assurance	<ul style="list-style-type: none"> - Establish and maintain products standards and its relevant inspection standards. - Inspect on purchased materials, tools, production process, and finished products. - Perform product quality improvement activities.
Administration	<ul style="list-style-type: none"> - Execute human resource and welfare regulations, define job description of all positions. - Consultation about legal affairs and compliance.
Finance	<ul style="list-style-type: none"> - Fund arrangement and networking with financial institutions. - Project execution
Accounting	<ul style="list-style-type: none"> - Set up, perform, control and review annual budget - Plan, establish execute and revise accounting system - Prepare, analyze and explain financial structure, profit & loss and financial statements. - Tax arrangement
Environment, Health & Safety	<ul style="list-style-type: none"> - Define labor safety management and provide guidance for relevant departments. - Plan, supervise relevant departments over labor safety audit and management. - Equipment maintenance and examination. - Labor and safety training. - Investigate, analyze occupational disasters. - Provide labor and safety information and professional suggestions. - Execute environmental hazard prevention plan
Sales	<ul style="list-style-type: none"> - Market strategy, explore potential market, customer communication and after service. - Collect market information, customer service and product

	application, assist the R&D and promotion activities of new products.
Logistics	Production and capacity arrangement.
Procurement	<ul style="list-style-type: none"> - Procure and purchase. - Evaluate new suppliers. - Manage raw materials and suppliers.
R&D	<ul style="list-style-type: none"> - Research, develop, test new products. - Improve production technology, yield and capacity. - Collaborate with academic institutions. - Design and improve machineries.
Manufacturing	<ul style="list-style-type: none"> - Manage production and quality, abnormality, utilization of raw materials, scrap, maintain work environment and security, human resource arrangement and training, expansion preparation and execution. - Evaluate and purchase new machineries and in charge of maintenance and improvement.
Factory Affairs	Plant construction and maintenance; security over environment, hygiene and safety training.

II. Information on the Company's Directors, Supervisors, President, Vice President, Assistant Vice President, and The Supervisors of All The Company's Divisions and Branch Units

(1) Directors' and Supervisors' Information

April 27, 2019 Unit: shares; %

Title	Nationality	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	June 25, 2018	3 years	October 1, 2011	847,879	0.19%	847,879	0.19%	—	—	—	—	- M.S. in computer science from University of Illinois - Executive vice president of Sino-American Silicon Products Inc.	Note 1	RD Vice President	Wen-Ching Hsu	Sibling
Director	Taiwan R.O.C.	SAS Representative: Ming-Kuang Lu	Male	June 25, 2018 June 25, 2018	3 years 3 years	October 1, 2011 October 1, 2011	222,293,000 1,002,560	50.84% 0.23%	222,727,000 1,022,560	51.17% 0.23%	— 308,000	— 0.07%	— —	— —	Honorary doctorate of Science in National Chiao Tung University President of Lite-On Semiconductor Corp. President of Vishay Lite-On Power Semiconductor Corp., Vice President of Silitek Corp	Note 2	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	SAS Representative: Tan-Liang Yao	Male	June 25, 2018 June 25, 2018	3 years 3 years	October 1, 2011 October 1, 2011	222,293,000 200,293	50.84% 0.05%	222,727,000 200,293	51.17% 0.05%	— 674	— 0.00%	— —	— —	- MBA from Tamkang University - Assistant vice president at Lite-On Semiconductor Corp. - President of Sino American Silicon Products Inc.	Note 3	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	Kuo-Chow Chen	Male	June 25, 2018	3 years	May 26, 2014	665,773	0.15%	665,773	0.15%	—	—	—	—	- Nan Ying Vocation High School - Chairman of Nan-hai photoelectric Co., Ltd. - Director of COTA Commercial Bank.	Note 4	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Chi-Hsiung Cheng	Male	June 25, 2018	3 years	January 19, 2015	5	0.00%	1,005	0.00%	—	—	—	—	Bachelor degree in business administration from Chinese Culture University - Vice section manager of Yulon Motors - Audit manager at Yue Sheng Industrial Co., Ltd. - Cost manager at Yueki Industrial Co., Ltd - Administration manager at Rica Auto Parts Co., Ltd. - Financing manager at Wafer Works Corporation.	Note 5	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Cheng-Yuan Cheng	Male	June 25, 2018	3 years	June 25, 2018	—	—	—	—	—	—	—	—	Doctor of Mechanical Engineering, University of Liverpool/ Distinguished Professor, Department of Mechanical Engineering, National Taiwan University of Science and Technology (NTUST)/Dean and R&D Officer, NTUST College of Engineer/Team Head, Science and Technology Division in Moscow, TMECCC/Director & Consultant, TECO Group Research Institute	Note 6	N/A	N/A	N/A

- Note 1:** CEO of GlobalWafers (concurrent), Director & President of Sino-American Silicon, Director of Crystalwise, Director of GlobalWafers Inc., Director of GlobalSemiconductor, Chairperson & CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of Shanghai Growfast, Chairperson of Topsis GlobalWafers A/S, The legal chairperson of board of director representative of Taisil Electronic Materials Corp., Director of GWafers Singapore Pte. Ltd., Director of GlobalWafers Singapore Pte. Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, The legal board of director representative SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd., The legal supervisor representative of Sunrise PV One Co., Ltd., The legal supervisor representative of Sunrise PV Six Co., Ltd. The legal supervisor representative of Sunrise PV Seven Co., Ltd.,. The legal supervisor representative of Sunrise PV Seven Co., Ltd., The legal supervisor representative of Sunrise PV Electric Power Three, The legal supervisor representative of Sunrise PV Electric Power Four, The legal board of director representative of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two, The legal chairperson representative of Taiwan Speciality Chemicals Corporation
- Note 2:** Chairperson & CEO of Sino-American Silicon (concurrent), Chairperson & CEO of Actron Technology Corporation, The legal board of director representative of Formerica Optoelectronics Inc., Chairperson of Rec Technology Cororation, The legal chairperson representative of Sino Silicon Technology, The legal board of director representative of SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte., The legal chairperson representative of Sunrise PV World Co., Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Director of GWafers Singapore Pte. Ltd.
- Note 3:** Vice Chairperson & Vice CEO of Sino-American Silicon (concurrent), The legal board of director representative of Actron Technology Corporation, Chairperson & CEO of Crystalwise, Director of Songlong Electronics Co., Ltd., Director of Yuan Hong Technical Materials Ltd., Director of Director of Shanghai Sawyer Shenkai Technology Material Co., Director of SY Company LLC, The legal board of director representative of SAS Sunrise Pte., The supervisor representative of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two, The legal board of director representative of Taiwan Speciality Chemicals Corporation, Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of GWafers Singapore Pte. Ltd.
- Note 4:** Concurrently chairperson of the board of director of Nan-hai Optoelectronics Co., Ltd.
- Note 5:** Concurrently a member of remuneration committee of the board of director of Kenly Precision Industrial Co., Ltd.
- Note 6:** Independent Director of ANT Precision Industry Co., Ltd., Director of Taiwan 3D Tech, Standing Supervisor of Additive Manufacturing Association of Taiwan (AMAT), International Journal of Automation and Smart Technology Managing Editor, Consultant of AvioCast Inc., Consultant of Franz Collection Inc.
- Note 7:** The Company reelected 7 directors, including 3 independent directors, at the 2018 general shareholders' meeting (June 25, 2018). Notwithstanding, Independent Director Chun-Yen Chang was discharged from the position after being deceased on October 12, 2018. Therefore, one vacant position for the independent director will be reelected at the 2019 general shareholders' meeting.
- Note 8:** The shareholding is calculated based on the quantity of shares less the treasury stock.

1. Major Shareholder of Institutional Shareholders:

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Sino-American Silicon Products Inc.	Cathay Life Insurance (4.16%), Hong-Wang Investment Company (4.12%), United Renewable Energy Co., Ltd. (3.73%), HSBC Taiwan in custody for Morgan Stanley & Co. International Limited Investment Account (2.38%), HSBC in custody for Merrill Lynch Investment Account (2.35%), Wei-Lian Technology Co., Ltd. (2.24%), Nan Shan Life Insurance Company, Ltd. (1.96%), Hong-Mao Investment Co., Ltd. (1.78%), Ming-Kuang Lu (1.71%), CitiBank in custody for Norges Bank Investment Account (1.44%).

2. Major Shareholder(s) to The Company Listed in The Right Hand Column of The Above Table

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Hong-Wang Investment Company	Wei-Lian Technology Co., Ltd. (39.02%), GlobalWafers (30.98%), Actron Technology Corporation (30.00%)
United Renewable Energy Co., Ltd.	National Development Fund (6.64%), Yaohua Glass Co., Ltd. Management Committee (6.64%), Delta Electronics Inc. (5.85%), JPMorgan Chase Bank N.A. Taipei Branch in custody for J.P. Morgan Securities Co., Ltd. Investment Account (1.47%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.32%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds (1.09%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank Investment Account (1.09%), Fubon Life Assurance Co., Ltd. (0.91%), Citibank in custody for DFA Emerging Market Core Securities Investment Account (0.89%).
Wei Lian Technology Co., Ltd.	Hong- Mao Investment Co., Ltd. (36.94%)
Hong Mao Investment Co., Ltd.	Chinese Christian Faith and Love Foundation (19.90%), Cross-Strait Taiwan Faith Hope & Love Foundation for Education (19.90%), Charitable Trust Social Welfare Fund (19.90%), VIA Faith and Love Charity Foundation (19.90%)

(3) Director and supervisor information

Name	Condition (Note 1)	Meet one of the following professional qualification requirements, together with at least five years work experience			Compliance with independence criteria (Note 2)										Selected current positions/number of other public companies concurrently serving as an independent director
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the company in a public or private junior college, College or University	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	
Directors															
Hsiu-Lan Hsu			✓				✓	✓		✓	✓	✓	✓	✓	NA
Sino-American Silicon Products Inc Representative: Ming-Kuang Lu			✓			✓	✓		✓	✓	✓	✓	✓	✓	NA
Sino-American Silicon Products Inc Representative: Tan-Liang Yao			✓			✓	✓		✓	✓	✓	✓	✓	✓	NA
Kuo-Chow Chen			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Independent Director															
Chi-Hsiung Cheng			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	NA
Cheng-Yuan Cheng	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note : A "✓" is marked in the space beneath a condition number when a director or supervisor has met that condition during the two years prior to election and during his or her period of service; the conditions are as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company.
- (7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not a spouse or relative within the second degree of kinship of any other director of the Company.
- (9) Not a person of any conditions defined in Article 30 of the Company Act.
- (10) Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

(2) Information on the Company's President, Vice President, Assistant Vice President, and the supervisors of all the Company's Divisions and Branch Units as follows:

April 27, 2019 Unit: share; %

Title (Note 1)	Nationality	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications (Note 2)	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
CEO	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	Oct. 1, 2011	847,879	0.19%	—	—	—	—	- M.S. in computer science from University of Illinois - Vice president of Sino-American Silicon Products Inc	Note1	RD VP	Wen-Ching Hsu	Sibling
President	USA	Mark Lynn England	Male	Oct. 1, 2014	—	—	—	—	—	—	- University of Texas, Austin, Texas, BBA, Engineering Management - GlobalWafers Co., Ltd. V.P., Sales & Marketing - Texas Instruments Manager, Product Engineering	Note 2	N/A	N/A	N/A
R&D Vice President Manufacturing Vice President	Taiwan R.O.C.	Wen-Ching Hsu	Male	Sep. 2, 2014	17,778	0.00%	—	—	—	—	- Ph. D, Institute of NanoEngineering and MicroSystems of National Tsing Hua University - Researcher of Industrial Technology Research Institute of Taiwan - R&D vice president of Sino-American Silicon Products Inc.	N/A	CEO	Hsiu-Lan Hsu	Sibling
Logistics Vice President	Taiwan R.O.C.	Wei-Wen Chen	Male	Sep. 2, 2014	60,700	0.01%	132,000	0.03%	—	—	- Master in finance and economics from National Taiwan University - Master in finance and economics in engineering from Cornell University. - Assistant vice president at the Asia-pacific Logistics Chain Department of NXP Semiconductors	Note 3	N/A	N/A	N/A
Sales & Marketing Vice President	Taiwan R.O.C.	Sheng-Hsiung Hung	Male	Mar. 19, 2015	—	—	—	—	—	—	- Master in engineering from Boston University. - Vice president of Sales & RD in Kunshan Sino Silicon Technology Co., Ltd.	Note 4	N/A	N/A	N/A
Procurement Vice President	Taiwan R.O.C.	Ching-Wen Chou	Female	Jul. 1, 2016	28,150	0.01%	—	—	—	—	- Master degree in Business Administration, University of Long Island, USA - Procurement manager of Wistron NeWeb Corp - Project manager of Symbol Technologies	N/A	N/A	N/A	N/A
Corporate Development Vice President	Taiwan R.O.C.	Chung-Wei Lee	Male	Mar. 21, 2017	—	—	—	—	—	—	- Bachelor in Business Management, Master Business Administration, Meiji University - Vice CEO/President of Covalent Materials Taiwan - Assistant Director, Mitsui & Co. (Taiwan), Ltd.	Note 5	N/A	N/A	N/A
Sales & Marketing Assistant Director	Taiwan R.O.C.	Tien-Wen Yu	Male	Mar. 20, 2018	10,510	0.00%	—	—	—	—	- Bachelor in Business Administration, National Taipei University of Business - Vice director of Sales & Marketing in Sino-American Silicon Products Inc.	N/A	N/A	N/A	N/A
CFO	Taiwan R.O.C.	Ming-Huei Chien	Male	Sep. 2, 2014	22,730	0.01%	—	—	—	—	- Master in Business Administration from National Taipei University - Manager at Administration Department of JihSun International Commercial Bank - Manager of finance at Sunrise Global Solar Energy Co., Ltd.	Note 6	N/A	N/A	N/A
Accounting Manager	Taiwan R.O.C.	Yu-Ting Lo	Female	Mar. 23, 2018	—	—	—	—	—	—	- Department of Accountancy, National Cheng Kung University - Audit Manager, KPMG - Assistant Manager of Accounting in LITE-ON Technology Corporation - Assistant Manager of Accounting in Sunplus Technology Co., Ltd.	N/A	N/A	N/A	N/A

Note 1: CEO of GlobalWafers (concurrent), Director & President of Sino-American Silicon, Director of Crystalwise, Director of GlobalWafers Inc., Director of GlobalSemiconductor, Chairperson & CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of Shanghai Growfast, Chairperson of Topsil GlobalWafers A/S, The legal chairperson of board of director representative of Taisil Electronic Materials Corp., Director of GWafers Singapore Pte. Ltd., Director of GlobalWafers Singapore Pte. Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, The legal board of director representative SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd., The legal supervisor representative of Sunrise PV One Co., Ltd., The legal supervisor representative of Sunrise PV Six Co., Ltd. The legal supervisor representative of Sunrise PV Seven Co., Ltd., The legal supervisor representative of Sunrise PV Seven Co., Ltd., The legal supervisor representative of Sunrise PV Electric Power Three, The legal supervisor representative of Sunrise PV Electric Power Four, The legal board of director representative of Sunrise PV World Co., The legal board of director representative of Sunrise PV Two Co., Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., The legal board of director representative of Sunrise PV Four Co., Ltd., The legal board of director representative of Sunrise PV Electric Power Two, The legal chairperson representative of Taiwan Speciality Chemicals Corporation

Note 2: Concurrently Director and President of GlobiTech Incorporated, Director and President of MEMC LLC, Director of GlobalWafers Singapore Pte. Ltd., Director of Taisil Electronic Materials Corp., Director of MEMC Korea Company.

Note 3: Concurrently Supervisor of GlobalWafers Japan Co., Ltd., Supervisor of MEMC Japan Limited, Supervisor of Kunshan Sino Silicon Technology Co., Ltd., Supervisor of Shanghai GrowFast, Director of Topsil GlobalWafers A/S, Independent Director of High Power Lighting Corp.

Note 4: Concurrently Director of Kunshan Sino Silicon Technology Co., Ltd., President of Shanghai GrowFast, Director and President of SunEdison Semiconductor Technology (Shanghai) Ltd.

Note 5: Vice President of Corporate Development of Sino-American Silicon (concurrent), Legal supervisor representative of Sunrise PV Electric Power Two.

Note 6: Director of Kunshan Sino Silicon Technology Co., Ltd. (concurrent), Director of MEMC Electronic Materials S.p.A., Director of MEMC Holding B.V., Supervisor of Taisil Electronic Materials Corp., The legal board of director representative of of Hon-Wan Investment, Supervisor of Cathy Sunrise Corporation, The legal supervisor representative of Sunrise PV Two Co., Ltd., The legal supervisor representative of Sunrise PV Three Co., Ltd., The legal supervisor representative of Sunrise PV Four Co., Ltd., The legal supervisor representative of Sunrise PV Five Co., Ltd., Supervisor of Taiwan Speciality Chemicals Corporation

Note 7: The shareholding is calculated based on the quantity of shares less the treasury stock.

(3) Compensation Paid to CEO, President and Vice Presidents

1. Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2018 Unit: NTD\$ 1,000

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees						Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements			The company	Companies in the consolidated financial statements
Director	Hsiu-Lan Hsu	2,040	2,040	0	0	50,060	53,467	210	210	0.38%	0.41%	3,452	3,452	0	0	50,000	0	50,000	0	0.78%	0.80%	NA
Director	Sino-American Silicon Products Inc Representative: Ming-Kuang Lu																					
Director	Sino-American Silicon Products Inc Representative: Tan-Liang Yao																					
Director	Kuo-Chow Chen																					
Independent Director	Chun-Yen Chang																					
Independent Director	Chi-Hsiung Cheng																					
Independent Director	Ming-Chang Chen																					
Independent Director	Cheng-Yuan Cheng																					

*Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as being consultant): NA

Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Chun-Yen Chang, Ming-Chang Chen, Cheng-Yuan Cheng	Chun-Yen Chang, Ming-Chang Chen, Cheng-Yuan Cheng	Chun-Yen Chang, Ming-Chang Chen, Cheng-Yuan Cheng	Chun-Yen Chang, Ming-Chang Chen, Cheng-Yuan Cheng
NT\$ 2,000,000 ~ NT\$ 4,999,999	Chi-Hsiung Cheng	Chi-Hsiung Cheng	Chi-Hsiung Cheng	Chi-Hsiung Cheng
NT\$ 5,000,000 ~ NT\$ 9,999,999	—	—	—	—
NT\$ 10,000,000 ~ NT\$ 14,999,999	Hsiu-Lan Hsu, Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao, Kuo-chou Chen	Hsiu-Lan Hsu, Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao, Kuo-chou Chen	Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao), Kuo-chou Chen	Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao), Kuo-chou Chen
NT\$ 15,000,0010~ NT\$ 29,999,999	—	—	—	—
NT\$ 30,000,000 ~ NT\$ 49,999,999	—	—	—	—
NT\$ 50,000,000 ~ NT\$ 99,999,999	—	—	Hsiu-Lan Hsu	Hsiu-Lan Hsu
Over NT\$ 100,000,000	—	—	—	—
Total	8	8	8	8

(2) Remuneration Paid to CEO, President and Vice Presidents

Date: December 31, 2018 Unit: NT\$1,000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Hsiu-Lan Hsu	17,996	25,525	432	432	2,196	2,196	84,500	0	84,500	0	0.77%	0.83%	NA
President	Mark Lynn England													
Vice President	Wen-Ching Hsu													
Vice President	Wei-Wen Chen													
Vice President	Sheng-Hsiung Hung													
Vice President	Ching-Wen Chou													
Vice President	Chung-Wei Lee													

Remuneration Paid to Directors

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Chung-Wei Lee	Chung-Wei Lee
NT\$ 2,000,000 ~ NT\$ 4,999,999	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	Wei-Wen Chen/Sheng-Hsiung Hong	Wei-wen Chen/Sheng-Hsiung Hong
NT\$ 10,000,000 ~ NT\$ 14,999,999	Mark Lynn England, Wen-Ching Hsu/Ching-Wen Chou	Wen-Ching Hsu/Ching-Wen Chou
NT\$ 15,000,000 ~ NT\$ 29,999,999	—	Mark Lynn England
NT\$ 30,000,000 ~ NT\$ 49,999,999	—	—
NT\$ 50,000,000 ~ NT\$ 99,999,999	Hsiu-Lan Hsu	Hsiu-Lan Hsu
Over NT\$ 100,000,000	—	—
Total	7	7

(3) Employee Profit Sharing Granted to Management Team

Date: December 31, 2018 Unit: NT\$ 1,000

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Management Team	Chairperson	Hsiu-Lan Hsu	—	91,500	91,500	0.67%
	President	Mark Lynn England				
	Vice President	Wen-Ching Hsu				
	Vice President	Wei-Wen Chen				
	Vice President	Sheng-Hsiung Hung				
	Vice President	Ching-Wen Chou				
	Vice President	Chung-Wei Lee				
	Sales Assistant VP	Tien-wen Yu				
	Finance Manager	Ming-Hui Chien				
	Accounting Manager	Yu-Ting Lo				

(IV) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, president, and vice presidents, and the respective proportion of such remuneration to the income after tax referred to in the entity or standalone financial statements, as well as the policies, standards, and packages by which it was paid, the procedures through which the remuneration was determined, and its association with business performance and future risks:

1. Analysis on the proportion of amount of remuneration paid in the last 2 years to the Company's directors, supervisors, president, and vice presidents to the income after tax

Unit: NT\$ 1,000; %

Title	2018 Proportion of remuneration to income after tax (%)		2017 Proportion of remuneration to income after tax (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	0.38%	0.41%	0.33%	0.38%
President and Vice President	0.77%	0.83%	1.28%	1.40%

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance:

(1) Remuneration to the directors is proceeded in accordance with Articles of Incorporation and approved by the Board Meeting. Remuneration of president and vice presidents including salary, bonus and profit sharing plan are decided by his/her position, responsibility, and contribution with consideration of common level of the same trade concerned. The procedure of remuneration appropriation is determined based on Articles of Incorporation and internal delegation process. Remuneration appropriated to directors, president and vice presidents is taken consideration with positive correlation with the performance of the Company's business and future operation risk, so as to achieve the balance between sustainable management and risk control.

(2) Procedures of Remuneration

Remuneration to the directors is performed in accordance with Articles of Incorporation:

If the Company has surplus at the end of each fiscal year, 3~15% of the profit shall be appropriated for the employees' remuneration and no more than 3% shall be appropriated for directors' remuneration.

Also, execution fee is transportation expenses of each board of directors meeting, remuneration to presidents and vice president are in accordance with operation performance set in forth in Year Plan, its distribution is proceeded according to Procedure of Performance Evaluation and Procedure of Employee Stock Option.

The Company established Remuneration Committee on 2014/09/02, which periodically examines performance of directors and managers, as well as remuneration policy, system, standard and structure. Report if above-mentioned will be reported in the Board of Directors.

(3) Connection between operation performance and future risk

Performance evaluation and remuneration of directors and managers are measured based on market average, monetary amount, distribution method and future risk of the company. It has a positive correlation with the performance and responsibility of the company's business.

III. Implementation of Corporate Governance

(I) Attendance of Directors for Board Meetings

The Board held 7 meetings (including 2 meetings of the Board of 3rd term (January 19, 2015~June 24, 2018), and 5 meetings of the Board of 4th term (June 25, 2018~June 24, 2021)) in 2018. The attendance of directors is summarized as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairperson	Hsiu-Lan Hsu	7	0	100%	Reelected on June 25, 2018
Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	7	0	100%	Reelected on June 25, 2018
Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao	6	1	86%	Reelected on June 25, 2018
Director	Kuo-Chow Chen	7	0	100%	Reelected on June 25, 2018
Independent Director	Chi-Hsiung Cheng	7	0	100%	Reelected on June 25, 2018
Independent Director	Chun-Yen Chang	2	3	40%	Discharged on October 12, 2018
Independent Director	Ming-Chang Chen	1	1	50%	Resigned on June 25, 2018
Independent Director	Cheng-Yuan Cheng	5	0	100%	Newly elected on June 25, 2018

Note: Independent Director Chun-Yen Chang was reelected as the director on June 25, 2018. Notwithstanding, he was discharged from the position after being deceased on October 12, 2018.

Other items to be stated:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:
 - (1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee.
 - (2) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.
- II. In instances where an independent director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts:
 1. After the general shareholders' meeting elected the new directors on June 25, 2018, the Company held the Board meeting to discuss about the appointment of the 3rd term Remuneration Committee members. Considering that the independent directors, Chi-Hsiung Cheng, Chun-Yen Chang and Cheng-Yuan Cheng, were the candidates for the Remuneration Committee member, three of them recused themselves from discussion and voting on the motion for the conflict of interest.
- III. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. Appoint independent directors and establish the Audit Committee to strengthen professional directors' independent functions to supervise the operation of the Board of Directors: The Company held the special shareholders' meeting on January 19, 2015 to reelect directors and also elect 3 independent directors. At the same time, the Company established the Audit Committee to replace supervisors.
2. The Company established the Remuneration Committee to assist the Board of Directors in executing and evaluating the Company's entire remuneration and welfare systems, and reviewing whether the remuneration to directors and managerial officers is adequate periodically.
3. Continue to upgrade the information transparency: The Company designates dedicated personnel to handle the disclosure of the Company's information and update the information on the Company's website, and sets up the investors section to provide business information, and the stakeholders section to provide the stakeholders with multiple unblocked and valid communication channels.
4. Upgrade the competence and professional knowledge of Board of Directors: The Company has established the "Parliamentary Rules for Board of Directors Meetings" to strengthen the competence of the Board of Directors. Meanwhile, the Company encourages the Board members to attend various professional courses and promotes related laws & regulations at the Board meetings to upgrade the Board's ability to make decision and satisfy related laws and regulations.
5. Appoint the Corporate Governance Officer to help directors perform duties and upgrade the performance of the Board of Directors: The Company passed the motion for appointment of Corporate Governance Officer at the Board Meeting on May 7, 2019. The corporate governance officer shall be responsible for dealing with the requirements by directors in a manner which may help the directors perform their duties timely and effectively, so as to enhance the Company's support to directors sand also strengthen the Company's compliance with corporate governance-related laws and regulations.

(II) Operations of Audit Committee or Supervisors' attendance to the Board meetings

1. Operations of Audit Committee:

The Company established the Audit Committee to replace supervisors on January 19, 2015. The Audit Committee held 6 meetings (including 2 meetings of the Committee of 1st term (January 19, 2015~June 24, 2018), and 4 meetings of the Committee of 2nd term (June 25, 2018~June 24, 2021)) in 2018. The attendance of independent directors is summarized as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chi-Hsiung Cheng	6	0	100%	Reelected on June 25, 2018
Independent Director	Chun-Yen Chang	2	2	50%	Discharged on October 12, 2018
Independent Director	Ming-Chang Chen	1	1	50%	Resigned on June 25, 2018
Independent Director	Cheng-Yuan Cheng	4	0	100%	Newly elected on June 25, 2018

Note: Independent Director Chun-Yen Chang was reelected as the director on June 25, 2018. Notwithstanding, he was discharged from the position after being deceased on October 12, 2018.

Formation and operations of Audit Committee:

The Company's Audit Committee consists of 3 independent directors, and operates primarily in order to supervise the following matters:

- (1) Adequate expressions in the Company's financial statements.
- (2) Selection (dismissal) of the external auditor and his competence, qualification, independence and performance.
- (3) Effective implementation of the Company's internal control.
- (4) The Company's compliance with related laws and rules.
- (5) Control over the Company's existing or potential risks.

Other items to be stated:

- I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, resolution of the Audit Committee and the Company's handling of said resolution:
 - (1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:
All of the motions have been approved by all members present at the Committee meetings and then by all directors present at the Board meetings in 2018. The motions are stated as following (annual operations of the Audit Committee).
 - (2) Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.
- II. In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts: None.
- III. Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):
 - (I) Communication between independent directors and internal auditing officers, as well as external auditors
 1. The Company's internal auditing officers communicate with the Audit Committee members for the audit report result and their follow-up report periodically.
 2. The Company's external auditors report to independent directors the result of their audit or review on the financial statements of the Company and its subsidiaries, as well as other matters to be communicated as required by laws, at the Audit Committee meetings each quarter.
 - (II) The summary of the communication between independent directors and internal auditing officers in 2018

Date	Focus of communication	Suggestions & results
March 20, 2018 Audit Committee	2017 Internal audit report 2017 Statement of Declaration on Internal Control System	No objection.
May 8, 2018 Audit Committee	Internal audit report of Q1 2018	No objection.
August 7, 2018 Audit Committee	Internal audit report of Q2 2018	No objection.
October 30, 2018 Audit Committee	Internal audit report of Q3 2018 2019 Internal audit plan	No objection.

(III) The summary of the communication between independent directors and external auditors in 2018

Date	Focus of communication	Suggestions & results
March 20, 2018 Audit Committee	Report on the result of audit on 2017 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.
May 8, 2018 Audit Committee	Report on the result of audit on Q1 2018 consolidated and standalone financial statements, and review;	No objection.

	communication about the effects of applying accounting principles and amendments of laws & regulations.	
August 7, 2018 Audit Committee	Report on the result of audit on Q2 2018 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.
October 30, 2018 Audit Committee	Report on the result of audit on Q3 2018 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.

IV. Summarization of the annual major tasks of Audit Committee:

The Audit Committee held a total of 6 meetings in 2018 to review the following motions:

1. Review on financial statements and accounting policies & procedures:
Review on 2017 financial statements and financial statements of Q1~Q3 2018; review on the plan for implementation of IFRS No. 16 "Lease".
2. Appraisal on internal control system and validity thereof:
Review on internal audit report and validity of 2017 internal control system;
3. Amendments to the procedures for acquisition or disposition of assets, derivatives trading, loaning of fund to others, endorsements or guarantees for others;
4. Transactions of substantial assets, derivatives, loaning of fund and endorsements or guarantees;
5. Appointment (dismissal), remuneration, competence, independence and performance of external auditors:
Review on the competence, independence and performance of external auditors in 2017;
6. Appointment/dismissal of financial, accounting or internal audit managers;
7. Review on implementation and execution of the Company's 1st treasury stock.

V. Annual operations of Audit Committee:

Board of Directors Term/Date	Contents of Motion	Circumstances referred to in Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and the Company's handling of said resolution
3rd term 31st March 20, 2018	1. Motion for the Company's 2017 business report and financial statements.	V	Approved by all members present at the Audit Committee meeting and passed by all directors present at the Board meeting.
	2. Motion for the Company's 2017 distribution of earnings.	V	
	3. Motion for report on the Company's "Plan for Implementation of IFRS No. 16 "Lease"".	V	
	4. Motion for amendments to the Company's "Operating Procedure for Acquisition or Disposition of Assets".	V	
	5. Motion for report on Internal audit report.	V	
	6. Motion for 2017 "Statement of Declaration on Internal Control System".	V	
	7. Motion for assessment report on independence and performance of the Company's external auditors.	V	
	8. Motion for transfer of the Company's accounting manager.	V	
	9. Motion for report on undertaking of derivatives trading.	V	
3rd term 32nd May 8, 2018	1. Motion for the Company's consolidated financial statements of Q1 2018.	V	
	2. Motion for report on Internal audit report.	V	
	3. Motion for report on undertaking of derivatives trading.	V	
	4. Motion for report on the progress of the Company's "Plan for	V	

	Implementation of IFRS No. 16 "Lease".		
	5. Motion for the tenancy agreement between the Company and Sino-American Silicon Products Inc., Zhunan Branch.	V	
4th term 2nd August 7, 2018	1. Motion for the Company's consolidated financial statements of Q2 2018.	V	
	2. Motion for report on Internal audit report.	V	
	3. Motion for report on undertaking of derivatives trading.	V	
	4. Motion for report on the progress of the Company's "Plan for Implementation of IFRS No. 16 "Lease".	V	
	5. Motion for equity investment	V	
	6. Motion for the Company's issuance of LOS intended to apply for credit facility with the bank for the subsidiary.	V	
	7. Motion for the Company's issuance of LOS intended to apply for consolidated credit facility and limit of risk over foreign exchange & derivatives trading with the bank for the subsidiary.	V	
	8. Motion for the Company's acting as a guarantor in the application of the subsidiary, Topsil GlobalWafers A/S, for credit facility with the bank.	V	
4th term 3rd October 5, 2018	1. Motion for report on undertaking of derivatives trading.	V	
	2. Motion for the investment in important factory premises and equipment of the subsidiary, MEMC Korea Company.	V	
4th term 4th October 30, 2018	1. Motion for the Company's consolidated financial statements of Q3 2018.	V	
	2. Motion for report on Internal audit report.	V	
	3. Motion for report on the progress of the Company's "Plan for Implementation of IFRS No. 16 "Lease".		
	4. 2019 Internal audit plan		
	5. Motion for the Company's issuance of LOS intended to apply for credit facility with the bank for the subsidiary, GlobalWafers Japan Co.,Ltd..	V	
	6. Motion for equity investment	V	
	7. Motion for buyback of the Company's stock.	V	
4th term 5th December 12, 2018	1. Motion for amendments to the Company's 2019 business plan.	V	
	2. Motion for amendments to the Company's "2018 Regulations Governing Transfer of Bought-back Transfers to Employees".	V	

(III) Corporate Governance Execution Status and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”:

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
I. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles by following the principles of corporate governance.	No significant difference
II. Shareholding structure & shareholders’ rights				No significant difference
(I) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(I) The Company entrusts Shareholders Service Dept. of Yuanta Securities Co., Ltd. to handle the problems posed by shareholders on behalf of it, and also establishes the spokesman system to deal with related matters, as well as the page on the website dedicated to accepting any questions or suggestions.	
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(II) The Company controls the status of directors, managerial officers, and major shareholders holding more than 10% shareholding. The Company discloses the relevant information on the MOPS designated by Securities and Futures Bureau on a monthly basis.	
(III) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(III) The Company’s internal control covers the corporate risk management activities and operating activities. The Company establishes the “Regulations Governing Supervision on Subsidiaries of GlobalWafers” to fulfill the risk control mechanism against subsidiaries. Meanwhile, the Company also establishes the “Regulations Governing Management of Investment” and “Operating Procedure for Transactions of Group Members and Specific Companies with Related Parties” to govern the purchases/sales, acquisition or disposition of assets, endorsements/guarantees and loaning of fund by the affiliates.	
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company establishes the “Operating Procedure for Prevention of Insider Trading” to prohibit insiders from	

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			trading securities based on non-public information.	
<p>III. Formation and responsibilities of Board of Directors</p> <p>(I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Whether the Company, in addition to establishing the Remuneration Committee and Audit Committee, pursuant to laws, is willing to establish any other functional committees voluntarily?</p> <p>(III) Whether the Company has defined the regulations governing appraisal on performance of the Board of Directors and the approach to conduct the appraisal, and whether it conducts the performance appraisal periodically each year?</p> <p>(IV) Whether the Company assesses the independence of the external auditor periodically?</p>	V V V V		<p>(1) The Company's "Corporate Governance Best-Practice Principles" has expressly defined the formation of the Board members and ability to be held by the members. The Company has also established the diversified policy for the Board members. The Company's 4th-term Board of Directors consists of 7 directors, including 3 independent directors. Apparently, the formation thereof has taken the diversification into consideration. They include one female director, and also hold abundant educational backgrounds and experience in business administration, professional technology, business and finance, namely the knowledge, skills and literacy required by their job duties.</p> <p>Among the Company's existing 6 directors, the directors who are also employees account for 17%, independent directors 33%, and female directors 17%. 2 independent directors shall hold the position for less than 3 years and 3~6 years, respectively. 3 directors attain the age less than 60 years old, 1 director attains the age of 60~69 years old, and 2 directors attain the age of more than 70 years old. The Company values the Board members' industrial experiences. One director who holds the experience and technical ability in the semi-conductor industry is expected to be elected through by-election at the 2019 general shareholders' meeting, in response to the need for the Company's development. Further, the Company also values the proportion of the Board members' genders. The Company aims to elect at least one female director, and for the time being, the Company has one female director, accounting for 17% of the whole directors. In the future, the Company will strive to increase female directors. The diversified policies applicable to the Company's Board members and status of diversification of the individual Board member are disclosed on the Company's</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>website.</p> <p>(II) The Articles of Incorporation expressly state that the Company may establish functional committees subordinated to the Board of Directors. Establishment and functions of the related committees shall comply with the regulations established by the competent authority. The functional committees which the Company have established are stated as following: The Remuneration Committee established in 2014 consists of 3 independent directors. The Audit Committee established in 2015 consists of 3 independent directors. The Corporate Sustainability Committee established in 2017 consists of the management team, and Chairperson acts as the Committee Chairperson responsible for reporting the status and results to the Board of Directors periodically.</p> <p>(III) The Company has established the "Regulations Governing Performance Appraisal on Board of Directors and Functional Committees". At the end of each year, according to the overall planning of President's Office, the performance appraisal on the entire Board of directors, individual Board member and functional committees (including Audit Committee and Remuneration Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of Directors and served as the reference for election or nomination of directors and also the suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company's operations, upgrading of the decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control, et al.. The Company has completed the 2018 performance appraisal on the Board of Directors and functional committees. The appraisal report was already</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>reported to the Board meeting on March 19, 2019 and disclosed on the Company's website.</p> <p>(IV) The Company has established the "Regulations Governing Appraisal on Independence and Performance External Auditors". The Company will assess the external auditors' independence, competence and performance each year, and submit the assessment report to the Audit Committee and Board of Directors for approval. The Company has completed the 2018 appraisal on independence and performance of external auditors. The appraisal report was already reported to the Audit Committee meeting on March 14, 2019 and approved by the Board meeting on March 19, 2019.</p> <p>The scope of appraisal on independence covers the 15 indicators, including whether the external auditors hold the position as directors/supervisor or managerial officers of customers, or any other positions which may render material effect to the audited cases, whether the external auditors have direct or indirect material financial interest with the Company, whether the external auditors have significant business relations and employment relations with the Company, and whether the external auditors promote, or act as the broker for, the stock or other securities issued by the Company. The performance indicators include service quality, level of profession and timeliness.</p>	
IV. Where the Company is a TWSE/TPEX listed company, has the Company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholders' meetings under laws, company registration and registration of changes, preparation of board meeting and shareholders' meeting minutes, etc)?	V		The Company resolved at the Board meeting on May 7, 2019 that the Company's financial manager, Director Ming-Huei Chien, should hold the position as the Company's corporate governance officer concurrently (who has the experience in the management of finance, shareholders' service and parliamentary procedures for TWSE/TPEX-listed companies for more than three years), responsible for leading and guiding the President's Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include:	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<ol style="list-style-type: none"> 1. Convention of the Board meetings and shareholders' meetings under laws. 2. Preparation of the Board meeting and shareholders' meeting minutes. 3. Helping directors with their duties and continuing education. 4. Providing directors with the information needed to perform their duties. 5. Helping directors comply with laws. 6. Other requirements under the Articles of Incorporation. <p>The status of business executed by the corporate governance officer this year:</p> <ol style="list-style-type: none"> 1. Set and plan the review on the corporate governance-related regulations, and add and amend the same to fulfill the compliance. 2. Provide the directors with the information needed to perform their duties, and help the directors with their compliance. 3. Help the new directors with their duties and provide related support. 4. Arrange the continuing education courses for individual directors (each director shall attend the training for at least 6 hours each year, provided that each new director shall attend the training for at least 12 years in then year). 5. Plan each Board meetings, notify all directors at least within 7 days prior to the meetings, provide sufficient parliamentary information, and send the Board meeting minutes within 20 days after the meetings. 6. Pre-register the shareholders' meetings pursuant to laws, produce the meeting notices, parliamentary handbook, annual reports and meeting minutes, and complete registration of changes (amendments to the Articles of Incorporation, and election of directors). <p>Since the corporate governance officer refers to a new position, the officer shall complete the continuing education courses for 18 hours within one year after he holds the</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof								
	Yes	No	Abstract Explanation									
			<p>position pursuant to laws. Status of the continuing education courses attended by the corporate governance officer until the date of publication of the annual report:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Organizer</th> <th>Name of Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2019/05/09</td> <td>Taiwan Corporation Governance Association</td> <td>The impact of recent regulation amendments on decisions of the board.</td> <td>3.0</td> </tr> </tbody> </table>	Training Date	Organizer	Name of Course	Training Hours	2019/05/09	Taiwan Corporation Governance Association	The impact of recent regulation amendments on decisions of the board.	3.0	
Training Date	Organizer	Name of Course	Training Hours									
2019/05/09	Taiwan Corporation Governance Association	The impact of recent regulation amendments on decisions of the board.	3.0									
V. Whether the Company has established a communication channel for the stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?	V		The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company's website as the contact for various stakeholders. The dedicated personnel will be responsible for answering related questions. The Company also disclosed in its CSR report how to identify various stakeholders (including employees, customers, investors, suppliers, government entities and media, et al.), and the communication channels between the Company and various stakeholders, method of response, frequency of communication, and their concerns. The related information will be reported in the annual report of the "Corporate Sustainability Committee" to be submitted to the Board of Directors each year.	No significant difference								
VI. Whether the Company has commissioned a professional shareholders service agent to handle shareholders service affairs?	V		The Company entrusts Yuanta Securities Co., Ltd. to act as the Company's shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference								
VII. Information disclosure (I) Whether the Company has established a website that discloses financial, business, and corporate governance-related information? (II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information,	V V		<p>(I) The Company has set up the website dedicated to providing financial, business, and corporate governance-related information.</p> <p>(II) The Company has set up an English website and designated dedicated personnel to collect and disclose the Company's information. Since the Company was listed on TWSE, it has completed the publication and regulatory filing of the relevant</p>	No significant difference								

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website, et al.)?			information pursuant to the requirements by the competent authority and related laws. The shareholders may access and learn the Company's information and important messages (including the information about meetings with institutional investors) on the MOPS or the Company's website. The Company does practice the spokesman and deputy spokesman systems.	
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)?	V		<p>(I) Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees' legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems.</p> <p>(II) Investor relations: Disclose the information sufficiently via the MOPS and the Company's website to enable the investors to understand the Company's overview of operation, and communicate with investors via the shareholders' meeting and spokesman.</p> <p>(III) Supplier relations: The Company maintains fair interactive relations with the suppliers, and conducts audits from time to time to ensure the suppliers' quality.</p> <p>(IV) Stakeholders' interests: The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company's website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the legal interests and rights deserved by them.</p> <p>(V) Continuing education of directors: All of the Company's directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required.</p> <p>(VI) Implementation of risk management policies and risk</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>measurements: The Company is used to managing the risk stably, and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time.</p> <p>(VII) Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company.</p> <p>(VIII) Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders' equity, and disclosed the relevant information in the corporate governance section on the MOPS.</p>	
<p>IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies: According to the Corporate Governance Evaluation of 5th term, the Company ranked at Top 5% among TPEX-listed companies. The corrections and remaining deficiencies are stated as following:</p> <p>(I) Corrections</p> <ol style="list-style-type: none"> 1. The Articles of Incorporation has required that the election of directors shall adopt the nomination system. 2. The Company's website discloses the annual reports (including financial statements and notes thereto) in English. 3. The Company prepares the CSR report to disclose the Company's non-financial information. The report was already certified by a third party. <p>(II) Remaining deficiencies</p> <ol style="list-style-type: none"> 1. To disclose the annual reports in English language prior to a shareholders' meeting. 2. To disclose the annual financial reports (including financial statements and notes thereto) in English prior to a shareholders' meeting. 				

(4) Operation of Remuneration Committee

1. Member Information

Title	Condition	If independent directors equip with over 5 years of working experience and below qualifications			Independence (Note 1)								Concurrently serving in remuneration committee of other listed companies (Counting in company)	Remark (Note 2)	
		Owning qualification of national/private college instructor or above of commence, law, finance or corporal operation-related professions	Certified technicians or judge, prosecutor, lawyer, CPA or corporal operation-related national certifications	Experienced in commence, law, finance, accounting or other corporal operation-related business	1	2	3	4	5	6	7	8			
Independent Director	Chi-Hsiung Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Yes
Independent Director	Cheng-Yuan Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	Yes
Other	Kwang-Leei Young			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Yes

Note 1: A "✓" is marked in the space beneath a condition number when a member has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or any of the Company's affiliates.
- (2) Not a director or a supervisor of the Company or any of its affiliates, unless the person is an independent director appointed by the Company, its parent company, or a subsidiary pursuant to the Act or the local laws and regulation.
- (3) Not a director or his or her spouse or minor child holding, in his or her own name or in another person's name, more than 1% of the Company's total outstanding shares, nor is he or she one of the Company's ten largest natural person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of a person listed in the preceding three subparagraphs.
- (5) Not the director, supervisor, or employee of a corporate shareholder directly holding more than 5% of the Company's total outstanding shares, nor is the director, supervisor, or employee of one of the five largest corporate shareholders in terms of shareholdings.
- (6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares, of a certain company or organization that has a financial or business relationship with the Company.
- (7) Not a professional, proprietor, partner, company or the owner, partner, director, supervisor or manager of the professional consulting entities providing services or consultation in business, law, finance, accounting and other for the Company or its affiliates, and spouse thereof.
- (8) Not a person satisfying any of the conditions specified in Article 30 of the Company Act.

Note 2: If the member is a director, please specify whether he/she satisfies Paragraph 5 of Article 6 of the "Regulations on the Establishment of Remuneration Committees by TWSE/TPEX Listed Companies and their Exercise of Powers".

2. Duties of Remuneration Committee:

The Committee shall perform the following duties loyally with due diligence as a good administrator, and submit its suggestions to the Board of Directors for discussion.

- (1) Periodically review the performance appraisal on the Company's directors and managers, and remuneration policy, system, standard and structure.
- (2) Periodically evaluate and review the contents and amount of the Company's remuneration to directors and managerial officers.

3. Operations of Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Term of office: From June 25, 2018 to June 24, 2021; the Committee has held 3 meetings in 2018 (including 2 meetings of the Remuneration Committee of 2nd term (January 19,

2015~June 24, 2018), and 1 meeting of the Remuneration Committee of 3rd term (June 25, 2018~June 24, 2021)), and the Committee members' qualification and attendance of the members are summarized as follows:

Title	Name	Attendance in Person	Attendance In Proxy	Attendance Rate in Person (%)	Remark
Convener	Chi-Hsiung Cheng	3	0	100%	Reelected on June 25, 2018
Committee member	Chun-Yen Chang	2	0	100%	Discharged on October 12, 2018
Committee member	Ming-Chang Chen	1	1	50%	Resigned on June 25, 2018
Committee member	Cheng-Yuan Cheng	1	0	100%	Newly elected on June 25, 2018
Committee member	Kwang-Leei Young	0	0	N/A.	Newly elected on December 11, 2018

Note: Member Chun-Yen Chang was reelected as the director on June 25, 2018. Notwithstanding, he was discharged from the position after being deceased on October 12, 2018.

Other items to be stated:

1. If the Board of Directors does not adopt, or amends the Remuneration Committee's suggestions, please specify the meeting date and term, contents of motion, resolution of the Board meeting, and the Company's handling of the Remuneration Committee's opinions (if the remuneration approved by the Board of Directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reason): None.
2. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or qualified opinions on the record or in writing, please specify the meeting date and term, contents of motion, opinions of all members, and the Company's resolution of the members' opinions: None.
3. Operations of Remuneration Committee:

Remuneration Committee: Term/Date	Contents of Motion	Resolution	the Company's resolution of the Remuneration Committee's opinions
2nd term 12th March 20, 2018	1. Motion for allocation of 2017 remuneration to employees and directors.	Passed upon approval by the whole present directors unanimously.	Submitted to the Board meeting and passed upon approval of the whole present directors unanimously.
	2. Motion for promotion.	Passed upon approval by the whole present directors unanimously.	
2nd term 13th May 8, 2018	1. Motion for allocation of 2017 remuneration to directors.	Passed upon approval by the whole present directors unanimously.	
	2. Motion for allocation of 2017 employee	Passed upon	

	compensation to managerial officers.	approval by the whole present directors unanimously.	
3rd term 1st October 30, 2018	1. Election of the convener of the Remuneration Committee of 3rd term.	The members elected Member Chi-Hsiung Cheng among them to act as the convener and Chairperson of the 3rd-term Remuneration Committee.	
	2. Amendments to the Company's "Regulations Governing Salary and Remuneration to Managerial Officers".	Passed upon approval by the whole present directors unanimously.	

(V) Corporate Social Responsibility

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
I. Implementation of corporate governance				No significant difference
(I) Whether the Company has defined corporate social responsibility policies or systems within the Company, and reviewed the progress and effectiveness of such policies?	V		(I) The Company has established its “Corporate Social Responsibility Best-Practice Principles” to keep promoting the corporate social responsibility, energy saving and carbon reduction and green environment.	
(II) Whether the Company organizes any corporate social responsibility education and training program periodically?	V		(II) The Company arranges the educational training programs per the employees’ needs, including the courses in laws, management, communication & coordination, employment ethics, labor safety and environmental protection, each year, and also promotes the corporate social responsibility policies.	
(III) Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	V		(III) The Company has established the “Corporate Sustainability Committee”. The Chairperson acts as the Committee chairperson, and various functional organizations delegate their representatives to act as the Committee members. The Company also establishes the ESG (environment, society and corporate governance)-related policies and development strategies	
(IV) Whether the Company has defined some reasonable remuneration policy, integrated	V			

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?			and review the effect of implementation thereof to pursue improvement continuously. The Committee chairperson will report the status and performance of the implementation to the Board of Directors each year to pursue corporate sustainability and fulfill corporate social responsibility. (IV) The Company defines the reasonable remuneration policy in accordance with the Labor Standards Act and based on the level of pay adopted by peer companies, and also establishes the clear and effective reward/disciplinary system.	
<p>II. Fostering a sustainable environment</p> <p>(I) Whether the Company endeavours to upgrade the efficient use of available resources, and uses the eco-friendly materials?</p> <p>(II) Whether the Company establishes environmental policies suitable for the Company's industrial characteristics?</p> <p>(III) Whether the Company is aware of how</p>	V		<p>(I) The Company uses its best efforts to upgrade the efficient use of various available resources by recycling the waste.</p> <p>(II) The Company has passed the certification by ISO 14001:2015, ISO50001:2011, OHSAS 18001:2007 and TOSHMS/CNS 15506:2011. Meanwhile, the Company is responsible for boosting and execution of environmental protection problems, safety and health affairs for</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
climate change impacts business operations, or conducts investigation into greenhouse gases, or defines some energy saving and carbon/greenhouse gas reduction strategies?			<p>environmental management by promoting the environmental protection concept, strengthening the educational training, saving energy and reducing carbon internally, fulfilling the environmental management policies and establishing the unit dedicated to managing labor safety and health affairs.</p> <p>(III) The Company boosts various energy-saving measures subject to the effect produced by operating activities, in order to mitigate the impact posed by the Company's operation to the natural environment. In addition to strengthening the control over energy saving in the process, the Company also uses its best efforts to classify garbage and recycle resources. Meanwhile, the Company integrates the concept about energy saving and carbon reduction and greenhouse gas reduction into the core operations to seek the sustainability strategies. The Company established the energy management system (ISO 50001:2011) for the energy saving and carbon reduction and the greenhouse gas inspection (ISO 14064:2006) for greenhouse gas reduction, conducted</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof						
	Yes	No	Abstract Explanation							
			<p>the water footprint assessment (ISO 14046:2014) for reduction of water consumption and assessed the clean production. All of said operations passed the certification by a third party contracted by the Company.</p> <p>The greenhouse gas emission of the Company's factory premises in Taiwan is stated as following:</p> <p style="text-align: center;">Unit: Tons CO2e/year</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>2016</th> <th>2017</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">152,867</td> <td style="text-align: center;">156,884</td> <td style="text-align: center;">202,115</td> </tr> </tbody> </table> <p>The increase in the total greenhouse gas emission in 2018 was primarily a result of the construction of Zhunan Plant.</p> <p>The source of the Company's greenhouse gas emission is primarily the power consumption. Therefore, reduction of power consumption and upgrade of energy efficiency is the Company's first priority for the time being. By implementing the environmental management system, the Company boosts various energy saving measures, e.g. adoption of inverter control over air conditioner and cooling water at the factory premises, improvement on</p>	2016	2017	2018	152,867	156,884	202,115	
2016	2017	2018								
152,867	156,884	202,115								

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>the air conditioning system and replacement of power-saving lighting, in order to achieve the target of energy saving and carbon reduction. According to the energy management system, the Company expressly defines that the total power consumption shall be reduced y at least 1% each year. In 2018, the factory premises have saved the power totaling 4,498,596Kwh/year. Based on the power emission coefficient 0.554 in 2018, the greenhouse gas emission was estimated to reduce by 2,492,222 CO2e/degree.</p> <p>The water consumption saving policy adopts the itemized management via the facility system and production equipment, in order to upgrade the efficiency of recycling of waste water generated by the production process. In 2018, the factory premises in Taiwan have saved the water consumption by 181,052 CMD.</p>	
<p>III. Preserving public welfare</p> <p>(I) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and</p>	V		<p>(I) The Company has established working rules and comprehensive management regulations in accordance with labor-related laws and regulations, in order to</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof	
	Yes	No	Abstract Explanation		
international human rights conventions?					
(II) Whether the Company establishes any employee complaint mechanism and channel, and takes care of such complaints adequately?	V		protect the rights and interests of employees. The Company's "Regulations Governing the Appointment of Employees" has been set up with reference to the Employment Service Act and the United Nations Universal Declaration Of Human Rights (The International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Covenant on Civil and Political Rights (ICCPR)) with relevant provisions such as child labor prohibition, gender equality and prohibitions on any illegal discrimination, in order to protect human rights. The Company also conducts relevant training courses for all employees to enhance human rights awareness. The basic wage, working hours, holidays, pension payments, labor and health insurance payment, and compensation for occupational accidents for the Company's employees are in compliance with relevant provisions of the Labor Standards Act.		
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	V				
(IV) Whether the Company establishes the mechanism for periodic communication with employees, and sends notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	V				
(V) Whether the Company establishes some effective career development training plan for employees?	V				
(VI) Whether the Company establishes the related consumer protection policies and complaint	V	(II)		The Company has set up an email and employee suggestion box. It also assigned dedicated personnel in	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
<p>procedures toward the R&D, procurement, production, operation and service procedures?</p> <p>(VII) Does the company advertise and label its goods and services according to relevant regulations and international standards?</p> <p>(VIII) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?</p> <p>(IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?</p>	V		<p>the human resource department to be responsible for handling complaints with appropriate solutions and to convene labor-management meetings on a regular basis.</p> <p>(III) The Company provides a comfortable, safe and healthy working environment. It also conducts inspections on the working environment on a regular basis, and annually organizes employee health checks as well as training on health and safety for its employees. In addition, the Company has acquired certifications including the ISO 14001:2015 and OHSAS 18001:2007 for occupational safety and health management systems.</p> <p>(IV) The Company has convened labor-management meetings and Employee Welfare Committee to provide a communication channel with employees on a regular basis, which gives employees the right to obtain information and express opinions on the Company's operations and policies, so as to enhance labor-management harmony and achieve a mutually</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>beneficial win-win situation.</p> <p>(V) The Company has provided employees with diversified career development and training sessions, in order to improve their professional skills and competitiveness. The Company's training unit has set up an annual training plan at the beginning of the year according to vocational training needs proposed by each unit, which shall be implemented with follow-up review on the implementation status in each quarter, and the manager shall conduct a training evaluation of the employee at the end of the year. Each employee of the Company shall have at least 24 hours of training hours per year.</p> <p>(VI) The Company has established procedures for handling customer complaints to maintain good communications with its customers, as well as effective appealing procedures regarding products and service.</p> <p>(VII) The Company has advertised and labeled its goods and services according to relevant regulations and international standards</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>(VIII) The Company has established the "Supplier Evaluation Management Procedure" and performed audits on its suppliers on a regular and irregular basis.</p> <p>(IX) The Company requires its suppliers to sign a "Supplier Code of Conduct and Compliance Declaration", and include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society.</p>	
<p>IV. Enhanced information disclosure</p> <p>(I) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?</p>	V		The Company has set up an official website and assigned dedicated personnel to be responsible for regular disclosure of relevant and reliable information regarding its corporate social responsibility, and has also disclose the Corporate Social Responsibility report on its website and the Market Observation Post System (MOPS).	No significant difference
<p>V. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has established the "Corporate Social Responsibility Best-Practice Principles" and devoted to promote the corporate social responsibilities, which has no significant difference with the Rules.</p>				

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
<p>VI. Other important information to facilitate better understanding of the company's corporate social responsibility practices:</p> <p>1. Environmental protection: It is everyone's responsibility to promote environmentally friendly and low-carbon activities. Therefore, in addition to improving the process of energy conservation and control, the Company actively implements waste separation and resource recycling, promotes energy conservation and carbon reduction, and invests in equipment related to energy conservation and emissions reduction.</p> <p>2. Social welfare: Social welfare activities participated by the Company in 2018 include</p> <p>(1) Participated in the school dream programs, and sent out 134 dream gifts to the disadvantaged children of Yufeng Elementary School and Taoshan Elementary School.</p> <p>(2) Donated moon cakes to Shih Guang Educational and Nursing Institution, Hsiang-Yuan Memorial Education and Nursing Institute in Hsinchu County and Chu Dong Hao Shang Orphanage, with the total amount of NT\$ 113,000.</p> <p>(3) Conduct blood donation activities on a regular basis, which contributed to a total of 66,000 c.c. of blood.</p> <p>(4) Sponsoring the Family Support Foundation – Sponsored NT\$ 10,000 on the 2018 Winter Warmth Kindergarten Fair.</p> <p>(5) Participated in winter warmth activities, sponsored the Hsinchu County Family Support Center, Hsinchu County Shiou-Luan Elementary School and Chiayi Dayou Elementary School, with a total of NT\$ 207,000.</p> <p>3. Consumer rights: For customers, the Company has internally established the "Customer Complaint Management Procedure" to provide customers with a channel to express their complaints, and externally signed contracts such as supply contracts and quality contracts with its customers, in order to fully ensure customer's rights and interests.</p> <p>4. Human rights: The Company pays great attention to human rights, and employees enjoy equal rights at work regardless of race, gender and age. It also provides opportunities for employees' individual development, allow them to freely express their opinions, and respect the dignity of individuals.</p> <p>5. Safety and health: The Company devoted its efforts to promote safety and health policy, continuously improve the production process and working environment in the aim of achieving zero disasters, and continue to improve occupational safety and health performance through joint efforts of all its</p>				

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
employees.				
6. Employee Health Care: The Company conducts health checkups on a regular basis for employees to understand their health status in order to protect and improve their health. In addition to setting up detection and alarm equipment at appropriate locations, the Company also regularly conducts operating environment testing as a basis for improving the workplace environment, in order to control the physical working environment of employees and evaluate the exposure of hazardous factors.				
VII. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company's 2018 Corporate Social Responsibility Report was inspected by DNV-GL, and is verified to be in compliance with GRI G4 Guidelines. The 2018 Corporate Social Responsibility Report and the Statement of Special Inspections from the certification body are disclosed in the "Stakeholders' Area" on the Company's website and the MOPs.				

(VI) Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(II) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(III) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	V		<p>(I) The Company has established the Ethical Corporate Management Best-Practice Principles, the Code of Ethical Conduct, and the Operational Procedures and Guidelines for Ethical Corporate Management. It has commitment from the board to implement the policies as planned in internal management and business activities.</p> <p>(II) The Company has established the Ethical Corporate Management Best-Practice Principles, the Code of Ethical Conduct, and the Operational Procedures and Guidelines for Ethical Corporate Management which has clear statements for not accepting any illegitimate interests, or to a crime involving breach of faith or wrongdoing, etc. It also established a “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct” to encourage the reporting of any illegal or unethical behavior, and advocate the importance of ethical behavior to all employees on an irregular basis. When the internal audit unit conducts daily reviews, it</p>	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
	V		<p>will also include unethical behaviors in internal auditing. Based on the seriousness and impact of the unethical behavior, employees will be warned or punished according to employee rewards and punishments.</p> <p>(III) The Company has established the “Ethical Corporate Management Best-Practice Principles” and the “Code of Ethical Conduct” for the management of important staff. It also has an internal audit mechanism to prevent matters such as unethical business activities, offering or accepting bribes, and illegal political donations.</p>	
<p>II. Fulfill operations integrity policy</p> <p>(I) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(II) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(III) Does the company establish policies to</p>	V		<p>(I) The Company's “Ethical Corporate Management Best-Practice Principles” has clearly stated that, before performing business transactions, it shall consider its legality and whether it involves unethical behavior, as well as to avoid trading with those involved in unethical behavior. The business contracts signed by its business partners have included ethics-related clauses.</p> <p>(II) The Company has established the “Sustainable</p>	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(V) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>Development Committee”, with the Company’s Chairperson as the main convenor, and representatives of each division will be designated as members of the committee. This dedicated unit set up relevant policies and development strategies regarding ESG (environmental, social and governance), and implement on effectiveness reviews and continuous improvements. The implementation status and performance will be annually reported by the main convenor to the Company’s board of directors.</p> <p>Ethical corporate management is part of the “Governance” under the “Sustainable Development Committee”. The Company’s legal department is responsible for the establishment and supervision of Integrity Management Policies and prevention strategies, and for reporting the implementation status to the Board of Directors in the annual report of Sustainable Development Committee. In addition, the auditors also execute daily audits, and will report to the board of directors on any irregularities discovered in the assessment.</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Implementation Status of Current Year</p> <p>(1) Establishing and reviewing policies related to ethical corporate management</p> <p>The Company has set up the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct" and "Operational Procedures and Guidelines for Ethical Corporate Management", which clearly stipulates that matters such as obtaining illegitimate interests, violations of integrity or unlawful behaviors may not be accepted. The above internal regulations are reviewed and updated on an irregular basis by the legal department with reference to external regulations and internal implementation status.</p> <p>(2) Internal and external advocacy of Company policies</p> <p>Relevant important internal regulations such as the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct" and "Operational Procedures and Guidelines for Ethical Corporate Management" have been announced on the Company's official website and internal websites for inquiries from external and parties. The Company also</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>requires its suppliers to sign a “Supplier Code of Conduct and Compliance Declaration”, which include regulations relevant to good faith management.</p> <p>(3) Reporting channel and whistleblower protection The company has set up the "Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct", which develop a disciplinary and appeal system for handling violations of the code of ethics in management, and establishes and discloses the employee suggestion box, e-mail address and complaint hotline on the Company's internal website to encourage internal and external personnel to report on unethical behavior or misconduct. The identity of the whistleblower and the content of the report will be kept confidential, and the human resource department is responsible for the investigation procedures. Any violation of the ethical corporate management regulations will be punished depending on the severity of the case.</p> <p>(4) Education and training Since the fourth quarter in 2016, the Company has</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>conducted courses related to good faith management and the ethical codes of conduct for all employees, and set up educational training programs each year which include courses on corporate governance, good faith management and other related fields. It also advocates good faith management in the education and training courses for new employees. In 2018, the Company conducted a total of 11 courses for new employees which totaled 48 participants and a total of 48 training hours, including good faith management, ethical codes of conduct, personal information protection, provisions on non-compete compensation, intellectual property and company confidential property management.</p> <p>(III) The Company has set up rules on relevant rewards and punishments for the avoiding conflict of interests. In addition, the Regulations Governing Procedure for Board of Directors Meetings also stipulated that, if there is a conflict of interest, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interests of the</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>Company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter.</p> <p>(IV) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? The Company has established and implemented the internal control system, which is audited by internal auditors on a regular basis and reported to the board of directors. In addition, the Company conducts inspections and revisions every year to ensure the effectiveness on the design and implementation of the system, and establish good corporate governance and risk management control mechanisms to serve as the basis on evaluating the overall efficacy of all internal control systems and for producing Internal Control System Statements.</p> <p>(V) Since the fourth quarter in 2016, the Company has</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			conducted courses related to good faith management and the ethical codes of conduct for all employees, and set up educational training programs each year which include courses on corporate governance, good faith management and other related fields. It also advocates good faith management in the education and training courses for new employees. In 2018, the Company conducted a total of 11 courses for new employees which totaled 48 participants and a total of 48 training hours, including good faith management, ethical codes of conduct, personal information protection, provisions on non-compete compensation, intellectual property and company confidential property management.	
<p>III. Operation of the integrity channel</p> <p>(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	V		(I) The Company has established the “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct”, set up an employee suggestion box and email, and assigned dedicated units to conduct investigations on relevant matters. Any violation of the ethical corporate management regulations will be punished depending on the severity of the case.	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(II) The Company has established the “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct”, set up an employee suggestion box and email, and assigned dedicated units to conduct investigations on relevant matters, while the identity of the whistleblower and the content of the report will be kept confidential.	
(III) Does the company provide proper whistleblower protection?	V		(III) The Company assigns dedicated personnel to handle accusation cases, and will actively investigate on the case, while the identity of the whistleblower and the content of the report will be kept confidential.	
IV. Enhanced information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company has an official website that disclose relevant information such as corporate culture, business policies and the “Ethical Corporate Management Best-Practice Principles”.	No significant difference
V. If the company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation: The Company has established the “Ethical Corporate Management Best-Practice Principles” which clearly regulates the matters to be followed by the Company's staff. Other accusation cases and penalties are also clearly set out in relevant measures. There is no significant difference between the policies and the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”.				

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (under situations such as review and revision of regulations):</p> <ol style="list-style-type: none"> 1. The company implements good faith management in accordance with the Company Act, Securities Exchange Act, Business Entity Accounting Act, the relevant regulations for TWSE/TPEX listed companies or other relevant commercial laws. 2. The Company has set up provisions related to avoidance of directors' conflicts of interests in the “Regulations Governing Procedure for Board of Directors Meetings”. If any director or a juristic person represented by a director is an interested party with respect to any agenda item, when the relationship is likely to prejudice the interests of the Company, the director may express their opinion and answer queries, but may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. 3. The Company has set up the “Regulations Governing the Prevention of Insider Trading” which stipulated that directors, supervisors, managers and employees must not disclose any material information to others. They must not inquire or collect undisclosed material information within the Company that are not related to personal duties, and shall not disclose to others any undisclosed material insider information that is not obtained from the execution of business activities. 				

(VII) Corporate Governance Guidelines and Regulations:

The company has legislated “Corporate Governance Best Practice Principles” based on Corporate “Governance Best Practice Principles for TWSE/TPEX Listed Companies.” Relevant information could be searched in MOPS and the investor section of corporate website. (<http://www.sas-globalwafers.com>)

(VIII) Other Important Information Regarding Corporate Governance:

1. Company website: <http://www.sas-GlobalWafers.com> “Investors Area” and “Stakeholders Area”

2. Directors’ education and training

Name	Training date	Institution	Training course	Training hours
Hsiu-Lan Hsu	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	November 13, 2018	Taiwan Corporate Governance Association	The impact of the newly revised Company Act on decisions of the board.	3
	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
Ming-Kuang Lu	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	November 13, 2018	Taiwan Corporate Governance Association	The impact of the newly revised Company Act on decisions of the board.	3
	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
Tang-Liang Yao	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	November 13, 2018	Taiwan Corporate Governance Association	The impact of the newly revised Company Act on decisions of the board.	3

	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
Chen Kuo-Chou	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	August 3, 2018	Taipei Exchange	The advocacy conference on Insider Shareholdings in TPEX Listed Companies	3
	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
Chi-Hsiung Cheng	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	November 13, 2018	Taiwan Corporate Governance Association	The impact of the newly revised Company Act on decisions of the board.	3
	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
Cheng-Yuan Cheng	May 10, 2018	Taiwan Corporate Governance Association	Common tax disputes in M&As	3
	July 25, 2018	Taipei Exchange	The advocacy conference on Insider Shareholdings in TPEX Listed Companies	3
	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3

(IX) Internal Control System Execution Status:

1. Statement of Internal Control System

Internal Control System Statement for the public company

Design and implementation are both effective

(This statement is applicable on the declaration of all statutes)

GlobalWafers Co.,Ltd.

Internal Control Disclosure Statement

Date: 19th. Mar. 2019

Based on the findings of a self-assessment, GlobalWafers Co.,Ltd.(GWC) states the following with regard to its internal control system during the year 2018:

1. GWC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and GWC takes immediate remedial actions in response to any identified deficiencies.
3. GWC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. GWC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, GWC believes that on December 31, 2018, we have maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of GMC's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in the meeting held on 19th. Mar. 2019, with none of the six attending directors (Total of 1 attendance, including proxies) expressing dissenting opinions, and the remainder all affirming the content of this Statement.

GlobalWafers Co.,Ltd.

Chairperson: Hsiu-lan Hsu

President: Mark Lynn England

Note1: Design and implementation of a public company's internal control system, as there are significant deficiency in the year, the internal control system statement should be added explanatory note in the Article 4 that list and explain the significant lack discovery of self-assessment, and the company taken the corrective action to improve the situation before the data of balance sheet.

Note2: Date of declaration as " the end of fiscal year "

2. CPA Audit Report Should Be Disclosed If CPA Is Entrusted To Perform Internal Audit: NA

(10) **Punishment on the Company and its Staff in Violation of Law, or Punishment on its Employees in Violation of Internal Control System and Other Internal Regulations, Major Shortcomings and Status of Correction: None.**

(11) **As of the date of this Annual Report, the following resolutions are adopted regarding annual shareholders' meeting and Board of Directors Meeting.**

1. Important resolutions and its implementation status of the 2018 annual shareholders meeting (June 5, 2018):

Important Resolutions	Implementation Status
1. The revision of the Company's "Articles of Incorporation".	Approved by the Hsinchu Science Park Bureau of the Ministry of Science and Technology on July 6, 2018 after the resolution of the shareholders' meeting, and implemented according to revised provisions.
2. The revision of the Company's "Procedures for Acquisition or Disposal of Assets".	Implemented according to revised provisions after the resolution of the shareholders' meeting.
3. Comprehensive re-election of the board of directors.	Approved by the Hsinchu Science Park Bureau of the Ministry of Science and Technology on July 6, 2018 after the resolution of the shareholders' meeting.
4. Approval of the lifting of non-competition restriction on the newly elected directors.	Approved by the shareholders' meeting to lift the non-competition restriction on the newly elected directors.
5. Approval of the 2017 final statement of accounts	Resolve by the Shareholders' meeting
6. Approval of the Company's earnings distribution for 2017.	Distributed cash dividends (NT\$ 10 per share; total amount of NT\$ 4,372,500,000) on August 9, 2018 after the resolution of the shareholders' meeting.

2. Important resolutions made by the board of directors' meeting

Date	Important Resolutions
March 20, 2018	<ul style="list-style-type: none"> (I) Approval of the 2017 final statement of accounts (II) The 2017 compensation distribution plan for employees and directors (III) Approval of the Company's earnings distribution for 2017 (IV) The Company's "Internal Control System Statement" for 2017 (V) Revision of the Company's "Articles of Incorporation". (VI) Revision of the Company's "Procedures for Acquisition or Disposal of Assets" (VII) Election of the 4th term board of directors (VIII) Approval of the lifting of non-competition restriction on the newly elected directors (IX) Nomination of listed candidates for independent directors (X) Approved matters relevant to the nomination of listed candidates for independent directors in the 2018 annual shareholders' meeting (XI) Approved the 2018 annual shareholders' meeting agenda and related matters (XII) Approved the 2018 shareholders' meeting review standards, procedures, written proposals made by shareholders and relevant matters. (XIII) Approved the credit lines and foreign exchange quotas provided by the financial institution (XIV) Approved the assignment of directors, supervisors and the President of the subsidiary (XV) Approved the replacement of the accounting manager (XVI) Approval of employee promotions
May 8, 2018	<ul style="list-style-type: none"> (I) The review of the list of nominated candidates for independent directors to the Board (II) The 2017 compensation distribution plan for directors (III) The 2017 compensation distribution plan for managers (IV) Approved the credit lines and foreign exchange quotas provided by the financial institution (V) Approval of non-profit distribution for the subsidiary MEMC Korea Company in 2017
June 25, 2018	<ul style="list-style-type: none"> (I) Re-election of the Chairperson (II) Appointment of member of the third term Remuneration Committee

Date	Important Resolutions
August 7, 2018	<ul style="list-style-type: none"> (I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) Approval of applying bank loan for the Company's subsidiary, and issuance of a letter of support (LOS). (III) Approval of applying the General Credit Line and risk limit of foreign exchange and derivatives for the Company's subsidiary, and issuance of a letter of support (LOS). (IV) Apply for a credit line provide a guarantee for the Company's subsidiary Topsil GlobalWafers A/S
October 5, 2018	<ul style="list-style-type: none"> (I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) Investment of major plant and equipment for the subsidiary MEMC Korea Company (III) Amendments to the "Remuneration Committee Charter". (IV) Amendments to the "Procedures of Application to Suspend and Resume Trading."
October 30, 2018	<ul style="list-style-type: none"> (I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) The 2019 audit plans of the Company (III) Amendments to the "Regulations Governing the Remuneration for managers". (IV) Approval of applying bank loan for the Company's subsidiary GlobalWafers Japan Co.,Ltd., and issuance of a letter of support (LOS). (V) Approval of equity investments (VI) Approval of the Company's share buyback
December 11, 2018	<ul style="list-style-type: none"> (I) Approval of the 2019 business plan (II) Approval of no profit distribution for the subsidiary GlobalWafers Japan Co., Ltd in 2014 (III) Appoint a replacement of the member of the third term Remuneration Committee (IV) Amendments to the Company's "Procedures for Transfer of Treasury Stock to Employees". (V) Amendments to the Company's "Procedures for Performance Evaluation of the Board of Directors and Functional Committees" (VI) Approved the credit lines and foreign exchange quotas provided by the financial institution
January 11, 2019	<ul style="list-style-type: none"> (I) Approved the credit lines and foreign exchange quotas provided

Date	Important Resolutions
	<p>by the financial institution</p> <p>(II) Approved the 2018 CPA professional fees</p> <p>(III) The proposal of full redemption of the “CDIB Capital Growth Partners L.P.”</p>
February 12, 2019	<p>(I) The replacement of the Company’s spokesman and deputy spokesman</p> <p>(II) Capital increase of Hon-Won investment</p> <p>(III) Approved the assignment of directors, supervisors and the President of the subsidiary</p> <p>(IV) Revision of the “Regulations Governing the Supervision of GlobalWafers’ Subsidiaries”</p>
March 19, 2019	<p>(I) The Company’s business report and financial statements for 2018</p> <p>(II) The 2018 compensation distribution plan for employees and directors</p> <p>(III) Approval of the Company’s earnings distribution for 2018.</p> <p>(IV) The Company’s “Internal Control System Statement” for 2018.</p> <p>(V) Revision of the Company’s “Articles of Incorporation”.</p> <p>(VI) Amendments to the “Procedures for the Election of Directors”</p> <p>(VII) Revision of the Company’s “Procedures for Acquisition or Disposal of Assets”</p> <p>(VIII) Amendments to the Company’s “Procedures for Derivatives Trading”</p> <p>(IX) Amendments to the Company’s “Accounting System”</p> <p>(X) Amendments to the Company’s “Code of Ethical Conduct”</p> <p>(XI) Election of one vacant seat of independent director</p> <p>(XII) Nomination of listed candidates for independent directors</p> <p>(XIII) Approval of the lifting of non-competition restriction on the newly elected directors</p> <p>(XIV) Approved matters relevant to the nomination of listed candidates for independent directors in the 2019 annual shareholders’ meeting</p> <p>(XV) Approved the 2019 shareholders’ meeting agenda and relevant matters.</p> <p>(XVI) Approved the 2019 shareholders’ meeting procedures, written proposals made by shareholders and relevant matters.</p> <p>(XVII) Approved the credit lines and foreign exchange quotas provided by the financial institution</p> <p>(XVIII) Approved the salary adjustment for the Company's managers.</p>

Date	Important Resolutions
May 7, 2019	(I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) The Company's appointment of Corporate Governance Manager (III) Amendment of the "Standard Operating Procedures for Handling Directors' Requirements" (IV) Amendment of the "Procedure for the Distribution of Directors' Compensation" (V) Amendment of the "Procedure for Lending Funds to Others" (VI) Amendment of the "Procedures for Making of Endorsements & Guarantees" (VII) Proposal of the "Self-Discipline Standards for Disclosing Information on M&A" (VIII) The 2018 compensation distribution plan for directors (IX) The 2018 compensation distribution plan for managers

(XII) As Of The Date Of This Annual Report, A Director Or A Supervisor Has Expressed Disagreement To A Resolution Passed By The Board Of Directors And Kept Document Or A Written Statement: None.

(XIII) As Of The Date Of This Annual Report, Resignation Or Dismissal Of Personnel Responsible For Financial Report (Including Chairperson, President, Accounting And Audit Managers):

December 31, 2018

Title	Name	Date Assumed	Date of Dismissal	Reason for Resignation or Dismissal
Accounting manager	Hsiu-ling Hsu	September 2, 2014	March 23, 2018	Transferred to Sino-American Silicon Products Inc.

IV. Information Regarding Audit Fees: The Company shall disclose the information on CPA professional fees under the following circumstances

(I) Audit Fees

Accounting Firm	Name of accountant		Period Covered by CPA's Audit	Remarks
KPMG	Cheng-Chien Chen	An-Chih Cheng	January 1, 2018 ~ December 31, 2018	

Fee Range		Fee Items	Audit fee	Non-Audit fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$ 2,000,000 (included) ~ NT\$ 4,000,000				
3	NT\$ 4,000,000 (included) ~ NT\$ 6,000,000				
4	NT\$ 6,000,000 (included) ~ NT\$ 8,000,000		V		
5	NT\$ 8,000,000 (included) ~ NT\$ 10,000,000				V
6	Over NT\$ 100,000,000				

(II) Non-Audit Fee Paid to Auditors and the Accounting Firm Accounted for More Than One-Fourth of Total Audit Fee Shall Disclose the Amount and The Service Item:

Information on CPA professional fees

Unit: NT\$ thousands

Accounting Firm	Name of accountant	Audit fee (Note 1)	Non-Audit fee					Subtotal	Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note 2)				
KPMG	Cheng-Chien Chen	7,200	0	0	0	1,782	1,782	January 1, 2018 to December 31, 2018	Other fees include fees for transfer pricing certificates, global archives and country reports and European tax services.	
	An-Chih Cheng									

Note 1: If the company changes its accountant or accounting firm in the current year, it shall separately list the auditing period, explain the reasons for change in the remarks column, and disclose information such as the audit and non-audit fees.

Note 2: Non-audit fees shall be listed separately according to the service item. If "other fees" in non-audit fees

reaches 25% of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column .

(III) When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: Not applicable.

(IV) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) therefor shall be disclosed.

The Company's 2018 annual audit fees decreased by NT\$ 14,253,000 (a decrease of 66%) compared with 2017. This was mainly due to the increase in audit fees and GDR issuance fee from M&As in 2017, while there were no M&A related fees in 2018.

V. Information on Replacement of Independent Auditors in the Last Two Years and Thereafter:
The Company has replaced its CPA in cooperation with KPMG's internal rotation in the last two fiscal years. The Company did not change its accounting firm.

VI. The Chairperson, President, Finance or Accounting Manager Who Has Worked in the Accounting Firm or Affiliates in the Most Recent Year, the Name, Position and the Service Period Shall Be Disclosed: None.

VII. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report:

(I) Net Change in Shareholding and Net Change in Shares Pledged by Directors, Management and Shareholders with 10% Shareholdings or More

Unit: Shares

Title	Name	2018		Current year to April 27, 2019		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairperson	Hsiu-Lan Hsu	—	—	—	—	Took the office on January 19, 2015
Director	Sino-American Silicon Products Inc.	434,000	—	—	—	
	Representative: Ming-Kuang Lu	20,000	—	—	—	Took the office on January 19, 2015
	Representative: Tang-Liang Yao	—	—	—	—	Took the office on January 19, 2015
Director	Chen Kuo-Chou	—	—	—	—	Took the office on January 19, 2015
Independent Director	Chi-Hsiung Cheng	1,000	—	—	—	Took the office on January 19, 2015
Independent Director	Chun-Yen Chang	—	—	—	—	Took the office on January 19, 2015 Discharged on October 12, 2018
Independent Director	Ming-Chang Chen	—	—	—	—	Took the office on January 19, 2015 Resigned on June 25, 2018
Independent Director	Cheng-Yuan Cheng	—	—	—	—	Took the office on June 25, 2018
President	Mark Lynn England	—	—	—	—	Took the office on October 1, 2014
Manager	Hsu Wen-Ching	—	—	—	—	Took the office on September 2, 2014

Title	Name	2018		Current year to April 27, 2019		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Manager	Wei-Wen Chen	—	—	—	—	Took the office on September 2, 2014
Manager	Sheng-Hsiung Hung	—	—	—	—	Took the office on September 2, 2014
Manager	Chou Jing-Wen	—	—	—	—	Took the office on July 1, 2016
Manager	Chung-Wei Lee	—	—	—	—	Took the office on March 21, 2017
Manager	Tien-wen Yu	—	—	—	—	Took the office on March 20, 2018
Financial manager	Ming-Huei Chien	(5,000)	—	—	—	Took the office on September 2, 2014
Accounting manager	Hsiu-ling Hsu	—	—	—	—	Took the office on September 2, 2014 Resigned on March 23, 2018
Accounting Assistant Manager	Yu-Ting Lo	—	—	—	—	Took the office on March 23, 2018

Note: The change in shareholding is disclosed within the service period.

(II) Shares Trading with Related Parties: None.

(III) Shares Pledge with Related Parties: None.

VIII. Relationship Information of the Top 10 Shareholders among who are Related Parties:

Date: April 27, 2019, Unit: Share; %

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Sino-American Silicon Products Inc.	222,727,000	51.17%	—	—	—	—	None.	None.	
Representative: Ming-Kuang Lu	1,022,560	0.23%	308,000	0.07%			None.	None.	
Nan Shan Life Insurance Company, Ltd.	11,388,000	2.62%	—	—	—	—	None.	None.	
Government of Singapore--GOS-EFM C	8,509,041	1.96%	—	—	—	—	None.	None.	
Cathay Life Insurance Co.,Ltd.	7,846,000	1.80%	—	—	—	—	None.	None.	
Fubon Life Insurance Co., Ltd.	4,729,000	1.09%	—	—	—	—	None.	None.	
RWC Emerging Markets Equity Master Fund Limited	4,108,000	0.94%	—	—	—	—	None.	None.	
HSBC hosting Employees' Provident Fund entrusted to external fund manager AZ Fund Management S.A.	3,285,000	0.75%	—	—	—	—	None.	None.	
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	3,263,000	0.75%	—	—	—	—	None.	None.	
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds	3,217,676	0.74%	—	—	—	—	None.	None.	
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool	2,923,000	0.67%	—	—	—	—	None.	None.	

Note: The shareholding is calculated based on the quantity of shares less the treasury stock.

IX. Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company:

December 31, 2018

Unit: Thousand shares; %

Reinvested entities (Note 1)	Investment by SAS		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
GlobalWafers Inc.	90,000	100.00%	-	-	90,000	100.00%
GlobalSemiconductor Inc.	25,000	100.00%	-	-	25,000	100.00%
GlobalWafers Japan Co., Ltd.	128	100.00%	-	-	128	100.00%
GWafers Singapore Pte. Ltd.	364,000	67.20%	177,674	32.80%	541,674	100.00%
Topsil GlobalWafers A/S	1,000	100.00%	-	-	1,000	100.00%
Hong-Wang Investment Company	312	24.38%	-	-	312	24.38%
Taisil Electronic Materials Corp.	9,999	99.99%	-	-	9,999	99.99%
Kunshan Sino Silicon Technology Co., Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	-	-	(Note 2)	60.00%	(Note 2)	60.00%
MEMC Japan Ltd.	-	-	750	100.00%	750	100.00%
Topsil Semiconductor sp z o.o.	-	-	0.1	100.00%	0.1	100.00%
GlobalWafers Singapore Pte. Ltd.	-	-	299,445	100.00%	299,445	100.00%
GlobalWafers B.V.	-	-	0.1	100.00%	0.1	100.00%
MEMC Electronic Materials, SpA	-	-	65,000	100.00%	65,000	100.00%
MEMC Electronic Materials France SarL	-	-	0.5	100.00%	0.5	100.00%
MEMC Electronic Materials GmbH	-	-	0.002	100.00%	0.002	100.00%
MEMC Holding B.V.	-	-	0.2	100.00%	0.2	100.00%
MEMC Korea Company	-	-	17,200	100.00%	17,200	100.00%
GlobiTech Incorporated.	-	-	1	100.00%	1	100.00%
MEMC LLC	-	-	-	100.00%	-	100.00%
MEMC Electronic Materials, Sdn Bhd	-	-	1,036	100.00%	1,036	100.00%
MEMC Ipoh Sdn Bhd	-	-	619,374	100.00%	619,374	100.00%
SunEdison Semiconductor Technology (Shanghai) Ltd	-	-	(Note 2)	100.00%	(Note 2)	100.00%

Note 1: These represent investments accounted for using the equity method.

Note 2: No shares, as it is a limited company.

IV. Capital Overview

I. Capital and Shares

(I) Source of capital

1. Type of stock

December 31, 2018; Units: Shares

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary share	437,250,000	162,750,000	600,000,000	The stock is an OTC stock

2. Issued Shares

December 31, 2018; Units: NT\$; Shares

Year/ month	Par Value	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of capital	Capital Increased by Assets Other than Cash	Other
October 2011	10	300,000,000	3,000,000,000	180,000,000	1,800,000,000	Established with 1,800,000,000 of capital	None.	Note 1
May 2012	10	400,000,000	4,000,000,000	317,500,000	3,175,000,000	Capital increase by cash of 1,375,000,000	None.	Note 2
January 2015	10	400,000,000	4,000,000,000	349,250,000	3,492,500,000	Capital increase by cash of 317,500,000	None.	Note 3
September 2015	10	400,000,000	4,000,000,000	369,250,000	3,692,500,000	Capital increase by cash of 200,000,000	None.	Note 4
May 2017	10	600,000,000	6,000,000,000	437,250,000	4,372,500,000	Capital increase by cash of 680,000,000	None.	Note 5

Note 1: Approved by the Science Park Administration on Oct 18, 2011 No. 1000030345.

Note 2: Approved by the Science Park Administration on May 16, 2012 No. 1010014266.

Note 3: Approved by the Science Park Administration on Feb 25, 2015 No. 1040005439.

Note 4: Approved by the Science Park Administration on Oct 15, 2015 No. 1040029649.

Note 5: Approved by the Science Park Administration on May 17, 2017 No. 1060012613.

3. Shelf Registration: Not applicable.

(II) Shareholder structure

1. Shareholder Structure

April 27, 2019; Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Individuals	Foreign institutions and foreigners	Total
Number of Shareholders	5	57	115	16,842	810	17,829
Number of shares held	2,396,000	30,817,465	227,016,404	49,244,455	125,762,676	435,237,000
Holding Percentage (%)	0.55%	7.08%	52.16%	11.31%	28.90%	100%

Note: The shareholding is calculated based on the quantity of shares less the treasury stock.

(III) Diffusion of ownership

April 27, 2019; Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	4,011	539,888	0.12%
1,000 ~ 5,000	11,662	19,703,254	4.53%
5,001 ~ 10,000	926	7,336,295	1.69%
10,001 ~ 15,000	278	3,561,000	0.82%
15,001 ~ 20,000	188	3,425,912	0.79%
20,001 ~ 30,000	187	4,728,276	1.09%
30,001 ~ 40,000	105	3,694,590	0.85%
40,001 ~ 50,000	64	2,954,836	0.68%
50,001 ~ 100,000	155	10,991,122	2.53%
100,001 ~ 200,000	85	11,878,451	2.73%
200,001 ~ 400,000	86	24,866,270	5.71%
400,001 ~ 600,000	27	13,198,645	3.03%
600,001 ~ 800,000	14	9,922,482	2.28%
800,001 ~ 1,000,000	6	5,242,475	1.20%
Over 1,000,001	35	313,193,504	71.95%
Total	17,829	435,237,000	100%

Note: The shareholding is calculated based on the quantity of shares less the treasury stock.

(IV) Major Shareholders

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

Date: Apr 27, 2019 ; Unit: Share; %

Name of Major Shareholders	Shares	Number of shares held	Percentage (%)
Sino-American Silicon Products Inc.		222,727,000	51.17%
Nan Shan Life Insurance Company, Ltd.		11,388,000	2.62%
Government of Singapore--GOS-EFM C		8,509,041	1.96%
Cathay Life Insurance Co.,Ltd.		7,846,000	1.80%
Fubon Life Insurance Co., Ltd.		4,729,000	1.09%
RWC Emerging Markets Equity Master Fund Limited		4,108,000	0.94%
HSBC hosting Employees' Provident Fund entrusted to external fund manager AZ Fund Management S.A.		3,285,000	0.75%
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds		3,263,000	0.75%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Total International Stock Index Fund a series of Vanguard Star Funds		3,217,676	0.74%
JPMorgan Chase Bank N.A. Taipei Branch in Custody for Stichting Depository APG Emerging Markets Equity Pool		2,923,000	0.67%

Note: The shareholding is calculated based on the quantity of shares less the treasury stock.

(V) Market Price, Net Worth, Earnings, Dividends per Share for the Recent Two Years:

Unit: NT\$; Thousand Shares

Item		Year	2017	2018	Ending until March 31, 2019
Market price per unit	Highest		448.00	642.00	325.50
	Lowest		106.00	200.50	293.50
	Average		256.34	378.81	306.58
Net Worth Per Share	Before distribution		77.86	98.66	107.88
	After distribution		67.86	73.76	–
Earnings per share	Weighted average shares		415,826	437,183	435,237
	Earnings per share	Before adjustment	12.68	31.18	8.88
		After adjustment	12.66	31.04	8.84
Dividends per Share	Cash Dividend		10.0	25.0	–
	Stock Dividends	Retained Earning	–	–	–
		Capital Surplus	–	–	–
	Accumulated Undistributed Dividends		–	–	–
Return on Investment	Price/Earnings Rate		20.22	12.15	–
	Price/Dividend Rate		25.63	15.15	–
	Cash dividend yield		3.90%	6.60%	–

(VI) Dividend Policy and Execution Status

1. Dividend Policy

Pursuant to the Articles of Incorporation, where the Company has profit after tax at the end of each fiscal year, the Company shall allocate according to below priority:

- (1) Compensating losses.
- (2) Contributing 10% as legal reserve. If the legal reserve has reached the amount of the paid-in capital of the Company, no contribution shall be made.
- (3) Appropriating or transferred to special reserve in accordance with applicable laws and regulations or as requested by the competent authority.
- (4) After the above 1~3 are deducted from profit after tax of the fiscal year, the balance (if any) together with accumulated inappropriate retained earnings of previous years can be distributed after the distribution plan proposed by the Board and approved by

the shareholders' meeting.

In order to maintain continuous operation and steady growth of EPS, dividend for shareholders shall be more than 50% of the profit after tax deducting the appropriation of special surplus of the year by the regulations, and the shareholder dividend distribution rate shall be no less than 50% of the cash dividend.

If the Company has surplus at the end of each fiscal year, 3~15% of the profit shall be appropriated for the employees' remuneration and no more than 3% shall be appropriated for directors' remuneration. However, if there are accumulated losses, certain profits shall be reserved to cover first.

The aforementioned employee remuneration could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions set by the Board.

The Company will distribute cash for directors' remuneration, and share or cash for employee remuneration. The distribution shall be resolved with a consent of a majority of the directors present at a meeting attended by more than two thirds of the total directors and reported to the shareholder's meeting by the Board.

2. Distribution of stock dividends at the Shareholders' Meeting

The Company's 2018 earnings distribution was resolved by the board of directors on March 19, 2019, and is still pending resolution by the 2019 annual shareholders' meeting. The proposed cash dividend is NT\$ 25 per share, with total dividend of NT\$ 10,880,925,000.

(VII) Impact of the Stock Dividend Proposal of this Shareholders meeting on Operational Performance and Earning per Share: Not applicable.

(VIII) Employee Bonus and Directors' and Supervisors' Remuneration:

1. Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:
Please refer to the dividend policy in (VI-1) above.
2. The estimated amount of compensation to employees and directors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure:
 - (1) The basis for estimating the amount of compensation to employees and directors for the current period: The amount is estimated based on the Articles of Incorporation.
 - (2) The basis for calculating the number of shares to be distributed as employee compensation: If shares are distributed as employee compensation, the number of

shares will be calculated based on the net value in the financial statement for the most recent period audited by a CPA. No employee compensation is distributed in the form of stock dividend for the current period.

- (3) The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period: If there is any discrepancy between the actual distributed amount and the estimated figure, it will be considered as the change in accounting estimation, and accounted as net income or loss for the current period.

3. Information on the amount of compensation for distribution as approved by the Board of Directors:

- (1) The compensation of employees, directors and supervisors is distributed in the form of cash dividend or stock dividend. If there is any discrepancy between the actual distributed amount and figure, the difference, reason and response should be disclosed:

The distribution of compensation as approved by the Board of Directors on March 19, 2019 are as follows:

Compensation to employees: Distributed NT\$ 504,801,000 in cash.

Remuneration for directors: Distributed NT\$ 50,060,000 in cash.

There was no discrepancy between the actual distributed amount and figures in the 2018 financial statements.

- (2) The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or standalone financial report for the current period: None.

4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors, the discrepancy, cause, and response should be stated: The 2017 earnings distribution was proposed by the board of directors meeting on March 20, 2018 and approved during the Shareholders' Meeting on June 25, 2018. The earnings distribution is as follows:

Unit: NT\$

Item	Shareholder Meeting	Board Meeting	Variation	Explanation
Employee Cash Bonus	291,640,000	291,640,000	None.	N/A.
Director Remuneration	15,000,000	15,000,000	None.	N/A.

(IX) Repurchase of Company Shares

March 31, 2019

Buy-back batch	First
Purpose of share buy-back	Transfer shares to the Company's employees
Estimated buy-back period	Oct 31, 2018 to Dec 28, 2018
Estimated buy-back Interval Price	NT\$ 250-NT\$ 300
Type and quantity of shares repurchased	Common shares 2,013,000
Amount of shares repurchased	NT\$ 576,778,850
Number of shares retired and transferred	0
Accumulated number of outstanding shares	2,013,000 shares
Ratio of accumulated number of outstanding shares to the total number of issued shares (%)	0.46%

II. Status of Corporate Bonds: None.

III. Status of Preferred Stocks: None.

IV. GDR Issuance:

March 31, 2019

Item \ Issue date	April 26, 2017
Date of Issuance	April 26, 2017
Issuance and Listing	Luxembourg Stock Exchange
Total Amount	US\$ 469,200,000
Offering Price per GDS	The GDR transaction price is US\$ 6.9 per unit
Units Issued	68,000,000 units
Underlying Securities	Common shares of GlobalWafers Co.,Ltd
Common Shares Represented	68,000,000 shares
Rights and obligations of GDR holders	<p>The rights and obligations of GDR holders shall be handled in accordance with relevant R.O.C. laws and regulations and relevant provisions in the deposit contract. The following particulars are specified in the deposit contract:</p> <p>(I) The status of exercising voting rights</p> <p>Unless otherwise specified by relative laws and regulations, GDR holders may exercise voting rights of the GWC's common Shares in accordance with the deposit contract and the relevant R.O.C. laws and regulations.</p> <p>(II) Dividend distribution, pre-emptive rights for new shares and other rights</p> <p>Unless otherwise agreed in the deposit contract, GDR holders shall in principle enjoy the same dividend distribution and allotment of shares as the shareholders of GWC's common stock. Regarding the distribution of GWC's stock dividends, the depository institution will issue GDRs to the GDR holder based on the proportion of the holder's original shares in accordance with the deposit contract and relevant laws, or increase GWC's common shares represented in each GDR, or sell the stock dividends on behalf of GDR holders, and distribute the proceeds (after deducting taxes and related expenses) to the GDR holder</p> <p>When GWC increase its capital by cash or other stock warrants, GDR holders shall, in compliance with the R.O.C. and other relevant laws and regulations, enjoy the same dividend distribution and allotment of shares as the shareholders of GWC's common stock. Hence, the depository institution shall, under the agreement of the deposit</p>

	contract and relevant laws, provide such rights to the GDR holder in accordance with the provisions of the deposit contract, or sell the right on behalf of the GDR holder and distribute the proceeds of sale (after deducting taxes and related expenses) to the GDR holders.		
Trustee	N/A.		
Depository bank	CitiBank, N.A.		
Custodian bank	First Commercial Bank		
GDSs Outstanding	88,122 units		
Apportionment of expenses for the issuance and maintenance	<p>(I) GDR issue cost: Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions, the issuance costs and expenses of all GDRs are borne by the issuing company, including legal expenses, charges and fee for the listing of securities, financial advisory fees and other related expenses.</p> <p>(II) Expenses incurred during the effective period of GDR Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions. The charges and fee for the listing of securities, information disclosure and other related expenses of each year during the effective period of GDR shall be borne by the issuing company.</p>		
Terms and Conditions in the Deposit Agreement and Custody Agreement	-		
Closing Price per GDS	2018	Highest	USD 20.60
		Lowest	USD 6.45
		Average	USD 13.84
	Current year to March 31, 2019	Highest	USD 11.50
		Lowest	USD 8.15
		Average	USD 9.76

V. Employee Stock Options: None.

VI. Status of New Shares Issuance of Limited Stocks for Employees: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Financing Plans and Implementation: None.

V. Operational Highlights

I. Business Activities

(I) Business Scope

1. The Company shall engage in the following business

CC01080 Electronic Parts and Components Manufacturing

F401010 International Trade

I. Research and development, design, manufacture and sell silicon-based semiconductor materials and their components.

II. Import-export activities related to the above mentioned business.

2. Revenue distribution

Unit: NT\$ 1,000

Item \ Year	2017		2018	
	Net operating revenues	Proportion (%)	Net operating revenues	Proportion (%)
Semiconductor ingot	45,540,327	98.6%	58,447,151	99.0%
Semiconductor wafer	496,690	1.1%	492,114	0.8%
Other	175,584	0.3%	124,245	0.2%
Total	46,212,601	100.00%	59,063,510	100.00%

3. Current Products and Service

- A. Ultra High Resistivity wafers with Low Oxygen
- B. MCZ ingot with ultra low oxygen content
- C. Polished wafer and Epi wafer
- D. Anneal wafer
- E. Unpolished wafer and ultra thin wafer
- F. Ultra flat wafer for MEMS application
- G. Diffusion wafer and deep diffusion polished wafer
- H. High strength silicon substrate for GaN_HEMT application
- I. Ultra low resistivity <math><1.0\text{m}\Omega\text{-cm}</math> wafer with Boron doped
- J. FZ wafer
- K. Perfect Silicon

4. Future New Technology and Products

- A. Ultra low resistivity <math><0.7\text{m}\Omega\text{-cm}</math> wafer with Phosphorus doped
- B. Ultra low resistivity <math><1.8\text{m}\Omega\text{-cm}</math> wafer with Arsenic doped
- C. SiC wafer for next generation high power automotive electronic device application
- D. Epi-substrate for GaN_HEMT application
- E. High strength and ultra thin silicon substrate with nano structure

- F. SOI substrate for next generation RF device application
- G. Silicon substrate for 3nm IC process
- H. “ECAS®” wafer for highresolution CMOS image sensor(CIS)
- I. “ECAS®” waferfor next generation 3D memory device
- J. 12” MCZ wafer with lower carbon and lower oxygen for power devices, memory devices, and mobile CIS

(II) Industry Overview

1. Industrial Current Status and Future Development

A. Worldwide Semiconductor Market

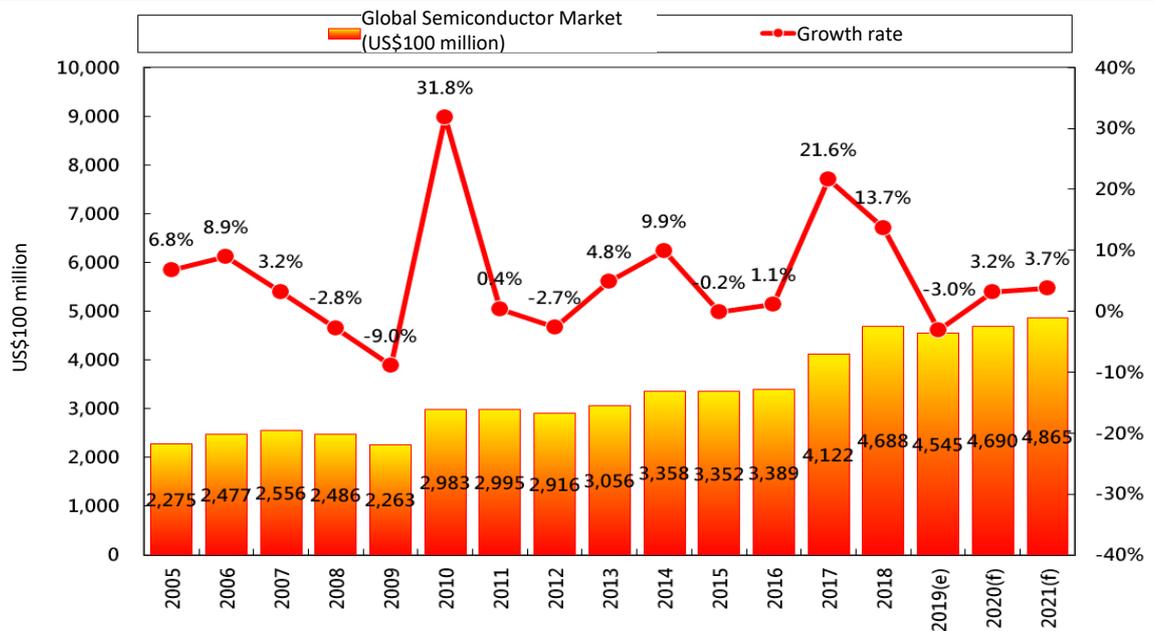
According to the research institute IC Insights, the world’s total shipment of semiconductor products, including integrated circuits (IC), Optoelectronics, Sensors/Actuators and Discrete Semiconductors (OSD products), have exceeded 1 trillion units and reached up to 1.08 trillion units. Among them, the Memory products has the largest market share, with total revenue of US\$ 158 billion, and has the highest annual growth rate of 27.4%. In terms of memory products, DRAM has increased by 36.4% annually and NAND flash by 14.8%, which ranked as the top three memory products along with Logic (\$ 109.3 billion) and Micro-ICs (\$ 67.2 billion). Other products including power transistors (annual growth of 14.4% / sales of US\$ 14.4 billion) and analog products (annual growth 10.8% / sales of US\$ 58.8 billion) have also grown rapidly in 2018. Excluding the revenue contribution of memory products, the total revenue of the remaining products still advanced by nearly 8% compared with that of 2017. In terms of sales growth in different regions: China, the Americas, Europe, Japan, and the Asia Pacific region/other regions accounted for 20.5%, 16.4%, 12.1%, 9.2% and 6.1% respectively.



Source: IC Insights (Jan 2019)

According to the statistics of WSTS, total annual sales in the global semiconductor

market reached a new high at US\$ 468.8 billion in 2018, which increased by 13.7% compared to 2017. Going forward, the global sales of sensors, analog ICs, discrete components, logic ICs, micro components, and optoelectronic components are still projected to increase by 4.1%, 3.9%, 2.8%, 2.6%, 1.9%, and 1.5%, respectively, to reach US\$ 13.899 billion, US\$ 61.083 billion, US\$ 24.776 billion, US\$ 1,121.09 billion, US\$ 68.513 billion, and US\$ 38.611 billion in 2019. However, total sales of global semiconductor products will still decrease under the impact of 14.2% decline in sales of memory products. In 2019, sales of global memory products are expected to be the highest amongst semiconductor products, which is estimated at US\$ 135.557 billion, and accounts for 29.8% of total sales for semiconductor products. In terms of regional markets, semiconductor sales in the Japanese market are expected to increase by 1.0% YoY to US\$ 40.351 billion (accounting for 8.9% of total sales), whereas the Americas, the Asia Pacific region (including China) and Europe will decrease by 5.8%, 3.0% and 0.3%, respectively, to US\$ 97.021 billion (21.3% of total sales), US\$ 274,35 billion (60.4% of total sales), and US\$ 42.824 billion (9.4% of total sales) in 2019.



Source: WSTS, IEK of the Industrial Technology Research Institute (Mar 2019)

B. Semiconductor Industry

Semiconductor manufacturing process includes IC design, IC manufacturing, IC packaging, and IC testing. The whole industry is segmented by upstream, midstream, and downstream. IC design is upstream, IC manufacture belongs to midstream, while IC packaging and IC testing are downstream. By providing crucial ingredient to the semiconductor industry, wafer manufacturing serves irreplaceable role in the supply chain. While the semiconductor business goes viral, demand for wafer also grow

rapidly.

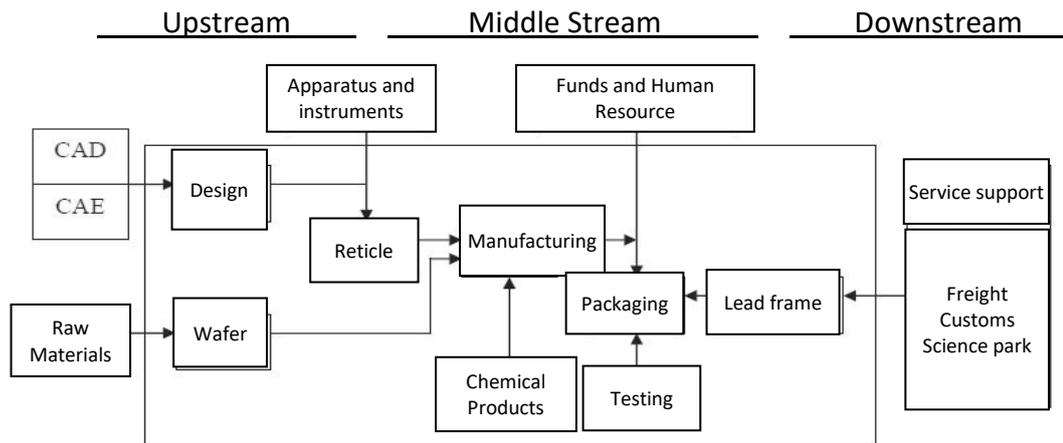
Wafers are used to fabricate integrated circuits. Silicon is made from abundant silicon dioxide inside the earth crust, and goes through the EAF melting process, chlorination and distillation, to form pure (>99.99999999%) polycrystalline silicon, which are melted by wafer makers, incepting silicon seed and become monocrystal ingots with different sizes via slow pulling. The process is called ingot growth. Following by different process such as slicing, beveling and polishing, ingot will be forged into wafers in different diameters (3", 4", 5", 6", 8" and 12") and delivered to IC foundry for chemical and electronic process, to make integrated circuits upon it. After slicing, testing, and packing, individual ICs are finally made.

Wafers used in semiconductor industry could be categorized into polished wafer, argon anneal wafer and epitaxial wafers based on different process design and product characteristic.

Through crystal pulling, slicing, beveling, lapping, etching, polishing, cleaning, polished wafers are made. Epitaxial wafers are fabricated with additional CVD process, which are widely used in discrete components and high-performance ICs.

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

Taiwan's semiconductor industry has uniquely well-developed upstream and downstream vertical integration, and the entire IC industry value chain has a finely differentiated division of labor. The upstream sector of the industry consists of IC design and wafers supply, which designs circuits based on customers' request and produces silicon wafers from polycrystalline silicon, respectively. The midstream sector consists of IC manufacturing foundry, printing circuits and components on wafers, by masking, oxidation, CVD, etching, ion planting methods on wafers. The downstream portion consists of IC packaging, IC assembly and testing firms, which slice wafers into dices and package with plastic, ceramic or metal in order to connect with whole electronic system and facilitate heat dissipation. Finally, functionality, electrical, and thermal performance testing are conducted. Nowadays, there are many different companies in this highly vertical-integrated industry, and the following diagram demonstrates entire supply chain:



Source: IT IS project plan for electronics department of the Industrial Technology Research Institute

3. Various product development trends

The Semiconductor Trade Statistics Group (WSTS) projected global semiconductor sales to increase by 15.9% and 2.6% respectively in 2018 and 2019, to reach US\$ 47.8 billion and US\$ 49 billion. This indicated significant growth in all major product categories. Memory, discrete components and optoelectronic components grew by 33.2%, 11.7% and 11.2%, respectively, while sales also increased considerably in various regional markets by 2018.

In terms of regional markets, overall semiconductor sales in all regions of the world will grow by 2.6% in 2019, among which largest growth is expected in optoelectronic components, sensors and discrete components. However, after strong sales growth of memory products in 2018, the WSTS estimate sales of the product to slightly decline in 2019.

Semiconductor products are closely related to the overall economy, and TSIA's latest report covers the following developments:

A. Global macroeconomic trends

The International Monetary Fund (IMF) announced the latest "World Economic Outlook" (WEO) report, which cut economic growth forecasts in 2019 and 2020 to 3.5% and 3.6% respectively due to trade tensions between the US and China, UK's possible Hard Brexit, and China's economic slowdown beyond expectations. The IMF report indicates that global economy is recently facing weak growth momentum, rising uncertainty, and rising risk of economic recession. Compared with forecasts in October 2018, the unfavorable factors triggering deterioration in the global economy not only includes the US-China

trade war, but also UK's possible "hard Brexit" and China's economic slowdown beyond expectations. Compared with the report in October 2018, IMF has cut economic growth forecasts for 2019 and 2020 by 0.2ppt and 0.1ppt respectively, resulting in global economic growth for 2019 and 2020 to be 3.5% and 3.6% respectively.

B. US macroeconomic trends

Although World Bank maintained its original estimate of economic growth at 2.5% for 2019, it revised down forecast of US economic growth by 0.3ppt to 1.7% in 2020. World Bank expects a downward trend after the US economic growth reached 2.9% in 2018. In 2018, the US launched a tariff war on China for goods worth up to US\$ 300 billion. The World Bank stated that the US has already imposed tariffs on 12% of imports, and may expand the scope of retaliatory tariffs in 2019, which will lead to inflation and a rise in policy uncertainty. With that, the damage from tariff wars on the US will gradually emerge.

C. Europe's macroeconomic trends

The IMF cut Italy's economic growth forecast by 0.4ppt to 0.6% due to the two major risks in Italy, sovereignty and finance. However, the relationship between the two risks will aggravate the slowdown in Italy's economic growth. Portugal's finance minister believes that the Eurozone economy has grown for 22 consecutive quarters, and since the region's economy has reached its trough, its debt has not only been significantly reduced, but also created 9 million jobs until now. The Italy's economic scale still decreased by 5% compared to that in 2008.

D. Japan's macroeconomic trends

The Japan Government announced out that the Japanese economy will grow by 0.9% for FY 2018 ending March 2018, which missed previous forecast of 1.5%. In FY 2019, it is expected to grow by 1.3%, which also missed previous estimate of 1.5%. Affected by the trade war, Japan is more cautious on corporate investments. In the view of China's economic slowdown amid sluggish demands for electronic components in Asia, demand in overseas countries will not contribute to economic growth, whether in this fiscal year or the next. In FY 2018, capital expenditures are projected to rise by 3.6% and then narrow down to 2.7% growth in 2019. Japan's projected overall consumer price inflation was cut to 1% for FY 2018 (original estimate of 1.1%), while in FY 2019, it is expected to rise by 1.1%, which missed previous estimation of 1.5%. In addition, private consumption would expand by 0.7% in FY 2018, and the

expansion would accelerating to 1.2% in FY 2019 as consumers are no longer affected by the strong earthquakes and floods that occurred in September 2018.

E. China's macroeconomic trends

World Bank cut original estimate of China's economic growth by 0.1ppt to 6.2% in 2019 and 6.2% in 2020, whereas in 2021, China's economic growth rate is expected to come closer to the 6% mark. The bank expects Beijing to turn towards loose monetary and fiscal policies in response to rising trade tensions. However, there would be potential systemic risks in China's financial industry. In addition, it projects measures taken by Beijing authorities to substantially offset the adverse effects of retaliatory tariffs on products in China. However, this may undermine China's previous efforts on fighting bad credits and controlling corporate and bank balance sheets, which disrupt China's economic activities and had substantial impact on other economies within the region.

F. South Korea's macroeconomic trends

South Korea's Central Bank announced that GDP increased by 1% QoQ in the fourth quarter of 2018 after the seasonal adjustment, which beat market forecast of 0.6% QoQ, and hitting three-quarter high. GDP grew by 3.1% YoY in the fourth quarter of 2018, which was far better than the increase of 2% YoY in the third quarter, hitting five-quarter high, and beat market forecast of 2.8% YoY. South Korea's central bank announced that government spending by the end of 2018 has alleviated the impact of decline in overseas sales of wafer and electronic products on exports. Government spending on construction and capital investment has pumped up economic growth. South Korea's FY 2018 GDP grew by 2.7%, hitting six-year low.

G. Taiwan's macroeconomic trends

The National Accounts Review Committee of the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan predicts economic growth of 2.27% in 2019, with per capita GDP of US\$ 25,229. This is mainly due to rising uncertainty of global economic growth, which would affect the performance of domestic and foreign demands. In the view of global economic slowdown. IHS predicts global economy to grow by 2.9% in 2019, which is lowest in the past three years. In addition, growth of exports will be limited due to factors including the potential effect of falling demands on mobile communication products such as smart phones on supply chain operators, semiconductors in the phase of inventory adjustment and the high base effect from 2018. Exports in 2019 is estimated to grow by 0.19% YoY to US\$ 336.7 billion. After taking

into account goods and services and excluding the price factor, the rate of growth in actual output will come up to 2.25%. The main uncertainties include the subsequent development of trade disputes between the US and China, monetary policy normalization by European and American central banks, the fluctuation of international stock, currency and bond markets, the price trend of fuels and other raw materials, and the impact of geopolitical situation on the global economy.

4. Competition Status

In the semiconductor wafer industry, barriers to entry are high to the other potential competitors due to high concentration of capital and technology. In recent years, the Company has become the third largest wafer supplier in the world through acquisition of Topsil and SunEdison and expansion of equipment. The Company's Business operations have achieved economies of scale, and its process technology has won the trust and quality recognition from international manufacturers. Furthermore, the Company would become more flexible in meeting customers' demand on high quality products and different delivery time frames by integrating technologies and production capacity of subsidiaries around the world. In addition, the expansion of semiconductor industry will take at least two years, and hence there would be less competition, as most customers have to submit long-term contracts in order to achieve stable supply.

(III) Research and Development

We have been continuously endeavoring to improve the technologies of silicon monocrystalline ingot growth and silicon wafer precision machining, and by cooperating with academia research institutes and university professionals, we have accumulated explosive energy in innovating new technologies as well as new products. With years of devoting in the technology development in the projects of "Silicon monocrystalline ingot growth and silicon wafer precision machining" and "Silicon epitaxy deposition technology and SOI wafer bonding technology", we have fulfilled or exceeded the international standards in the fields, such as the productivity of monocrystalline ingot growth, lowering the resistivity of ingot, ingot defect control, ingot quality improvement, homogeneous/heterogeneous epitaxial technique, homogeneous/heterogeneous wafer bonding technique, improvement of wafer strength with reducing wafer thickness, improvement of energy consumption and water usage, reducing of material usage and waste. We have not only passed the evaluation of the Tier 1 customers in cutting-edge manufacturing processes but also have been selected as the best supplier by important customers. The customers have certainly demonstrated GWC's success in R&D.

In process technology, we have developed our own advanced process control

system and have implemented it in the key process steps. This process control technology not only optimizes the stability of the process but also makes the manufacturing process for low-defect and ultra-flat wafers possible.

In new product development, we have achieved unprecedented milestones, for instances, we have developed 12-inch semiconductor for high power IC components, SOI for 4G and 5G communication applications and the next generation wide band-gap material GaN on silicon and on SiC wafers.

For the future silicon-based materials, GlobalWafers will continue the investment in the research and development of the advanced monocrystalline ingot growth, novel process for wafer slicing, and nano-grade ultra-flat polishing technique. All these unique technologies will definitely be our cornerstones for us to surpass Moore's law in the future.

The technology development of wide band-gap material will be based on our technologies on silicon wafers, making GlobalWafers a full range wafer supplier.

In addition, GlobalWafers is also actively expanding its patent portfolio to protect its intellectual properties procured from R&D, and has obtained more than 1200 patents worldwide. These R&D achievements will enforce us to progress and become the leading wafer supplier in the world.1. R & D expenses from the most recent fiscal year up to the date of publication of the annual report

1. Percentage of Research and Development Expenses to Net Revenue for Two Years

Unit: NT\$ 1,000

Year	2017	2018	March 31, 2019
Net Revenue	1,445,060	1,650,559	409,522
Research and Development Expenses	46,212,601	59,063,510	15,591,100
Research and Development Expense	3.13	2.79	2.63

2. Newly Developed Technology and Products in Most Recent Year

Year	Technology/Product
2018	<ol style="list-style-type: none"> 1. Monocrystalline ingot growth technology for Boron-doped MCZ Ingot with resistivity >8000Ω-cm 2. Automatic counter doping high resistivity ingot growth technology 3. RF Application SOI wafers (RFSOI). 4. Silicon substrate for 7nm IC process. 5. Big data application for wire saw slicing process. 6. 12" Continuous Cz (CCz) monocrystalline ingot growth technology.

Year	Technology/Product
	7. Model Predictive Automatic Crystal Pulling Process Control. 8. 8" Ultra high flatness acid etched single side polishing technology development. 9. New "ECAS®" wafer for high-resolution CMOS image sensor with lower white defect 10. Lower carbon technology for 8" and 12" MCZ crystal growth 11. High Breakdown voltage E-mode GaN on Novel SOI wafer development 12. GaN On semi-Insulated SiC Epitaxy technology development

(IV) Long-term and Short-term Development

1. Long-term Development

- A. Focus on research and development of large-size and heavy-dope ingot and power semiconductor epitaxy, aiming to become the largest wafer maker with complete product portfolio.
- B. Focus on research and development of high-efficiency ingot growth, aiming to become the wafer maker with best quality, highest efficiency and complete product portfolio.
- C. Integrate 16 operational sites around the world and technology platform; actively debottleneck to maximize capacity so as to utilize internal resources efficiently.
- D. Centralize worldwide sales for simple decision making to better utilize and analyze regional information and to achieve efficient sales operation.
- E. Because of discrete devices' migration to large size (150mm, 200mm) from small size (75mm, 100mm, 125mm), the Company needs to plan next generation products to satisfy customers' extensive needs. We dedicate in 8" heavily-doped wafer and epi wafer with the help from efficient hot zone design and CZ pulling in Italian and Japanese sites, lowering industrial competition and enhancing sales territory via construction of R&D platform to pursue high-value technology. We also concentrate in 8" market exploration and we are qualified by more and more customers, aiming to deeply penetrate into 8" market and build long-term partnership with customers.
- F. Take advantage of niche technologies in Europe, US, Korea and Japan to develop next generation wafers and surpass all rivals for extensive market share.

2. Short-term Development

- A. Strengthen R&D links with downstream customers, develop high-efficiency niche products with core technology capabilities, and actively reduce manufacturing costs to increase profit margins.

- B. The Company will keep close attention to market trends and the industrial fluctuation, adjust business strategies when necessary, continue to develop high-value products, and carry out patent protection measures to strengthen the Company's competitiveness.
- C. It also develop technologies for high-quality, heavily doped silicon crystals and wafer processing, in order to meet rising demands on epitaxial wafers for power semiconductors.
- D. In addition, the Company has been actively expanding market opportunities and orders for components in automotive and smart phones, as well as increasing production capacity to attract more orders of 4-6 inch wafers.
- E. Search for strategic alliances in technology and sale for the R&D in the development and design of new products for the Company and materials requirement.
- F. Quick launch of products to market and increase market share
- G. Development of the core technology for big wafer, and intensification of the exchange with the academe and research institutions, and the acceleration of the capacity in product and technology development to international standard.
- H. Acceleration of the production performance of 12" products, and increase the global market share of 8" and 12" wafer.

II. Market and Sales Overview

(I) Market Analysis

1. Sales Region:

Unit: NT\$ 1,000

Area		2017		2018	
		Turnover	Ratio (%)	Turnover	Ratio (%)
Local		9,789,976	21.2%	13,449,010	22.8%
Abroad	Asia	20,554,540	44.5%	26,940,905	45.6%
	America	6,319,293	13.7%	6,319,293	10.7%
	Other	9,548,792	20.6%	12,354,302	20.9%
Total		46,212,601	100.00%	59,063,510	100.00%

2. Market Share (%) of Major Product

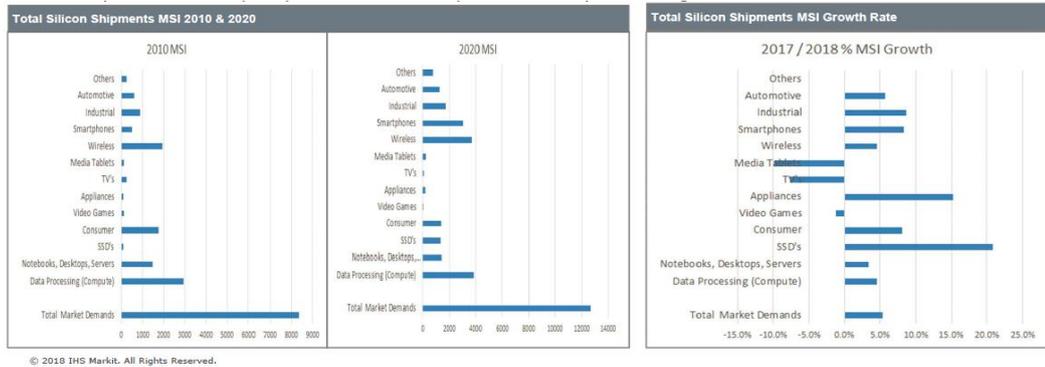
According to the statistics compiled by SEMI covering 2019 Q1, the shipment volume of the Company ranked the number 3 position among the top 15%-20% of the world silicon wafer manufacturers. There is the trend of consolidation and integration of the silicon wafer industry where the top 5 manufacturers accounted for 95% of the market share. These top 5 are Shin-Etsu and Sumo of Japan, GWC, Siltronic AG of Germany, and SK Siltron of Korea. The Company was ranked the number 3 position of

the world, which indicated its stable growth in operation. It is expected that the Company could continue to development its market with the broadest product line as the niche with further increase of market share.

3. Market Share (%) of Major Product

The application of semiconductor products is on perpetual development and the end products are closely associated with our daily lives. Macroeconomic performance is also significantly associated with the performance of the semiconductor industry. The clientele base of the Company is broad and in diversity. End products are applicable to many industries and areas of utilization such as automotive products, power source, memory and others. The data indicated that the demand in the market of end products will continue to grow that the launch of different kinds of new products will pull the demand for good quality silicon wafer.

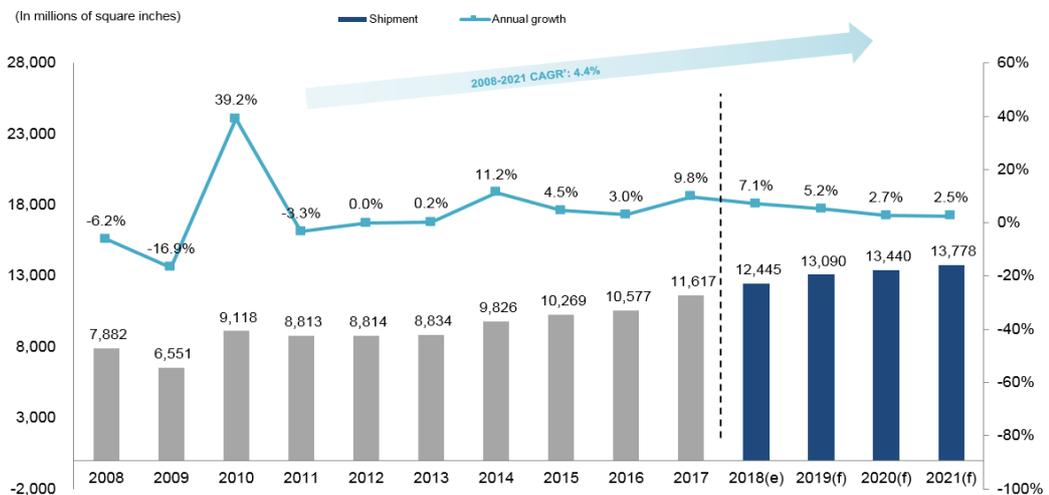
- Distribution of shipment in the application market of semiconductors worldwide in 2010~2020



Source: IHS (2018/Q4)

- CAGR of IC products worldwide in 2015~2021

2018 wafer shipment is expected to eclipse the all-time high 2017 and continues to hit records through 2021



Source: SEMI (2018/Q4)

4. Competition Superiority

A. Experienced and visionary management and R&D teams

Since foundation, GWC has been dedicated ourselves into wafer research and development. Our main R&D team and managers have been working in the semiconductor industry with years of experience, their in-depth know-how and knowledge enable the Company to seize market trends and cooperate with customers to develop critical technology, helping to capture business opportunities.

B. Proven research & development (“R&D”) and technological capability

The Company concentrates in the crystal growth of silicon wafer materials and precision processing improvement, and could upgrade technological know-how and development of new products quickly through exchange and joint ventures with the academe and research institutions. After years of investment in the development of “Single crystalline silicon growth technology and wafer precision processing technology”, the Company has emerged as the benchmarking firm in the productivity of single crystalline silicon, reduction of crystal resistance, crystal defect density control, upgrade of crystal quality, reduced use of argon, enhancement of the flatness of wafer, atomic grade wafer surface polishing treatment technology, homogeneous/heterogeneous epitaxy technology, homogenous/heterogeneous wafer connection technology, enhancement of wafer strength with less thickness, energy efficiency, water consumption efficiency, reduced use of materials, and reduced wastes, and even surpassed the standards of international indicators. In addition to the above, the Company has also paid attention to the protection of the intellectual property rights of the Company through patent registration. At present, the Company has successfully registered for more than 1200 patents. This brilliant result of research and development has been highly recognized by the customers worldwide.

C. Economies of Large Scale Business, Flexible Productivity & Complete Product Portfolio

The Company has concentrated in the research and development of the technologies and production of semiconductor grade silicon products and related fields ever since its establishment, and has established production sites in America, Europe and Asia. The Company has 16 plants in 10 countries of the world with the economy of scale in production capacity. The engineers and the line staff are well-seasoned in production process and operation. In addition, the Company has managed its production process effectively under the diversified mode of

operation in dispersion that helps to improve the production efficiently significantly. The unit cost becomes relatively low.

D. Long-term Partnership with Valued Customers

The Company provides total solutions for the customers with core technology and products in full production process. In the aspects of precision processing technology, product quality, and delivery, the Company could satisfy the needs of the customers. As such, the Company has earned the recognition of many giant domestic and foreign semiconductor firms. Owing to the non-disclosure nature of technology, quality and long term tacit cooperation with these giant semiconductor firms, they will not change suppliers easily unless major defects were found in products. This shows that the Company has established long-term close partnership with the customers. In addition, the Company will base on its solid foundation of the use of advanced technologies to development new accounts further to its effort of maintaining positive relation with existing customers. This will be very helpful for the Company in the development of its operation in the future.

E. Complete Product Portfolio Offering

The Company is a professional semiconductor grade silicon wafer manufacturer and has the product line for the complete process of pulling, chipping, grinding, polishing, rinsing and epitaxy for 3"~12" products. The Company also provides total solutions and customized services for the diversity of needs of the customers. The Company has the advantage of being a leader in the industry, given its stable quality, sound performance, complete product line and short lead-time in research, development, and design with flexibility.

F. Solid Financial Structure

"The big is getting bigger" will be trend of development for the semiconductor industry in the future. The Company has sufficient cash flow and a sound asset and liability structure that could support the continued solid investment and development in the future. This is critical for sustaining the operation at the time of downturn for the semiconductor industry. A sound financial structure is the foundation for long-term cooperation and growth between the Company and its customers. Indeed, this is one of the competitive advantages of the Company.

5. Favorable and Unfavorable Factors in the Long-range Future

A. Favorable factors

(a) Capital and Technology Intensive, Difficult Entry for Rivals

Semiconductor is a capital and technology intensive industry. The machinery for the production of semiconductor is very expensive. It is echoed with the growing trend of IDM job orders and rapid change in product technology. These dictate for sizable capital spending. Being a technology-intensive industry at high level, the process technology and yield rate of products for semiconductors will determine the cost. In addition, the research and development staff and process technology are closely associated. It is not easy to recruit and train professional research and development personnel in the industry. All products shall be subject to the validation of the customers before purchase orders could be secured. These posed high entrance barrier to the competitors. The Company has an outstanding R&D team with years of experience in the industry and is well-seasoned. They keep abreast of the trend and demand of silicon wafer. In addition, the Group has already achieved the economy of scale and the process technologies have won the trust and quality accreditation of international big firms, which indicated the competitive power of the Group in market.

(b) The new technologies in the semiconductor market linked to different forms of applications, which in turn boost the demand for high quality silicon wafer.

The continued development of the IoT containing smart appliances, wearables, and smart cities has emerged as the prime force driving for the revenue of semiconductors. Likewise, the 5G is about to activate a new mode of mobile web and change the form of wireless communication forever. The development of new technologies like the 5G, AI, and IoT will link together a number of consumer electronics, mobile devices, network communication equipment and PC application markets, which previously developed in their own solitudes. This is particularly the case for the demand of 8" and 12" silicon wafer. Wafer under the size of 6" will thrive as the demand for automotive and daily use is on the growth. The demand for silicon wafer materials will grow in line with the growth in demand for semiconductors.

(c) Synchronize with Market Trend

The top 5 silicon wafer manufacturers are focused on the application standard of memory for the time being, which makes competition acute and

no room for profit. Yet, the group could not only provide the services of the whole product line and production process in 3"~12" silicon wafer for the customers (pulling, chipping, grinding, polishing, rinsing, annealing, and epitaxy) and focused on the niche market of automotive and power supply equipment. As such, the gross margin of the Company ranged from 26%~38% in the last 2 years. The sources of profit remained stable. The Group further lays hand on the development of advanced production process to lay out a full product line. As such, there is room for further growth.

B. Unfavorable Factors and Countermeasures

(a) Seasonal Variation in Semiconductor Industry

The Company is a professional semiconductor wafer manufacturer and is at the upstream of the semiconductor industry chain. Major customers are semiconductor manufacturers and wafer foundries, and also integrated component manufacturers and automotive electronics firms. Silicon wafer is an indispensable basic material critical for the manufacturing of semiconductor components. The operation of the Company is closely associated with the economic cycle of the semiconductor industry.

Countermeasure:

The Company is the number 3 semiconductor wafer manufacturer of the world with product line covering 3" to 12" wafers that assures its economy of scale and market position. The end products could be applied broadly with the automotive and power supply devices market in particular. The technical staff of the Company and its subsidiaries have years of experience in the semiconductor industry with solid background in technology. With the proper application of core technology, matching with the capacity of technology integration and development, the Company could provide a complete product line with a wide array of carrying items to the needs of the market and the customers, and establish long-term stable partnership relation with the customers on hand. The production capacity could then be fully utilized in stability to reduce the cyclical risk to the Company. In addition, the Company has production facilities in Europe, America, and Asia, and could reduce the cost of operation through purchase and centralization of sale. Furthermore, the Company could fully utilize the advantages of different production sites for flexible production scheduling to tackle with the unfavorable factors caused by market fluctuation.

(b) Shortage of Key Material

The thriving of the semiconductor industry has brought about the growth in the demand for silicon wafer very quickly. Likewise, the demand for material of polycrystalline silicon at semiconductor grade also grew. If the suppliers at upstream could not give timely supply, production will be halted under the shortage of material supply.

Countermeasure:

The key material for the Company –polycrystalline silicon, is purchased from world-renowned bound by long-term supply agreement for assurance of stable quality and sufficient quantity of supply of the material.

(c) Foreign Currency Fluctuation

The Company has established production sites in Europe, America, and Asia, where the labor, utilities and other overheads were paid by these sites separately in respective local currencies. Some of the export sales were settled by the customers in respective local currencies of the host countries while the remainder will be settled in USD. As such, wide fluctuation of the exchange rate between the USD and the currencies of the aforementioned host countries will affect the cost of operation of the Company.

Countermeasure:

The international economic situation and exchange rate are so unpredictable. In response, the Company adopts the policy of natural hedge between the positions of assets and liabilities with an attempt to minimize the exposure of the position to exchange risk. The treasury function of the Company pays close attention to the trend of the exchange rate, and will match with appropriate foreign exchange instruments for hedging where necessary to mitigate the influence of exchange rate fluctuation on the cost of operation.

(d) New competitors in small size wafer

There was silicon manufacturers making small size wafer entered into competition since the last few years. It was coupled with the powerful support of the domestic semiconductor industry in Mainland China. As such, the market of small size silicon wafer is in acute competition.

Countermeasure:

The semiconductor industry is a capital and technology intensive industry. The machinery for production is very expensive and the product technology

changes so fast that entail sizable capital investment. In addition, it is not easy to recruit and train professional research and development personnel. In addition, all products will be subject to the validation of the customers before purchase orders will be placed. These factors contributed to high entrance barrier of the industry. The Company has an outstanding technology R&D team who has been working in the industry for a long time. They could keep abreast of the trend and demand for silicon wafer. The production capacity of the Company in medium to small size wafer has also been ranked among the top performers of the suppliers worldwide. The process technology of products has also earned the trust and quality accreditation of famous international big firms, which give the Company the advantage in competition as compared with the other competitors. The Company will continue to strengthen its competitive edge to maintain the leadership position.

(II) The Production Procedures of Main Products

1. Major Products and Their Application

Products	Main Usage
Semiconductor wafer	Main ingredient of semiconductor devices, and manufactured into discrete devices, integrated circuits and optoelectronics after different processes such as polishing, diffusion, etching, and packaging and testing. Widely applied in discrete including diode, rectifier, transistor, TVS, thyristor and MOSFET and integrated circuits and optoelectronics like MEMS、Power Device, consumer electronics and LOGIC IC

2. Process Flow:

Wafering

Poly-Si → Ingot Growth → Cropping → Grinding → Slicing → As-cut Wafer Cleaning → Thermal Process → Edge Grinding → Lapping → Lapped Wafer Cleaning → Inspection → Packaging

Cystallite

Bare Wafer -> Diffusion -> Sand Blasting -> Cleaning -> Ni plating -> Sintering -> Ni plating -> Au plating -> Dicing -> Packaging

Polishing

Lapping → Etching → Pre-Polishing Inspection → Polishing → PreOCleaning → Inspection → Final Cleaning → Surface Scanning → Inspection → Packaging

(III) Supply Status of Main Materials

Product	Major Raw Materials	Source of Supply	Supply Situation
Wafer	Polysilicon	Company D	Good

(IV) The names of the parties accounted for more than 10% of the total purchase (sale) in any of the last 2 years, the amount of purchase (sale) and proportion to the total amount of purchase (sale).

1. The names of the parties accounted for more than 10% of the total purchase in any of the last 2 years, the amount of purchase and proportion to the total amount of purchase, and explain the reason for the changes, where applicable.

Unit: NT\$ 1,000

Item	2017				2018			
	Name	Amount	Proportion to annual net purchase (%)	Relationship with the issuer	Name	Amount	Proportion to annual net purchase (%)	Relationship with the issuer
1	Company D	1,710,868	11.0%	None	Company D	1,608,212	9.3%	None
	Other	13,841,353	89.0%		Other	15,680,150	90.7%	
	Net purchase	15,552,221	100.0%		Net purchase	17,288,362	100.0%	

Note to the changes:

The principal business of the Company and the subsidiaries is the manufacturing and sale of silicon crystal materials and silicon is the key ingredient. There is no significant change in the ranking of the suppliers in the last 2 periods. The changes in the amount and proportions were the result of the demand of the Group.

2. The names of the parties accounted for more than 10% of the total sale in any of the last 2 years, the amount of sale and proportion to the total amount of sale, and explain the reason for the changes, where applicable.

Unit: NT\$ 1,000

Item	2017				2018			
	Name	Amount	Proportion to annual net sale (%)	Relationship with the issuer	Name	Amount	Proportion to annual net sale (%)	Relationship with the issuer
1	Company C	6,503,622	14.1%	None	Company C	9,494,244	16.1%	None
	Other	39,708,979	85.9%		Other	49,569,266	83.9%	
	Net sale	46,212,601	100.00%		Net sale	59,063,510	100.00%	

Note to the changes:

The principal business of the Company and the subsidiaries is the manufacturing and sale of silicon crystal materials. The products are mostly silicon crystal rods and customized silicon wafer. The major customers are big semiconductor firms. There is no significant change in the ranking of the major customers in the last 2 years.

(V) Production over the Last Two Years:

Unit: NT\$ 1,000/ 1,000 pcs

Production volume and value Key items (or by department)	Year	2017			2018		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Semiconductor wafer		55,211	53,371	31,097,321	57,790	56,909	35,294,655
Semiconductor ingot		2,847	2,755	1,544,592	2,912	2,861	1,526,697
Total		-	-	32,641,913	-	-	36,821,352

(VI) Shipments and Sales over the Last Two Years:

Unit: NT\$ 1,000/ 1,000 pcs

Sale volume and value Key items (or by department)	Year	2017				2018			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Semiconductor wafer		12,160	9,354,104	34,631	36,186,223	11,386	11,367,515	35,956	47,079,636
Semiconductor ingot		2	16,282	92	480,408	0.27	2,309	76	489,805
Other		-	14,206	-	161,378	-	16,129	-	108,116
Total			9,384,592		36,828,009		11,385,953		47,677,557

Note: other items are mostly the sale of crystal rods and materials. There is a wide array of products and the price varied significantly. The calculation of sale volume is omitted.

Analysis and description of the changes in the production and sale volume and value:

The major products are silicon crystal rods and customized silicon wafer and the major customers are big semiconductor firms. The product portfolio of the last 2 years is conditioned by the demand structure of the products and the changes are reasonable.

III. Human Resources

Year		2017	2018	March 31, 2019
Number of employees	Staff	352	372	362
	Manufacturing	240	279	281
	Total	592	651	643
Average age		37.3	37.46	37.76
Average Years of Service (year)		7.89	8.33	8.64
Education %	Doctors	1.52	1.38	1.40
	Masters	13.34	14.44	14.15
	Bachelor's Degree	47.64	48.54	48.99
	Senior high schools and below	37.50	35.64	35.46

Note: Subsidiaries are not included

IV. Environmental Protection Expenditures

1. According to the Law, a Company Shall Apply Permission for Pollution Facilities Placement, Pollutant Emission; Pay Prevention Fee; Set up Environmental Department, above Explanations are as below: the Company Has Applied Permission for Pollution Facilities Placement and Set up Environmental Department to Deal with Related Matters.
2. Investment of pollution preventing main facilities, and the purposes and possible benefits:

December 31, 2018

Equipment name	Quantity	Date of acquisition	Cost of investment	Balance before depreciations	Purpose and expected performance
Cleaning tower	10	2015/3	NT\$ 14,943 thousand	NT\$ 1,819 thousand	Treatment of air pollutants from the production process of the plant in conformity to the standard of the emission of air pollutants under the legal rules governing environmental protection
Wastewater Treatment	4	2015/1	NT\$ 7,040 thousand	NT\$ 11 thousand	The draining of water pollutants from production process of the plant in conformity to the standard under applicable legal rules governing environmental protection.
Wastewater Treatment - Piping Extension	1	2016/8	NT\$ 840 thousand	NT\$ 163 thousand	The draining of water pollutants from production process of the plant in conformity to the standard under applicable legal rules governing environmental protection.
Emission Treatment – computer surveillance	1	2016/12	NT\$ 215 thousand	NT\$ 66 thousand	The draining of water pollutants from production process of the plant in conformity to the standard under applicable legal rules governing environmental protection.

Equipment name	Quantity	Date of acquisition	Cost of investment	Balance before depreciations	Purpose and expected performance
Wastewater Treatment	3	2017/3~ 2017/12	NT\$ 39,975 thousand	NT\$ 29,033 thousand	The draining of water pollutants from production process of the plant in conformity to the standard under applicable legal rules governing environmental protection.
Air pollutants treatment equipment	13	2017/3~ 2017/6	NT\$ 15,949 thousand	NT\$ 6,964 thousand	Treatment of air pollutants from the production process of the plant in conformity to the standard of the emission of air pollutants under the legal rules governing environmental protection
Solid waste storage zone	1	2017/2	NT\$ 1,200 thousand	NT\$ 980 thousand	Installation for improvement of the site area for the stacking of solid wastes and the environmental condition of the site in conformity to legal requirements.
Cleaning tower	1	2017/3	NT\$ 5,081 thousand	NT\$ 4,174 thousand	Treatment of air pollutants from the production process of the plant in conformity to the standard of the emission of air pollutants under the legal rules governing environmental protection
Wastewater Treatment	13	2018/1~ 2018/11	NT\$ 31,881 thousand	NT\$ 29,085 thousand	The draining of water pollutants from production process of the plant in conformity to the standard under applicable legal rules governing environmental protection.

Equipment name	Quantity	Date of acquisition	Cost of investment	Balance before depreciations	Purpose and expected performance
Air pollutants treatment equipment	14	2018/4~ 2018/11	NT\$ 62,649 thousand	NT\$ 59,791 thousand	Treatment of air pollutants from the production process of the plant in conformity to the standard of the emission of air pollutants under the legal rules governing environmental protection

3. The improvement of pollution control in the last 2 years to the day this report was printed. If there was any dispute deriving from pollution related matters, specify the response process: None.
4. The loss (including indemnity) caused by pollution to the environment, the total amount of penalty in the last 2 years to the day this report was printed, and disclose the policy in response (including corrective action plan) to the situation and possible spending (including the loss deriving from the failure to take action in response to the situation, penalty, and the estimated amount of indemnity. If it is not possible to make reasonable estimation, explain with evidence): None.
5. The effect of pollution and corrective action plan on the earnings, competitive position, and capital expenditure of the Company, and the major expenditure on environmental protection budget in the 2 years ahead: None.
6. Information on the observation of RoHS of the EU by the Company: the Company sends sample for RoHS inspection as required by business needs.

V. Labor Relations

(I) Employee Benefits, Training, Education, Retirement Policy, Executions and Labor Negotiations and Measures to Protect Employee Rights.

1. Employee Benefits:

- (1) Provide high quality salary and fair reward, promotion methods to confirm all the colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, year-end party, cash premiums for wedding/funeral, travel allowance, Emergency assistance, scholarship, shuttle bus, lunch, dormitory, employee stocks and complete staff training.

- (2) The Company appropriate 0.07% of the monthly revenue and 40% of the proceeds from the disposal of scraps as funding for the Employee Welfare Committee. The committee performs its function in accordance with applicable legal rules.

2. Training and Practice

The Company provides a wide array of training programs through on-the-job training of different areas of specialization, and programs for self-development, including orientation for the new employees, on-the-job training programs, training in occupational health and safety, program on professional topics, and other external training on related duties to train personnel with professional capacity and ready for challenges.

3. Retirement Policy

- (1) Two types for retirement: voluntary and mandatory.

Voluntary retirement: employees who have more than 15 years of seniority of services and at the age of 55, or who have more than 25 years of seniority of service, or who have more than 10 years of seniority of service and at the age of 60.

Compulsory retirement: employees who are at the age of 65 on May 14 2008 or beyond, or physically or mentally disabled that cannot perform the assigned duties shall be compelled to retire.

- (2) Seniority of service: from the day of registration for duties: except for responding to the call of conscription. The period of leave of absence will not be included in the calculation of the seniority of service.

- (3) Standard for payment of pension:

The old system: two basis points for each year of service. For employees who have more than 15 years of service, one basis point will be given for each additional year of service up to 45 basis points. Seniority of service covering a period of less than half a year will be taken as half a year, and the period of half a year or more will be taken as a whole year. Employees under compulsory retirement will be entitled to an additional 20% of the aforementioned basis points if they are physically or mentally disabled.

New system: Those who selected the new retirement system after July 2005 will still be based on the old system of retirement in the calculation of the seniority of services before July 2005 and on the new system after July 2005.

(4) Employees who registered for duties after July 2005 will be based on the new system (the employer will appropriate 6% of their respective monthly salaries to the personal accounts at the Labor Insurance Bureau).

4. Work environment and the protection of the health and safety of the employees

The Company has established the "Occupational Safety and Health Management Function" in accordance with the Occupational Safety and Health Act with the appointment of occupational safety and health administrators. In addition, the Company has also instituted the "Regulations Governing Occupational Safety and Health". The work environment at plant sites and the protection of the health and safety of personnel are specified below:

(1) Regulations and policies governing work environment:

- All workers should pay attention to the physical and mental health for proper adjustment at all times and makes hygiene a good habit.
- The workplace shall be kept clean and tidy at all times.
- Smoking, betel nut chewing and intake of alcoholic beverages at workplace are strictly prohibited.
- Smoking is permitted only at designated area. No littering of cigarette buds.
- Use proper protective gears when handling hazardous substances.
- Proper labeling of hazardous substances and do not cause any damage to the substances.
- Proper facility for drinking water should be installed at workplace with routine cleanup and inspection of water quality.
- Annual disinfection of the whole plant site.
- The toilets should be properly ventilated and disinfected.
- All employees must observe the 6S rules of environmental hygiene and make it a habit.
- No spitting and response to the call of nature on shop floor, no indiscriminating discard of cigarette buds and not littering.

(2) The protection of the safety of personnel

- Follow related safety standard, operation procedure and procedure inspection checklist in performing different forms of duties and conduct routine inspection.
- For temporary duties or the duties not performed on a routine basis that there is no safety rules to follow, do not proceed without thinking twice. Use the work safety standard already in place and consult with the person in charge to determine the safety procedure and work method before proceeding.
- For performing duties at an altitude of higher than 2 meters, or objects may

be dropped or dispersed from high altitude, the inspectors on the site and the supervisors should wear safety helmet with the band proper fastened.

- For performing duties on pipework, tower, shelves at an altitude of higher than 2 meters from ground level without the installation of a safety work platform, or performing duties at the edge of the workplace and open space, use safety belt and supporting strap or rope.
- In case of partial power shutoff from the transforming equipment or at the plant site, cordon or partition the area with iron fence netting or post warning sign such as “Power Shut Off”, or “Electric Shock Hazard”. Confirm the evacuation of all workers from the area and electric induction free before removing the partition.
- All workers must wear personal protective gears when performing the duties. Report of any unsafe situation, equipment or work method at once.
- No chasing, teasing or exhibition of unsafe behaviors in the course of performing duties.
- Machinery and equipment should not be overloaded.

5. Labor-Management coordination

The rules and regulations of the Company were instituted in accordance with the Labor Standard Act. Labor-Management conference is held at regular intervals under the Regulations Governing Labor-Management Conferences. The Labor-Management relation of the Company has long been harmonious with through channels for communications. Discussion would be held in the Labor-Management Conference and the Employee Welfare Committee on matters related to the benefits on both sides. Communication of this kind helps to improve mutual understanding of the needs and expectation. All of the Company share the common value of coexistence and mutual prosperity and create a better future of the Company in joint effort.

6. Measures To Protect Employee Rights

The Company has a viable management system with various rules and regulations explicitly stated. The content covers the rights and obligations, as well as the benefits of the employees. The content of benefits is subject to routine review and adjustment to protect the rights of all employees.

- (II) The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report: Labor relations have been harmonious since company establishment, no conflict-caused losses, and we anticipate no such things shall happen in the future.

VI. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2011.10.01~ 2020.12.31	Area: 4,638 m ² Monthly rent at NT\$ 266,306	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2018.01.29~ 2037.12.31	Area: 12,004.74 m ² Monthly rent at NT\$ 320,166	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2015.01.01~ 2034.12.31	Area: 47,632.03 m ² Monthly rent at NT\$ 2,713,740	Only for designated purpose
Supplier Agreement	Supplier c	2010~2019	Silicon Materials Agreement	None
Supplier Agreement	Supplier a	2011 ~ 2019	Silicon Materials Agreement	None
Supply Agreement	Customer C	2017~ 2027	Silicon wafer supply agreement	None

VI. Financial Information

I. Five-Year Financial Summary

(I) Condensed Balance Sheet and Comprehensive Income Statement

1. Condensed Balance Sheet

(1) IFRS (consolidated)

Unit: NT\$ 1,000

Item	Year	Financial information of the last 5 years					Financial information in 2019 to March 31
		2014	2015	2016	2017	2018	
Current Assets		10,083,409	12,004,772	22,212,281	35,110,873	53,200,515	57,495,280
Funds & Long-Term Investments		8,972,049	9,360,910	31,035,540	28,202,304	30,887,035	30,716,524
Intangible Assets		676,453	701,566	4,436,073	3,939,134	3,649,397	3,563,202
Other Assets		1,652,852	1,748,512	2,876,343	2,980,026	2,085,174	3,119,852
Total Assets		21,384,763	23,815,760	60,560,237	70,232,337	89,822,121	94,894,858
Current Liabilities	Before Distribution	5,785,495	4,883,614	24,890,930	22,251,273	24,422,441	22,394,210
	After Distribution	7,776,220	6,729,864	25,984,055	26,623,773	Note 2	Note 2
Non-current Liabilities		2,398,454	2,207,549	19,850,805	13,926,658	22,243,567	25,539,472
Total Liabilities	Before Distribution	8,183,949	7,091,163	44,741,735	36,177,931	46,666,008	47,933,682
	After Distribution	10,174,674	8,937,413	45,834,860	40,550,431	Note 2	Note 2
Equity attributable to owners of parent							
Capital Stock		3,175,000	3,692,500	3,692,500	4,372,500	4,372,500	4,372,500
Capital Surplus		9,311,229	11,767,321	11,741,399	24,722,805	24,722,608	24,776,626
Retained Earnings	Before Distribution	2,424,398	2,780,724	1,933,282	6,857,529	15,932,425	19,795,293
	After Distribution	757,148	961,577	1,164,290	1,174,596	Note 2	Note 2
Other Equity		(1,711,887)	(1,515,948)	(1,592,477)	(1,956,906)	(1,361,299)	(1,415,984)
Treasury Stock		-	-	-	-	(576,779)	(576,779)
Non-controlling Equity		-	-	43,798	58,478	16,658	9,520
Total Shareholders' Equity	Before Distribution	13,200,814	16,724,597	15,818,502	34,054,406	43,156,113	46,961,176
	After Distribution	11,210,089	14,878,347	14,725,377	28,371,473	Note 2	Note 2

Note: 1. The financial information in the period of 2014~2018 was audited. The financial information in 2019 Q1 was reviewed by CPA.

2. The distribution of earnings in 2018 is subject to the approval of the Shareholders Meeting

(2) IFRS (standalone)

Unit: NT\$ 1,000

Item	Year	Financial information of the last 5 years				
		2014	2015	2016	2017	2018
Current Assets		4,398,280	5,429,789	6,810,506	13,460,511	9,053,216
Property, plant and equipment		254,006	300,965	334,997	411,784	1,094,293
Intangible assets		-	-	1,631,850	1,313,919	995,988
Other assets		11,864,430	13,408,001	33,070,416	47,078,130	58,602,543
Total assets		16,516,716	19,138,755	41,847,769	62,264,344	69,746,040
Current Liabilities	Before Distribution	2,900,164	1,898,253	17,317,308	21,671,662	23,396,505
	After Distribution	4,890,889	3,744,503	18,410,433	26,044,162	Note 2
Non-current Liabilities		415,738	515,905	8,755,757	6,546,754	3,210,080
Total Liabilities	Before Distribution	3,315,902	2,414,158	26,073,065	28,218,416	26,606,585
	After Distribution	5,306,627	4,260,408	27,166,190	32,590,916	Note 2
Equity attributable to owners of the parent						
Capital stock		3,175,000	3,692,500	3,692,500	4,372,500	4,372,500
Capital surplus		9,311,229	11,767,321	11,741,399	24,772,805	24,772,608
Retained Earnings	Before Distribution	2,424,398	2,780,724	1,933,282	6,857,529	15,932,425
	After Distribution	757,148	961,577	1,164,290	1,174,596	Note 2
Other equity		(1,711,887)	(1,515,948)	(1,592,477)	(1,956,906)	(1,361,299)
Treasury share		-	-	-	-	-
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	13,200,814	16,724,597	15,774,704	34,045,928	43,139,455
	After Distribution	11,210,089	14,878,347	14,681,579	28,362,995	Note 2

- Note: 1. The financial information in the period of 2014~2018 was audited.
2. The distribution of earnings in 2018 is subject to the approval of the Shareholders Meeting

2. Condensed Statement of Income
(1) IFRS (consolidated)

Unit: NT\$ 1,000

Item \ Year	Financial information of the last 5 years					Financial information in 2019 to March 31
	2014	2015	2016	2017	2018	
Revenue	15,921,691	15,310,462	18,426,950	46,212,601	59,063,510	15,591,100
Gross Profit	3,728,021	4,073,170	4,130,383	11,807,766	22,298,844	6,393,293
Operating Income	2,336,191	2,684,922	1,378,347	7,413,542	17,578,051	5,199,819
Non-Operating Income & Expenses	343,171	122,804	(33,908)	(538,843)	675,316	207,370
Net Income (Loss) Before Tax	2,679,362	2,807,726	1,344,439	6,874,699	18,253,367	5,407,189
Income Before Income Tax From Continuing Operations	2,095,432	2,044,193	939,171	5,278,207	13,633,771	3,857,417
Loss From Discontinuing Operation	-	-	-	-	-	-
Net Income (Loss)	2,095,432	2,044,193	939,171	5,278,207	13,633,771	3,857,417
Other Comprehensive Income (After Tax)	(291,304)	175,322	(44,044)	18,274	431,248	(55,949)
Total Comprehensive Income	1,804,128	2,219,515	895,127	5,296,481	14,065,019	3,801,468
Net Income Attributable To Gwc	2,095,432	2,044,193	939,485	5,274,723	13,630,673	3,862,868
Net Income Attributable To Non-Controlling Interests	-	-	(314)	3,484	3,098	(5,451)
Comprehensive Income Attributable To Gwc	1,804,128	2,219,515	895,176	5,328,810	14,055,257	3,808,183
Comprehensive Income Attributable To Non-Controlling Interests	-	-	(49)	(32,329)	9,762	(6,715)
Earnings Per Share	6.6	5.8	2.54	12.68	31.18	8.88

Note: The financial information in the period of 2014~2018 was audited. The financial information in 2019 Q1 was reviewed.

(2) IFRS (standalone)

Unit: NT\$ 1,000

Item	Year	Financial information of the last 5 years				
		2014	2015	2016	2017	2018
Revenue		6,831,717	6,898,559	6,749,320	9,280,321	13,740,705
Gross Profit		731,558	954,035	1,360,109	2,172,052	4,872,970
Operating Income		350,073	599,972	667,833	1,495,352	3,881,832
Non-Operating Income & Expenses		2,049,559	1,655,616	333,297	4,531,292	12,212,451
Net Income (Loss) Before Tax		2,399,632	2,255,588	1,001,130	6,026,644	16,094,283
Income Before Income Tax From Continuing Operations		2,095,432	2,044,193	939,485	5,274,723	13,630,673
Loss From Discontinuing Operation		-	-	-	-	-
Net Income (Loss)		2,095,432	2,044,193	939,485	5,274,723	13,630,673
Other Comprehensive Income (After Tax)		(291,304)	175,322	(44,309)	54,087	424,584
Total Comprehensive Income		1,804,128	2,219,515	895,176	5,328,810	14,055,257
Net Income Attributable To Gwc		2,095,432	2,044,193	939,485	5,274,723	13,630,673
Net Income Attributable To Non-Controlling Interests		-	-	-	-	-
Comprehensive Income Attributable To Gwc		1,804,128	2,219,515	895,176	5,328,810	14,055,257
Comprehensive Income Attributable To Non-Controlling Interests		-	-	-	-	-
Earnings Per Share		6.6	5.8	2.54	12.68	31.18

Note: The financial information in the period of 2014~2018 was audited.

(II) Auditors' Names and Opinions for Last Five Years

1. Auditors' Names and Opinions for Last Five Years

(1) Auditors' Names and Opinions for Last Five Years (Consolidated)

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2014	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2015	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2016	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2017	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion

(2) Auditors' Names and Opinions for Last Five Years (Standalone)

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2014	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinions
2015	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2016	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2017	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion

2. Reason for Changing CPA In Last Five Years:

The Company changes CPA in the last five years is due to KPMG's internal reorganization and job rotation, accounting firm remains the same.

II. Five-Year Financial Analysis

(I) Financial Analysis –IFRS (consolidated)

		Year	Financial analysis of the last 5 years (Note 1)					Financial information as of 2019/3/31
		2014	2015	2016	2017	2018		
Items of analysis (Note 2)								
Financial Structure (%)	Ratio Of Liabilities To Assets	38.27	29.78	73.88	51.51	51.95	50.51	
	Ratio Of Long-Term Capital To Property, Plant & Equipment	173.87	202.25	114.93	170.13	211.74	236.03	
Solvency (%)	Current Ratio	174.29	245.82	89.24	157.79	217.83	256.74	
	Quick Ratio	119.09	172.15	58.30	122.53	188.36	224.34	
	Times Interest Earned Ratio	95.51	251.04	14.33	18.26	169.99	367.27	
Operating Ability	Accounts Receivable Turnover (Turns)	4.7	3.7	3.02	5.92	6.88	6.60	
	Average Collection Period	78	98	121	62	53	55	
	Inventory Turnover (Turns)	3.75	3.5	2.54	4.42	4.88	4.97	
	Accounts Payable Turnover (Turns)	7.67	7.34	4.39	7.32	8.04	7.37	
	Average Days In Sales	97	104	144	83	75	73	
	Property, Plant & Equipment Turnover (Turns)	1.70	1.67	0.91	1.56	2.00	2.02	
	Total Assets Turnover (Turns)	0.75	0.68	0.44	0.70	0.74	0.68	
Profitability	Return On Total Assets (%)	9.97	9.08	2.39	8.53	17.14	16.75	
	Return On Shareholders' Equity (%)	15.91	13.66	5.78	21.18	35.32	34.24	
	Pre-tax Income to Paid-in Capital Ratio (%)	84.39	76.04	36.41	157.22	417.46	352.88	
	Profit Ratio (%)	13.16	13.35	5.10	11.42	23.08	24.74	
	Earnings Per Share (\$)	6.6	5.8	2.54	12.68	31.18	8.88	
Cash Flow	Cash Flow Ratio (%)	57.76	48.32	10.76	73.14	148.14	26.74	
	Cash Flow Adequacy Ratio (%)	152.65	116.8	106.26	171.48	246.86	274.93	
	Cash Reinvestment Ratio (%)	3.25	0.69	1.22	18.15	30.16	5.27	
Leverage	Operating Leverage	1.6	1.47	2.16	1.68	1.27	1.22	
	Financial Leverage	1.01	1	1.08	1.05	1.01	1.00	
<p>Explain the changes in the financial ratios of the last 2 years:</p> <p>1. Financial structure: the prepayment from customers under the new long-term supply agreements entered into with the customers.</p>								

- | | |
|--|---|
| | <ol style="list-style-type: none"> 2. Current ratio and quick ratio: increasing profit accompanied by more cash. 3. Times Interest Earned Ratio: due to the increase in profit. 4. Operating Ability: due to the increase of revenue in 2018 that pushed up the turnover rate. 5. Profitability: due to the increase in profit in 2018. 6. Cash flow ratio and cash reinvestment ratio: increasing profit in 2018 accompanied by more cash in-flow from operation. 7. Operating Leverage: less interest expense due to loan repayment in 2018 |
|--|---|

Note 1: The Company and the subsidiaries started to adopt the IFRS recognized by the Financial Supervisory Commission in 2014. The financial information in the period of 2014~2018 was audited. The financial information in 2019 Q1 was reviewed.

Note 2: The equations for the financial analysis of this statement is shown below:

1. Financial Structure

- (1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
- (2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment

2. Solvency

- (1) Current Ratio = Current Assets / Current Liabilities.
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.
- (3) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.

3. Operating Ability

- (1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).
- (2) Average Collection Period = 365 / Accounts Receivable Turnover.
- (3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
- (4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost Of Goods Sold / Average Accounts Payable.
- (5) Average Days In Sales = 365 / Inventory Turnover.
- (6) Property, Plant & Equipment Turnover = Net Sales / Average Net Property, Plant & Equipment.
- (7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

- (1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.
- (2) Return on Stockholders' Equity = Net Income / Average Stockholders' Equity.
- (3) Profit Ratio (%) = Net Income / Net Sales.
- (4) Earnings Per Share (\$) = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.

5. Cash Flow

- (1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
- (2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
- (3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)

6. Leverage

- (1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.

(2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

(II) Financial Analysis – IFRS (standalone)

Items of analysis (Note 2)		Financial analysis of the last 5 years (Note 1)				
		2014	2015	2016	2017	2018
Financial Structure (%)	Ratio Of Liabilities To Assets	20.08	12.61	62.30	45.32	38.15
	Ratio Of Long-Term Capital To Fixed Assets	5,360.72	5,728.61	7,322.59	9,857.76	4,235.57
Solvency (%)	Current Ratio	151.66	286.04	39.33	62.11	38.69
	Quick Ratio	124.32	233.93	30.49	53.69	32.41
	Times Interest Earned Ratio	372.06	2,316.8	27.17	22.03	86.51
Operating Ability	Accounts Receivable Turnover (Turns)	6.25	6.17	2.69	3.46	4.19
	Average Collection Period	58	59	136	105	87
	Inventory Turnover (Turns)	9.13	7.59	4.54	4.45	5.66
	Accounts Payable Turnover (Turns)	4.26	3.82	2.10	2.07	2.63
	Average Days In Sales	40	48	80	82	64
	Property, plant, and equipment turnover	25.37	24.86	21.23	24.85	18.25
	Total Assets Turnover (Turns)	0.43	0.39	0.22	0.17	0.21
Profitability	Return On Total Assets (%)	13.35	11.47	3.20	10.61	20.90
	Return on equity (%)	15.91	13.66	5.78	21.17	35.32
	EBT to paid-in capital ratio (%)	75.58	61.09	27.11	137.83	368.08
	Profit Ratio (%)	30.67	29.63	13.92	56.83	99.20
	Earnings Per Share (\$)	6.6	5.8	2.54	12.68	31.18
Cash flow	Cash Flow Ratio (%)	17.42	18.49	5.47	21.38	21.33
	Cash Flow Adequacy Ratio (%)	127.79	45.457	90.97	78.63	87.81
	Cash Reinvestment Ratio (%)	-8.63	-7.60	-3.80	8.82	1.34
Leverage	Operating Leverage	1.3	2	1.15	1.27	1.12
	Financial Leverage	1.02	1.00	1.06	1.23	1.05
<p>Explain the changes in the financial ratios of the last 2 years:</p> <ol style="list-style-type: none"> Liabilities to assets ratio: due to the purchase of property, plant and equipment that resulted in the increase in assets. Long-term capital to property, plant and equipment ratio: due to the purchase of property, plant and equipment. Solvency: due to prepayment from customers under the new long-term supply agreements entered into with the customers. Operating Ability : due to the increase of revenue in 2018. Profitability: due to the increase in profit in 2018. Cash flow ratio and cash reinvestment ratio: increasing profit in 2018 accompanied by more cash in-flow from operation. 						

Note 1: The Company started to adopt the IFRS recognized by the Financial Supervisory Commission in 2014. The financial information in the period of 2014~2018 was audited.

Note 2: The equations for the financial analysis of this statement is shown below:

- Financial Structure

- (1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets
- (2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity + Non-current Liabilities)/ Net amount of Property, Plant & Equipment
2. Solvency
- (1) Current Ratio = Current Assets / Current Liabilities.
- (2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities.
- (3) Times Interest Earned Ratio = Earnings before Interests And Taxes/ Interest Expenses.
3. Operating Ability
- (1) Accounts Receivable (including accounts receivable & notes receivable generated by business activities) Turnover = Net Sales / Average Trade Receivables (including accounts receivable & notes receivable generated by business activities).
- (2) Average Collection Period = 365 / Accounts Receivable Turnover.
- (3) Inventory Turnover = Cost Of Goods Sold / Average Inventory.
- (4) Accounts Payable (including accounts payable & notes payable generated by business activities) Turnover = Cost Of Goods Sold / Average Accounts Payable.
- (5) Average Days In Sales = 365 / Inventory Turnover.
- (6) Fixed assets turnover = net sale/average net fixed assets.
- (7) Total Assets Turnover = Net Sales / Average Total Assets.
4. Profitability
- (1) Return on Total Assets (%) = [Net Income + Interest Expense x (1-Effective Tax Rate)] / Average Total Assets.
- (2) Return on shareholder equity = net income/average net shareholder equity.
- (3) Profit Ratio (%) = Net Income / Net Sales.
- (4) Earnings Per Share (\$) = (Net Income – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding.
5. Cash Flow
- (1) Cash Flow Ratio (%) = Net Cash Provided by Operating Activities / Current Liabilities.
- (2) Cash Flow Adequacy Ratio (%) = Five-year Sum of Cash from Operations / Five-year (Capital Expenditures + Inventories Additions + Cash Dividend)
- (3) Cash Reinvestment Ratio (%) = (Net Cash Provided by Operating Activities - Cash Dividend) / (Gross Fixed Assets + Long-Term investments + Other Assets + Working Capital)
6. Leverage
- (1) Operating Leverage = (Net Sales – Variable Cost) / Income from operations.
- (2) Financial Leverage = Income from operations / (Income from operations – Interest Expenditures).

III. Audit Committee's Report in the Most Recent Year:

GlobalWafers Co., Ltd
Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2018 Business Report, Consolidated and Standalone Financial Statements and Earnings Distribution Proposal. GlobalWafers Co., Ltd. Consolidated and Standalone Financial Statements have been audited and certified by Chen, Chen-Chien, CPA, and Cheng, An-Chih, CPA, of KPMG and audit review reports relating to the Financial Statements have been issued. The aforementioned reports have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of GlobalWafers Co., Ltd. according to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

GlobalWafers Co., Ltd.

Audit Committee Convener:



Chi-Hsiung Cheng

March 19, 2019

- IV. Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report:** Refer to Attachment 1 of this report.
- V. Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report:** Refer to Attachment 2 of this report.
- VI. Specify impact to the Company if any financial difficulty happens to the Company and its subsidiaries in the most recent year and as of the printing day of this annual report:** None

VII. Review of Financial Conditions, Operating Results, and Risk Management

I. Analysis of Financial Status

Unit: NT\$ 1,000

Item \ Year	2018	2017	Difference	
			Amount	Change in percentage (%)
Current Assets	53,200,515	35,110,873	18,089,642	51.5%
Property, Plant & Equipment	30,887,035	28,202,304	2,684,731	9.5%
Intangible Assets	3,649,397	3,939,134	(289,737)	(7.4%)
Other Assets	2,085,174	2,980,026	(894,852)	(30.0%)
Total Assets	89,822,121	70,232,337	19,589,784	27.9%
Current Liabilities	24,422,441	22,251,273	2,171,168	9.8%
Non-current Liabilities	22,243,567	13,926,658	8,316,909	59.7%
Total Liabilities	46,666,008	36,177,931	10,488,077	29.0%
Capital	4,372,500	4,372,500	0	0.0%
Capital Surplus	24,772,608	24,772,805	(197)	0.0%
Retained Earnings	15,932,425	6,857,529	9,074,896	132.3%
Total Equity	43,156,113	34,054,406	9,101,707	26.7%
<p>1. Analysis of the difference greater than 20% in the last 2 years:</p> <p>(1) Current assets: Due to the increase in profit and prepayment from customers under the new long-term supply agreements entered into with the customers in 2018.</p> <p>(2) Other assets: due to the decrease of deferred income tax assets and prepayments for purchase of materials in 2018.</p> <p>(3) Non-current liabilities: due to prepayment from customers under the new long-term supply agreements entered into with the customers in 2018.</p> <p>(4) Retained earnings: due to the increase in profit in 2018.</p> <p>2. Significant influence and the plan for response: None.</p>				

II. Analysis of Operating Results

(I) Main reasons for the significant changes in revenue, operating profit, and earnings before taxation in the last 2 years

Unit: NT\$ 1,000

Item \ Year	2018	2017	Changes in amount	Change in percentage (%)
Total Net Revenues	56,063,510	46,212,601	9,850,909	21.3%
Gross Profit	22,298,844	11,807,766	10,491,078	88.9%
Operation Profit	17,578,051	7,413,542	10,164,509	137.1%
Non-Operating Income and Expense	675,316	(538,843)	1,214,159	(225.3%)
Profit before Tax	18,253,367	6,874,699	11,378,668	165.5%
Income Tax Expense	4,619,596	1,596,492	3,023,104	189.4 %
Net Profit	13,633,771	5,278,207	8,355,564	158.3%
Other Comprehensive Income	431,248	18,274	412,974	2,259.9%
Total Comprehensive Income	14,065,019	5,296,481	8,768,538	165.6%
<p>Analysis of the difference greater than 20% in the last 2 years:</p> <p>(1) Revenue/Gross Profit/Net income: The growth in demand in market that triggered corresponding growth in 2018 sales, gross profit, and operating income.</p> <p>(2) Non-Operating Income and Expense: due to the increase of exchange gain and interest income.</p> <p>(3) Income Tax Expense: higher income tax due to increasing profits in 2018</p> <p>(4) Other Comprehensive Income: due to the change in the exchange difference presented in the financial statements of overseas operations.</p>				

III. Analysis of Cash Flow:

(I) Analysis of the changes in cash flow in the most recent year (2018)

(1) Financial analysis

Unit: NT\$ 1,000

Cash balance at the beginning of period (1)	From operation in current period Net cash flow (2)	Cash outflow (inflow) in current period (3)	Amount of cash surplus (short) (1)+(2)-(3)	Remedy for cash short	
				Investment plan	Wealth management plan
18,794,362	36,178,722	19,758,761	35,214,323	NA	NA
<p>Analysis of the change in cash flow of current period:</p> <p>(1) Operation: The continued profit in 2018 with the net cash inflow from operation.</p> <p>(2) Investment: the purchase of fixed assets in 2018 resulted in net cash outflow from investment.</p> <p>(3) Financing: dividend distribution and loan prepayment resulted in net cash outflow from financing.</p>					

(II) Remedy for inadequate liquidity: the Company has no liquidity problem and liquidity is not a concern.

(III) Analysis of cash flow in the year ahead (2019)

Unit: NT\$ 1,000

Cash balance at the beginning of period (1)	Projected net cash flow from operation of the period (2)	Projected cash outflow (inflow) volume of the year (3)	Projected amount of cash surplus (short) (1)+(2)-(3)	Remedy for projected cash short	
				Investment plan	Wealth management plan
35,214,323	20,698,599	21,872,506	34,040,416	NA	NA
<p>1. Analysis of cash flow in the year ahead:</p> <p>(1) Operation: continued profit is expected with net cash inflow from operation.</p> <p>(2) Investment: the purchase of R&D/Production equipment to meet operation needs will result in net cash outflow from investment.</p> <p>(3) Financing: the payment of cash dividend will result in net cash outflow from financing.</p> <p>2. Remedy for projected cash short: None.</p>					

IV. Major Capital Expenditure Items influence on Financial Business: None.

V. Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year.

(I) Reinvestment policy:

The Company legislates “Acquisition or Disposal of Assets Procedure” in compliance with of governmental “Acquisition or Disposal of Assets Procedure by Public Companies” as reinvestment guideline so as to capture business and financial status. Also, in order to increase monitoring and management of reinvested companies, the Company legislates “Monitoring Procedure of Subsidiaries” in internal control system, regulating its information disclosure, finance, business as well as inventory to maximize reinvestment synergy.

(II) Major reasons for reinvestment profits or losses, improvement plans and investment plan for the following year:

Unit: NT\$ 1,000

Names of investee companies	Recognized investment gain (loss) in 2018.	Main reason for profit or loss	Corrective action plan
GlobalWafers Inc.	1,903,803	Normal state of operation	None.
GlobalSemiconductor Inc.	341,260	Normal state of operation	None.
GlobalWafers Japan Co., Ltd.	2,098,458	Operation and profit position is stable	None.
GWafers Singapore Pte. Ltd.	5,914,715	Normal state of operation	None.
Topsil GlobalWafers A/S	(50,650)	Normal state of operation	None.
Hong-Wang Investment Company	14,439	Normal state of operation	None.
Taisil Electronic Materials Corp.	1,902,311	Operation and profit position is stable	None.
Kunshan Sino Silicon Technology Co., Ltd.	321,712	Normal state of operation	None.
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	4,168	Normal state of operation	None.
MEMC Japan Ltd.	157,805	Operation and profit	None.

		position is stable	
Topsil Semiconductor sp z o.o.	(70,472)	Normal state of operation	None.
GlobalWafers Singapore Pte. Ltd.	7,362,796	Operation and profit position is stable	None.
GlobalWafers B.V.	3,589,426	Normal state of operation	None.
MEMC Electronic Materials, SpA	1,680,298	Operation and profit position is stable	None.
MEMC Electronic Materials France SarL	689	Normal state of operation	None.
MEMC Electronic Materials GmbH	556	Normal state of operation	None.
MEMC Holding B.V.	691,209	Normal state of operation	None.
MEMC Korea Company	1,726,189	Operation and profit position is stable	None.
GlobiTech Incorporated	803,066	Operation and profit position is stable	None.
MEMC LLC	193,960	Normal state of operation	None.
MEMC Electronic Materials SDN BHD	99,469	Normal state of operation	None.
MEMC Ipoh Sdn Bhd	143,384	Normal state of operation	None.
SunEdison Semiconductor Technology (Shanghai) Ltd	706	Normal state of operation	None.

(III) Investment plan in the year ahead: None.

VI. Analysis of Risk Management:

(I) Effect of Interest Rate, Exchange Rate Changes and Inflation on Company Profit / Losses and Countermeasures:

1. Interest rate: The Company and its subsidiaries have sound financial position with good credit standing that allowed for preferential treatment from the financial institutions in financing. As such, the Company could enjoy better terms and conditions for borrowing. The loans could be short, mid and long-term depending on capital requirements. The cost of capital and the condition for the retirement of loans will be the primary concern for the Company in borrowing. Part of the short-term credit is in foreign currency as working capital that exchange rate will be considered in effecting the drawdown.
2. Exchange rate: the Company adopts the policy of natural hedge between the positions of assets and liabilities with an attempt to minimize the exposure of the position to exchange risk in the transactions of sale and purchase between the Company and its subsidiaries. The treasury function of the Company pays close attention to the trend of the exchange rate, and will match with appropriate foreign exchange instruments for hedging where necessary to mitigate the influence of exchange rate fluctuation on the cost of operation.
3. Inflation: the effect of inflation in the most recent year on the income position of the Company was insignificant. The Company and its subsidiaries pay close attention to the fluctuation of price and will take relevant measures in response where necessary.

(II) Risks Associated with High-risk/High-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions, major reasons for profit and losses and countermeasures:

1. The Company and its subsidiaries are not engaged in high risk and high leverage investment.
2. The Company duly observes the Procedure for the Loaning of Funds, Regulations Governing Endorsement/Guarantee, Procedure for Derivative Trade and other rules and regulations of the competent authority applicable to the Company and its subsidiaries in loaning of funds, endorsement/guarantee, and engagement in derivative trade, and conduct routine audit and announcement. The executor will comply with relevant rules and regulations in internal review and control that operation risk will be unlikely to occur.

(III) Future Research & Development Projects and Corresponding Budget:

Wafer is essential to semiconductor components. End product applications and quality have entered into next era, and the Company synchronizes with market and technology to devote into new research and development in order to satisfy customers' requirement not only for now, but also in the future. Our future focus as below:

- A. 12-inch silicon substrate for nano-process
- B. High electric voltage special substrate development for electric vehicles
- C. Substrate development for the next generation sensor and communication device

As for the R&D expenses, the budget is composed and planed in accordance with the development schedule of new product and new technology. The R&D expenses in our company was 3.13% and 2.79% of total operating revenues in 2017 and 2018 respectively. In the future, depending on the operating situation and the market fluctuation, the R&D expenses might be tuned up to keep our competitive superiority in the industry.

Category	Estimated R&D Expenses (NTD)	Descriptions for future R&D projects
Process improvement	300,000	<ol style="list-style-type: none"> 1. Low power consumption HZ design 2. Low pollution wire sawing technology development 3. Advence process for monocrystalline growth/Wafering yield improvement
Quality improvement	250,000	<ol style="list-style-type: none"> 1. Crystal defect control and measurement technology 2. Ultra flat wafering technology development 3. Low surface- defect density polishing technology 4. Actomic-grade polishing technology development 5. RFSOI production yield improvement 6. Establishment of new wafer chamfer measuring system 7. LT-FTIR Development Low Temperature FT-IR mesurement method for heavily doped silicon monocrystalline with low

Category	Estimated R&D Expenses (NTD)	Descriptions for future R&D projects
		carbon/oxygen concentration 8. Development of Photoluminescence and FT-IR measurement method for silicon monocrystalline with low carbon concentration
Equipment improvement	250,000	1. Automated and digitized manufacturing system development 2. Development of the puller with high productivity and high crystal quality 3. Low power consumption process/equipment development 4. 300mm New Puller design and development 5. Wafering process feed-forward prediction system development 6. Next Generation CMP head development. 7. Development of silicon surface inspection method for tiny LPD 8. Next generation 200mm FZ for Power applications
New Product development	320,000	1. Semi insulated and larger Diameter SiC wafer development 2. SOI substrate development for Next generation RF device 3. Hetero-epitaxy technology development 4. Development of ECAS wafer with low carbon, low defect, and proximately IG structure for next generation 3D memory and CMOS image sensor 5. Development of Pulse Photoconductivity method (PPCM) for CMOS image sensor with higher resolution

(IV) Impact of the Company's Financial Operations of Important Policies Adopted and Changes in the Local and International Legal Environment, and Countermeasures:

Besides the daily operating in compliance with relevant laws and regulations domestically and abroad, the Company also pays attention to the policy development trend and changes in order to grasp the market environment changes with timely feasible countermeasures. So far no significant changes occurred to the finance and business of the Company and its subsidiaries as of the printing date of the annual report.

(V) Impact of Technological Change and Industry Changes upon the Financial Standing of the Company and the Countermeasures:

The Company carefully monitors technology trend, market status as well as the accompanying change within the industry, and evaluates its influence to the Company and its subsidiaries. So far no significant changes occurred to the finance and business of the Company and its subsidiaries as of the printing date of the annual report.

(VI) Impact of Changes in Company Image on Crisis Management and Countermeasures:

The Company and its subsidiaries have been indulged in the professed industry and duly observed applicable laws, and spared no effort in strengthening the internal management and the upgrade of management quality and performance to maintain a positive corporate image and earn the trust of the customers. There has been no change in the corporate image of Company and its subsidiaries in the most recent year to the day this report was printed that triggered corporate crisis to the Company. Yet, corporate crisis may cause significant damage to the enterprise. For this reason, the Company and its subsidiaries never cease to implement corporate governance as required to reduce the risk of corporate crisis and the impact on the Company.

(VII) Expected Benefits and Possible Risks Associated With any Merger and Acquisitions:

The Company acquired the semiconductor operation from Topsil Semiconductor Materials A/S of Denmark and SunEdison Semiconductor Ltd. of the USA in July and December of 2016, respectively. These acquisitions allowed the Company to emerge as the world number 3 semiconductor wafer manufacturer. The management team of the Company has been focused on the strengthening of the operation capacity over the years through reallocation of Group resources and optimization of the operation efficiency of the business units. The M&A has started to yield result. In aligning with the economic upturn of the semiconductor industry and the rise in the average prices of silicon wafer, the Company has expanded its scale of operation significantly. In the future, the Company will make the best use of its advantages in technology and costing

to emerge as a long-term partner for the customers of the semiconductor industry, and provide full-range solution in good quality wafer. The Company proceeded to M&A in accordance with the "Acquisition or Disposal of Assets Procedure", and will be cautious in assessment for assurance of the best interest of the Company and the shareholders' equity.

(VIII) Expected Benefits and Possible Risks Associated with any Plant Expansion:

In responding to the customers' demand of 12" wafer advanced production, the subsidiary of the Company, MEMC Korea Company, invested in 2018 for 12" wafer capacity expansion at the existing plant site, mass production expected in 2020. In consideration of the possible risk and influence from the economic cycle of the semiconductor industry on the new capacity, this expansion is based on the long-term agreement with customers who the new capacity is fully dedicated to, mitigating the influence of the economic cycle on the Company.

(IX) Risks Associated with any Consolidation of Sales or Purchasing Operations: None.

(X) Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None.

(XI) Impact of Change in Management and its Potential Risks: None.

(XII) Litigation or Non-litigation Matters

1. Law suits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders' equity or stock price of the Company. Disclose the subject matter of contention, the amount involved, the date of the commencement of legal proceeding, the key parties concerned, and the status: None.
2. The Directors, Supervisors, President, the deputy agents, shareholders holding more than 10% of the shares and subsidiaries involved in law suits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders' equity or stock price of the Company: None.

(XIII) Other major risks and countermeasures:

1. The assessment of information security risk and response:

The Company outsourced with the group parent (Sino-American Silicon Products Inc.) to manage its information system. The internal audit function of the Company orchestrates the audit on the information system and security annually and reports to the Board on the governance of information security.

The Company adopts “Information Security Governance” as the theme of the information security strategy – pursuit in compliance with the Information Security Policy, with timely introduction of new technologies for the improvement of the capacity in security information governance. “Compliance” – the Company reviews newly enacted legal rules and regulations and introduces new technology products for enhancing information security management. “Application of Technology” – cooperation with famous professional information security service provider to improve information security governance capacity in these three aspects. Through close cooperation and mutual support as well as endless improvement, the Company optimizes its capacity in overall information security defense.

In light of the new trend of information security such as DDoS attack, blackmail software, social engineering software, website recording and bug, the Company joined the SP-ISAC of the Industrial Park. Through the annual exchange with famous information security service providers and programs, the Company pays close attention to issues related to information security and plan proper response. The Company also conducts exercise drills against DDoS and APT under different environments to strengthen colleagues’ responses for detecting and deterring attack once discovered. The parent, Sino-American Silicon Products Inc., commissioned KPMG in 2019 for an exercise drill in defense against attack on the information system. The result of the drill will be reported to the Board for the proper implementation of information security defense.

The Company will determine if it is necessary to take information security insurance in consideration not only such insurance is still new to the market but also the complex consideration involving information security involved, the examining institutions, insurance inspection as well as exclusions. The subsequent objective will be equipping thorough safety regulations, routine inspection and continued reinforcement of information security protection, and the establishment of joint defense mechanisms particularly on the training of related personnel. Additional

hours of training will be given year after year to fortify the ability in information security control.

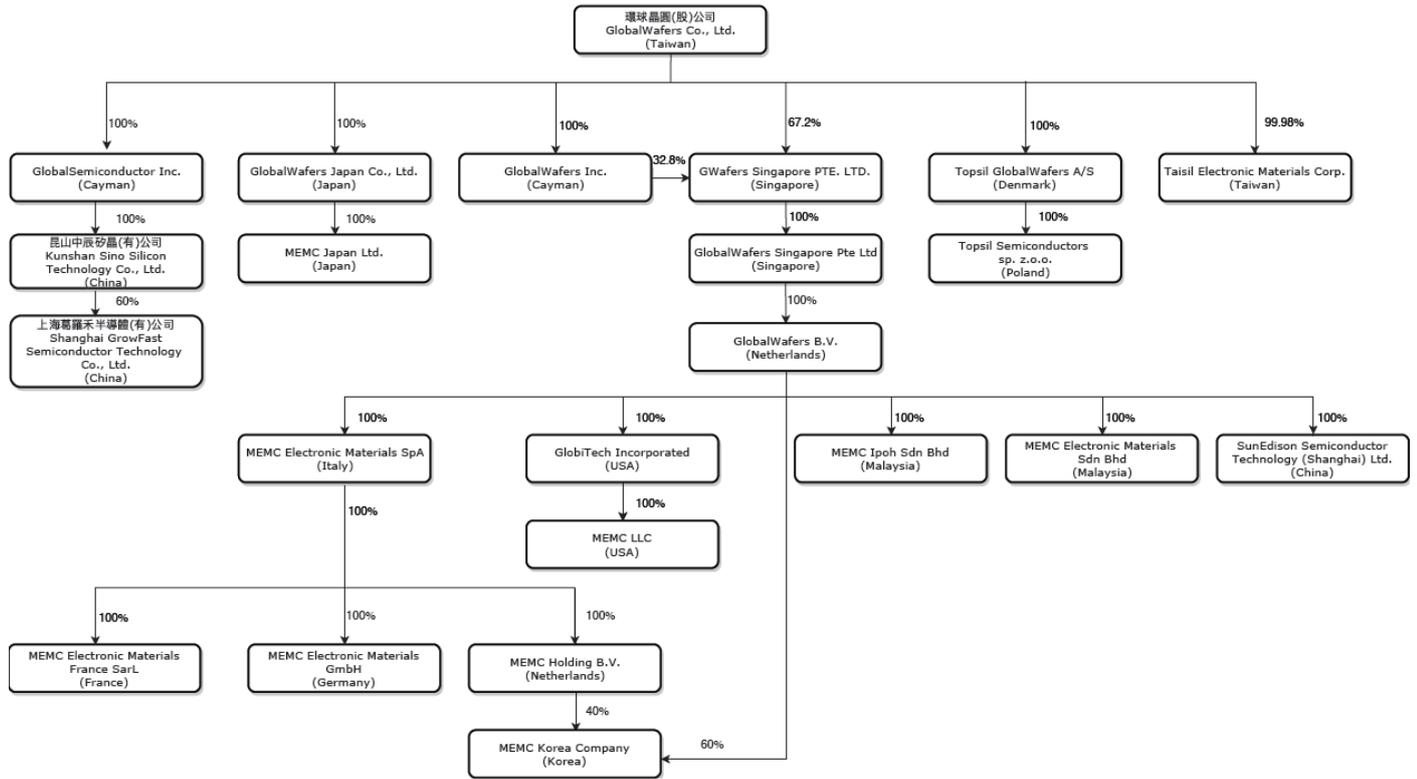
VII. Other Major Events: None

VIII. Special Disclosure

I. Affiliated Businesses

(I) Affiliated Business Consolidated Business Report

1. Affiliated Company Chart



2. Relationship with Affiliated Companies and Share Crossholdings

December 31, 2018

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
GlobalWafers Inc.	2011/05/03	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands	USD 1	Business investment and triangular trade center with subsidiaries in China
GlobalSemiconductor Inc.	2011/05/03	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands	USD 26,555,000	Reinvestments in various businesses
GlobalWafers Japan Co., Ltd.	1991/06/18	6-861-5 Seiro-machi Higashiko, Kitakanbara-gun, Niigata 957-0197 Japan	JPY 6,967,000,000	Semiconductor silicon wafer manufacturing and trading
GWafers Singapore Pte. Ltd.	2016/02/02	9 Battery Road, 15-01 MYP Centre, Singapore, 049910	USD 541,673,910	Reinvestments in various businesses
Topsil GlobalWafers A/S	2016/07/01	Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark	DKK 1,000,000	Semiconductor silicon wafer manufacturing and trading
Taisil Electronic Materials Corp.	1994/09/26	No. 2, Creation Road 1, HsinChu Science	NTD 100,000,000	Semiconductor silicon

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
		Park, Hsin chu, Taiwan		wafer manufacturing and trading
Kunshan Sino Silicon Technology Co., Ltd.	1999/08/17	No. 303, Hanpu Road, Chengbei High Tech Industrial Park, Kunshan, Jiangsu, China	USD 26,555,000	Silicon rods and silicon wafer processing and trade
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	2016/05/20	Room 2013 B, Building C, No. 155, Fute West 1 st Road, Shanghai Pilot Free Trade Zone, China.	RMB 5,000,000	Sale and marketing
MEMC Japan Ltd.	1979/12/11	11-2 Kiyohara Industrial Park, Utsunomiya City, Tochigi 3213296 Japan	JPY 100,000,000	Semiconductor silicon wafer manufacturing and trading
Topsil Semiconductor sp z o.o.	2008/10/01	133 Wolczynska St., 01-919 Warsaw, Poland	PL 5,000	Semiconductor silicon wafer manufacturing and trading
GlobalWafers Singapore Pte. Ltd.	2013/12/20	9 Battery Road, 15-01 MYP Centre, Singapore, 049910	SGD 1 USD 544,875,100.82	Investment, marketing and trading
GlobalWafers B.V.	2013/11/26	A tower, 7 floor, Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands	USD 100	Reinvestments in various businesses
MEMC Electronic Materials, SpA	1960/01/29	Viale Gherzi, 31 28100 Novara, Italy	EUR 31,200,000	Semiconductor silicon wafer manufacturing and trading
MEMC Electronic Materials France SarL	1998/07/27	5-7 BLD EDGAR QUINET 92700 COLOMBES, France	EUR 16,000	Trading
MEMC Electronic Materials GmbH	1998/02/10	c/o Rene Schaeffler-Steinsdorfstr, 13, D-80538 Muenchen, Germany	EUR 200	Trading
MEMC Holding B.V.	2000/04/20	A tower, 7 floor, Laan van Langerhuize 1, 1186 DS Amstelveen, The Netherlands	EUR 20,000	Reinvestments in various businesses
MEMC Korea Company	1990/12/18	854, Manghyang-ro, Sunggeo-eup, Cheonan-si, Chungchongnam-do, Korea	KRW 86,000,000	Semiconductor silicon wafer manufacturing and trading
GlobiTech Incorporated	1998/12/15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 1	Epitaxial silicon wafer production and trade of epitaxy foundry business
MEMC LLC	2013/08/28	501 Pearl Drive St. Peters, MO 63376, USA	USD 10	Research and development, manufacturing, and sale of semiconductor silicon wafer.
MEMC Electronic Materials, Sdn Bhd	1972/06/15	Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	MYR 1,036,203	Research and development, manufacturing, and sale of semiconductor silicon wafer.
MEMC Ipoh Sdn. Bhd.	2007/10/10	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, Kuala Lumpur	MYR 619,374,129	Research and development, manufacturing, and sale of semiconductor silicon wafer.
SunEdison Semiconductor Technology (Shanghai) Ltd	2015/04/25	Room 03B, Floor 16, Jiaqi Building, 666 Gubei Road, Changning District, Shanghai, China	RMB 1,500,000	Trading

3. Common Shareholders of the Company and Its Subsidiaries or Its Affiliates with Actual of Deemed Control: None.

4. Business Scope and the Affiliated Companies: as stated in the profiles of the affiliates

5. List of Directors, Supervisors and Presidents of Affiliated Companies

December 31, 2018

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
GlobalWafers Inc.	Director	Hsiu-Lan Hsu	90,000	100%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	25,000	100%
GlobalWafers Japan Co., Ltd.	Chairperson	Hsiu-Lan Hsu	128	100%
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
	Director and CEO	Takashi Araki		
	Director	Toru Masaoka		
	Supervisor	Chung-Wei Lee		
GWafers Singapore Pte. Ltd.	Chairperson	Hsiu-Lan Hsu	541,674	100%
	Director	Tang-Liang Yao		
	Director	Ming-Kuang Lu		
	Director	Chen Ye Huang		
Topsil GlobalWafers A/S	Director	Hsiu-Lan Hsu	1,000	100%
	Director	Wei-Wen Chen		
	Director	Hans Peder Mikkelsen		
Taisil Electronic Materials Corp.	Chairperson	Hsiu-Lan Hsu	9,999	99.99%
	Director	Yin-Sheng Hsueh		
	Director	Mark England		
	Supervisor	Ming-Huei Chien		
Kunshan Sino Silicon Technology Co., Ltd.	Chairperson	Tang-Liang Yao	-	100%
	Vice Chairperson	Hsiu-Lan Hsu		
	Director and	Ching-Chang Chin		

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
	President			
	Director	Sheng-Hsiung Hung		
	Director	Ming-Huei Chien		
	Supervisor	Wei-Wen Chen		
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	Chairperson	Ching-Chang Chin	-	60%
	Director	Hsiu-Lan Hsu		
	Director	Xianhan He		
	President	Sheng-Hsiung Hung		
	Supervisor	Wei-Wen Chen		
	Supervisor	Takanori Suzuki		
MEMC Japan Ltd.	Director and CEO	Hsiu-Lan Hsu	750	100%
	Director and CEO	Takashi Araki		
	Director	Chung-Wei Lee		
	Director	Toru Kobayashi		
	Director	Katsuaki Kotari		
	Supervisor	Masashi Sugahara		
Topsil Semiconductor sp z o.o.	Director	Hans Peder Mikkelsen	0.1	100%
GlobalWafers Singapore Pte. Ltd.	Director	Hsiu-Lan Hsu	299,445	100%
	Director	Mark Lynn England		
	Director	Chen Ye Huang		
GlobalWafers B.V.	Director	Hsiu-Lan Hsu	0.1	100%
	Director	Liang Shi		
MEMC Electronic Materials, SpA	Chairperson	Mauro Pedrotti	65,000	100%
	Director	Ming-Huei Chien		
	Director	Jyh-Shyng Lu		
	Director	Prof. Gianluigi Tosato		
	Supervisor	Richard Murphy		
	Supervisor	PierMario Barzaghi		
	Supervisor	Eleonora Guerriero		
MEMC Electronic Materials France SarL	Director	Marco Maffè	0.5	100%
MEMC Electronic Materials GmbH	Director	Marco Sciamanna	0.002	100%

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
MEMC Holding B.V.	Director	Ming-Huei Chien	0.2	100%
	Director	Liang Shi		
MEMC Korea Company	Chairperson	Charlie Cho	17,200	100%
	Director	Hsiu-Lan Hsu		
	Director	Mark England		
	Supervisor	Jyh-Shyng Lu		
GlobiTech Incorporated	Chairperson and CEO	Hsiu-Lan Hsu	1	100%
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
	Director and President	Mark Lynn England		
	Director	Curtis Hall		
MEMC LLC	President	Mark England	-	100%
	Vice President	Rick Boston		
MEMC Electronic Materials, Sdn Bhd	Director	Ching-Chang Chin	1,036	100%
	Director	Tony Wang		
	Director	Joanne Leung		
	Director	Jyh-Shyng Lu		
MEMC Ipoh Sdn. Bhd.	Director	Ching-Chang Chin	619,374	100%
	Director	Tony Wang		
	Director	Joanne Leung		
SunEdison Semiconductor Technology (Shanghai) Ltd	Director and President	Sheng-Hsiung Hung	-	100%

6. Operation Highlights of Affiliated Companies

Financial status and operation of affiliated companies

2018.12.31; Unit: NT\$1,000

Enterprise name	capital	Total assets	Total liabilities	Net worth	Operating Revenues	Operating profit	Net income after tax in current period	Earnings per share (after taxation)
GlobalWafers Inc.	1	5,677,436	-	5,677,436	0	0	1,903,803	-
GlobalSemiconductor Inc.	756,809	1,378,905	2,304	1,376,601	45,906	19,334	341,260	-
GlobalWafers Japan Co., Ltd.	2,750,510	18,437,708	4,879,635	13,558,073	12,372,966	2,598,220	2,107,707	-
GWafers Singapore Pte. Ltd.	11,966,930	25,644,377	7,306	25,637,071	0	(4,304)	7,395,394	-
Topsil GlobalWafers A/S	4,832	2,184,551	496,938	1,687,613	1,174,762	(54,625)	(40,596)	-
Taisil Electronic Materials Corp.	100,000	19,220,766	3,134,216	16,086,550	10,461,849	2,094,481	1,889,479	-
Kunshan Sino Silicon Technology Co., Ltd.	769,177	2,008,974	695,830	1,313,144	2,614,188	383,322	321,712	-
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	9,756	300,032	265,298	34,733	469,632	9,827	6,946	-
MEMC Japan Ltd.	28,020	2,872,955	1,424,877	1,448,078	4,425,983	326,516	157,805	-
Topsil Semiconductor sp z o.o.	41	44,760	168,736	(123,976)	263,777	(101,575)	(70,472)	-
GlobalWafers Singapore Pte. Ltd.	-	52,228,656	25,191,167	27,037,489	23,313,283	3,991,246	7,362,796	-
GlobalWafers B.V.	3	29,181,095	1,808	29,179,287	0	(13,520)	3,589,426	-
MEMC Electronic Materials, SpA	1,061,244	13,801,760	2,453,103	11,348,657	10,130,458	1,343,566	1,680,298	-
MEMC Electronic Materials France SarL	544	3,733	3,651	82	0	1,122	689	-
MEMC Electronic Materials GmbH	7	6,380	703	5,677	0	839	556	-
MEMC Holding B.V.	680	3,423,819	1,127	3,422,692	0	946	691,209	-
MEMC Korea Company	2,343	12,336,105	3,796,361	8,539,744	7,547,613	2,069,146	1,726,189	-

Enterprise name	capital	Total assets	Total liabilities	Net worth	Operating Revenues	Operating profit	Net income after tax in current period	Earnings per share (after taxation)
GlobiTech Incorporated	1	9,855,300	1,124,208	8,731,092	6,269,725	1,093,324	803,066	-
MEMC LLC	-	4,980,982	888,974	4,092,008	2,573,382	(589,229)	193,960	-
MEMC Electronic Materials, Sdn Bhd	7,452	1,250,706	331,104	919,602	1,896,487	104,011	99,469	-
MEMC Ipoh Sdn Bhd	4,454,217	57,670	1,873	55,797	0	(1,684)	143,384	-
SunEdison Semiconductor Technology (Shanghai) Ltd	7,527	10,452	603	9,849	0	76	706	-

(II) Consolidated Financial Statements of Affiliated Enterprises: refer to Attachment 1 of this report.

(III) Affiliation Report: refer to Attachment 3 of this report.

- II. Private Placement Securities in the Most Recent Years: None.
- III. The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years: None.
- IV. Other Necessary Supplement:

The promise execution status after the Company became listed

Promise after listing at TPEX	Fulfillment of promise
<p>The Company promises to add below in “Acquisition or Disposal of Assets Procedure”</p> <p>The Company shall not give up capital increase in future years to GlobalSemiconductor Inc.(GSI) 、GlobalWafers Inc.(GWI) and GWafers Inc.(GWafers).</p> <p>GSI shall not give up capital increase in future years to Kunshan Sino Silicon Technology Co., Ltd. (SST)</p> <p>GWI shall not give up capital increase in future years to GlobiTech Incorporated</p> <p>GWafers shall not give up capital increase in future years to GlobalWafers Japan Co., Ltd.</p> <p>If the aforesaid companies have to give up capital increase or dispose of above mentioned subsidiaries due to consideration of strategic alliance or other factors in the future, it shall acquire OTC’s consent as well as submit to the Board of Directors for special resolution approval. Also, if the Procedure is amended, the Company shall make material announcement in MOPS and submit to TPEX for recordation.</p> <p>The procedure should be disclosed in material announcements in MOPS and submit to TPEX for recordation if modification is made.</p>	<p>The Board and the Shareholders Meeting of the Company passed the motion of amendment to the “Acquisition or Disposal of Assets Procedure” of the Company on 2015.11.09 and 2016.06.22, respectively – with the addition of the aforementioned promise for listing at TPEX.</p> <p>Subsidiaries GWafers Inc. and GlobalWafers Japan Co., Ltd. have been officially merged on 2018.01.01 for integration of group enterprises. The Board and the Shareholders Meeting of the Company passed the motion of amendment to the promises of listing at TPEX contained in the “Acquisition or Disposal of Assets Procedure” of the Company on 2018.03.20 and 2018.06.25, respectively, in response to the organizational adjustment , and entered the update information to MOPS for disclosure of materiality and report to TPEX in writing.</p> <p>The equity shares of subsidiary GlobiTech Incorporated were transferred from subsidiary GlobalWafers Inc. to subsidiary GlobalWafers B.V., and still remained a wholly-owned subsidiary of the Company. As such, the Board approved the motion of amendment to the “Acquisition or Disposal of Assets Procedure” in the aspect of promises of listing at TPEX on 2019.03.19, and will be disclosed in material announcements in MOPS and submit to TPEX for recordation upon approved by 2018 shareholder meeting</p>

- V. Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

Attachment 1

Stock code: 6488

GlobalWafers Co., Ltd.
Standalone Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

(English translation of the standalone financial statements originally issued in Chinese is for information purposes only; only the Chinese version is prevailing.)

**Address: No.8, Industrial East Road 2, Science Based Industrial Park, Hsinchu, Taiwan,
R.O.C.**

Tel.: (03) 5772255

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Independent Auditor's Report

To the Board of Directors of GlobalWafers Co., Ltd.

Opinion

We have audited the financial statements of GlobalWafers Co., Ltd., which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years then ended, 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 GlobalWafers Co., Ltd. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of audit 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 are further described in the Auditor's Responsibilities for the Audit of the Standalone standards Financial Statements section of our report. We are independent from GlobalWafers 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 significant in our audit of the standalone financial statements of the current period of 2018. These matters were addressed in the context of our audit of the standalone financial statements taken as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows.

1. Revenue recognition

For the accounting policy of income recognition, please refer to Note 4 (15) of the standalone financial report for income recognition. For related explanations, please refer to Note 6 (18) of the standalone financial report.

Description of key audit matters:

GlobalWafers' revenues are derived from the sales of semiconductor materials and components. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. In consideration of the high volume of sales transactions generated from worldwide operations, revenue recognition is one of the key areas our audit focused on.

Audit procedure implemented:

The major audit procedures for the above-mentioned key audit matters include: understanding the accounting policies adopted by GlobalWafers for income recognition, and comparing the terms of sale and income recognition conditions to assess the appropriateness of

the adopted policies; assessing the internal control system design of sales income, and testing the effectiveness of its execution by sampling; sample testing standalone income transactions, checking customer orders and shipping certificates, etc.; choosing the sales transactions during the period before and after the end of the year as a sample to examine the conditions, shipping documents and customer confirmation documents, etc. of such sales transactions., evaluating whether the year-end sales transactions is listed in the appropriate period.

2. Evaluation of investments using the equity method

For the accounting policies of the investment method using the equity method, please refer to Note 4 (9) of the standalone financial report. For the accounting estimates and assumed uncertainties of the investment valuation using the equity method are detailed in Note 5 of the standalone financial report; for the assessment notes of the investment with the equity method, please refer to Note 6 (7) of the standalone financial report, investment using the equity method.

Description of key audit matters:

The investment with the equity method of GlobalWafers is mainly due to corporate mergers and acquisitions. The impairment assessment of goodwill arising from corporate mergers and acquisitions is affected by the market environment and government policies, resulting in uncertainty in the recoverability of goodwill. It is listed as one of the important audit matters by our accountants.

Audit procedure implemented:

The principal audit procedures of the auditor for the transfer of the goodwill impairment assessment of subsidiaries using the equity method include: assessing the cash-generating unit that the management has identified to impair and signs of impairment; assessing the reasonableness of the management's method of measuring the recoverable amount; assessing the accuracy of management's past forecasts; reviewing management's calculation of the recoverable amount of cash-generating units; evaluating various assumptions that future cash flow projections and calculating recoverable amount use, and the sensitivity analysis of the key assumptions.

Responsibilities of management level and governance unit on standalone financial report

The responsibilities of the management level is to prepare the standalone financial statement appropriately presented according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and maintain necessary internal controls related to the preparation of the standalone financial statement in order to ensure that the financial statement contains no major deceptive presentation due to fraud or errors.

In preparing the standalone financial statements, the management's responsibilities also include assessing the ability of GlobalWafers to continue to operate, disclosure of related matters, and adoption of the continuing accounting basis, unless the management intends to liquidate GlobalWafers or cease operations, or there are no other practical options besides to clear or close the business.

The governance unit of GlobalWafers (including the audit committee) is responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our purpose in auditing standalone financial statement is to determine whether the overall of the standalone financial statement includes major deceptive presentation caused by fraud or error in order to obtain reasonable assurance, and to issue the audit report. Reasonable assurance refers to

high level of assurance; however, the audit works performed according to the generally accepted auditing standards cannot assure the complete detection of major deceptive presentation in an standalone financial statement. Deceptive presentation may be caused by fraud or error. If the standalone amount or summary of the deceptive presentation is reasonably expected to affect the economic decisions made by the users of the standalone financial statements, the deceptive presentation is considered significant.

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

2. Identify and evaluate the risk of major deceptive presentation of standalone financial statement due to fraud or error; design and execute appropriate countermeasures for the risk evaluated; and obtain sufficient and appropriate audit evidence as the basis for audit opinion. Since fraud may involve conspiracy, forgery, intentional disclosure, deceptive declaration or may be beyond the internal control, the risk of not detecting major deceptive presentation due to fraud is higher than that due to error.
2. Obtain the necessary knowledge of the internal control of the audit to design an appropriate audit procedure at the time, but the purpose is not to express an opinion on the effectiveness of the internal control of GlobalWafers.
3. Evaluate the appropriateness of the accounting policy adopted by the management level, and the reasonability of the accounting estimation and relevant disclosure made.
4. Based on the audit evidence obtained, make conclusions about the appropriateness of the management to adopt of the continuing business accounting basis and whether there are significant uncertainties in the events or circumstances that may cause significant doubts about the ability of GlobalWafers to continue to operate. If the auditor believes that there is a significant uncertainty in the events or circumstances, it is necessary to remind the users of the standalone financial statements to pay attention to the relevant disclosures of the standalone financial statements in the audit report, or to amend the audit opinions when the disclosure is inappropriate. The conclusion of our accountants shall be based on the audit evidences obtained up to the audit report date. However, future events or circumstances may cause the standalone company to no longer have the ability to continue to operate.
5. Evaluate the overall presentation, structure and content of the standalone financial statement (including relevant notes), and whether the standalone financial statement appropriately presents relevant transactions and events.
6. Obtain sufficient and appropriate evidence for the financial information of the invested company with the equity method to express opinions on the standalone financial statements. The auditor is responsible for the guidance, supervision and execution of the company's audit case, and is responsible for forming the audit opinions for GlobalWafers.

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 standalone financial statements of the current period 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 Cheng-Chien, Chen and An-Chih, Cheng. From the matters communicated with the governance unit, the auditor decided on the key audit matters for GlobalWafers standalone financial statements of the standalone company in 2018. For the matters described by our accountants in the audit report, unless for specific matters prohibited from disclosure under the law, or under extremely rare situation, our accountants decide not to communicate particular matters in the audit report based on the concern that the negative impact generated by such communication can be reasonably expected to have an impact greater than the public interests gained.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2019

(English Translation of the Standalone Financial Statements Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Standalone Statement of Comprehensive Income

From January 1, 2017 to December 31, 2018

Expressed in thousands of New Taiwan dollars

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenues (Note 6 (18), (19) and 7)	\$ 13,740,705	100	9,280,321	100
5000 Operating costs (Note 6 (6), (8), (12), (13) and 7)	8,867,735	65	7,108,269	77
Gross profit from operations	<u>4,872,970</u>	<u>35</u>	<u>2,172,052</u>	<u>23</u>
Operating expenses (Note 6 (5), (8), (12), (13) and 7):				
6100 Selling expenses	227,070	2	117,190	1
6200 Administrative expenses	218,393	2	167,267	2
6300 Research and development expenses	545,264	3	392,243	4
6450 Impairment loss determined in accordance with IFRS 9	411	-	-	-
	<u>991,138</u>	<u>7</u>	<u>676,700</u>	<u>7</u>
	<u>3,881,832</u>	<u>28</u>	<u>1,495,352</u>	<u>16</u>
OPERATING REVENUE				
NON-OPERATING REVENUE AND GAINS:				
7010 Interest income	50,068	-	26,920	-
7020 Other interest and loss (Note 6 (21) and 7)	226,271	2	(39,710)	-
7050 Interest expenses	(188,224)	(1)	(286,465)	(3)
7375 Share of gains of subsidiaries, associates and joint ventures accounted for using equity method (Note 6 (7))	<u>12,124,336</u>	<u>88</u>	<u>4,830,547</u>	<u>52</u>
	<u>12,212,451</u>	<u>89</u>	<u>4,531,292</u>	<u>49</u>
Income before income tax	16,094,283	117	6,026,644	65
7950 Income tax expenses (Note 6 (14))	<u>2,463,610</u>	<u>18</u>	<u>751,921</u>	<u>8</u>
Net income	<u>13,630,673</u>	<u>99</u>	<u>5,274,723</u>	<u>57</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (Note 6 (13))	(9,153)	-	(19,173)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,435	-	-	-
8330 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	(203,007)	(1)	526,036	5
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (14))	<u>28,883</u>	<u>-</u>	<u>(88,347)</u>	<u>(1)</u>
Total items that may not be subsequently reclassified into profit or loss	<u>(166,842)</u>	<u>(1)</u>	<u>418,516</u>	<u>4</u>
8360 Items that may be subsequently reclassified into profit or loss				
8361 Exchange differences on translation of foreign operations	848,116	6	(574,810)	(6)
8380 Share of other comprehensive income of associates and joint ventures accounted for using equity method (Note 6 (7))	(149,269)	(1)	112,663	1
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6 (14))	<u>(107,421)</u>	<u>(1)</u>	<u>97,718</u>	<u>1</u>
Total items that may be subsequently reclassified into profit or loss	<u>591,426</u>	<u>4</u>	<u>(364,429)</u>	<u>(4)</u>
8300 Other comprehensive income (after tax)	<u>424,584</u>	<u>3</u>	<u>54,087</u>	<u>-</u>
Total comprehensive income	<u>\$ 14,055,257</u>	<u>102</u>	<u>5,328,810</u>	<u>57</u>
Earnings per share (NT dollars) (Note 6 (17))				
Basic earnings per share	<u>\$ 31.18</u>		<u>12.68</u>	
Diluted earnings per share	<u>\$ 31.04</u>		<u>12.66</u>	

(English Translation of the Standalone Financial Statements Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Standalone Statement of Changes in Equity
From January 1, 2017 to December 31, 2018

Expressed in thousands of New Taiwan Dollars

	Retained earnings						Other equity items					Total Equity
	Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instrument measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	
Balance at January 1, 2017	\$ 3,692,500	11,741,399	719,690	239,802	973,790	1,933,282	(1,592,477)	-	-	(1,592,477)	-	15,774,704
Net income for the year	-	-	-	-	5,274,723	5,274,723	-	-	-	-	-	5,274,723
Other comprehensive income for the year	-	-	-	-	418,516	418,516	(477,092)	-	112,663	(364,429)	-	54,087
Comprehensive income for the year	-	-	-	-	5,693,239	5,693,239	(477,092)	-	112,663	(364,429)	-	5,328,810
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	93,949	-	(93,949)	-	-	-	-	-	-	-
Special reserve	-	-	-	110,833	(110,833)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(768,992)	(768,992)	-	-	-	-	-	(768,992)
Cash dividends distribution from capital surplus	-	(324,133)	-	-	-	-	-	-	-	-	-	(324,133)
Capital increased by cash	680,000	13,355,424	-	-	-	-	-	-	-	-	-	14,035,424
Difference between the consideration and the carrying amount of subsidiaries acquired or disposed	-	115	-	-	-	-	-	-	-	-	-	115
Balance at December 31, 2017	4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	-	112,663	(1,956,906)	-	34,045,928
Effects of retrospective application of new accounting standards	-	-	-	-	-	-	-	100,409	(112,663)	(12,254)	-	(12,254)
Balance at January 1, 2018 after adjustments	4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	100,409	-	(1,969,160)	-	34,033,674
Net income for the year	-	-	-	-	13,630,673	13,630,673	-	-	-	-	-	13,630,673
Other comprehensive income for the year	-	-	-	-	(183,277)	(183,277)	740,695	(132,834)	-	607,861	-	424,584
Comprehensive income for the year	-	-	-	-	13,447,396	13,447,396	740,695	(132,834)	-	607,861	-	14,055,257
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	527,472	-	(527,472)	-	-	-	-	-	-	-
Special reserve	-	-	-	782,961	(782,961)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,372,500)	(4,372,500)	-	-	-	-	-	(4,372,500)
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	(576,779)	(576,779)
Difference between the consideration and the carrying amounts of subsidiaries acquired or disposed	-	(197)	-	-	-	-	-	-	-	-	-	(197)
Balance at December 31, 2018	\$ 4,372,500	24,772,608	1,341,111	1,133,596	13,457,718	15,932,425	(1,328,874)	(32,425)	-	(1,361,299)	(576,779)	43,139,455

(English Translation of the Standalone Financial Statements Originally Issued in Chinese)

GlobalWafers Co., Ltd.

Standalone Statement of Cash Flow

From January 1, 2017 to December 31, 2018

Expressed in thousands of New Taiwan dollars

	2018	2017
Cash flows from operating activities:		
Income before income tax	\$ 16,094,283	6,026,644
Adjustments:		
Income loss item		
Depreciation expense	149,974	93,875
Amortization expenses	317,931	317,931
Expected credit losses / Provisions for bad debt expense	411	383
Net gains on financial assets or liabilities at fair value through profit or loss	(71,962)	7,264
Interest expenses	188,224	286,465
Interest income	(50,068)	(26,920)
Dividend income	(1,077)	-
Shares of profit of associates and joint ventures accounted for using equity method	(12,098,939)	(4,820,925)
Gains on disposal of property, plant and equipment	(1,747)	-
Reversal of inventory valuation allowance	5,784	(10,263)
Total adjustments	<u>(11,561,469)</u>	<u>(4,152,190)</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related party)	(1,379,687)	(502,190)
Inventories	354,486	(293,997)
Prepayments for purchase of materials	66,828	113,307
Other operating assets	3,276	(3,522)
Total net changes in operating assets	<u>(955,097)</u>	<u>(686,402)</u>
Contract liabilities	440,485	-
Notes and accounts payable (including related parties)	969,254	513,994
Advance sales receipts	-	2,946,054
Net defined benefit liabilities	(16,085)	(6,127)
Other operating liabilities	438,096	418,254
Total net changes in operating liabilities	<u>1,831,750</u>	<u>3,872,175</u>
Total net changes in operating assets and liabilities	<u>876,653</u>	<u>3,185,773</u>
Total adjustments	<u>(10,684,816)</u>	<u>(966,417)</u>
Cash inflow generated from operations	5,409,467	5,060,227
Interest received	48,977	28,010
Dividend received	1,077	-
Interest paid	(189,412)	(276,939)
Income tax paid	(280,696)	(177,202)
Net cash flows from operating activities	<u>4,989,413</u>	<u>4,634,096</u>

(Continued on next page)

Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(71,470)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	8,732	-
Acquisition of financial assets at fair value through profit or loss	(98,853)	-
Acquisition of financial assets measured at cost	-	(49,896)
Acquisition of investments accounted for using equity method	(1,779)	(21,044,561)
Returned share payment and cash dividend of subsidiaries that reduce capital with the equity method	8,539,547	3,962,586
Cash dividends from investments accounted for using equity method	5,350	-
Acquisition of property, plant and equipment	(812,481)	(177,544)
Proceeds from disposal of property, plant and equipment	11,823	-
Increase in refundable deposits	(11)	(125)
Decrease in receivables from related parties	-	662,773
Acquisition of intangible assets	-	(1,631,850)
Decrease in other financial assets	84,869	(10,319)
Net cash flows used in investing activities	<u>7,665,727</u>	<u>(18,288,936)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(5,079,350)	(1,623,650)
Increase in Long-term borrowings	430,000	2,273,000
Repayment of long-term borrowings	(4,276,333)	(6,450,473)
Increase in payables to related parties	3,380,400	5,114,600
Cash dividends paid	(4,372,500)	(1,093,125)
Capital increased by cash	-	14,035,424
Cost of increase in treasury stock	(482,609)	-
Net cash flows used in financing activities	<u>(10,400,392)</u>	<u>12,255,776</u>
Net increase in cash and cash equivalents	2,254,748	(1,399,064)
Cash and cash equivalents at beginning of period r	<u>1,101,936</u>	<u>2,501,000</u>
Cash and cash equivalents at end of period	<u>\$ 3,356,684</u>	<u>1,101,936</u>

GlobalWafers Co., Ltd.
Notes to standalone financial statements
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company history

GlobalWafers Co., Ltd. (the “Company”) had been a semiconductor operating unit of Sino American Silicon Products Inc. (“SAS”) and the Company, along with its assets and liabilities, was spun off from SAS on October 1, 2011. The Company was incorporated in October 18, 2011, and authorized by the Hsinchu Science Park Bureau (HSPB). Its registered office is located at No. 8, Industrial East Road 2, Science Based Industrial Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2018, the standalone financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers, and is also engaged in the technology and management consulting service for related products.

The Company acquired ownership of 100% outstanding shares of SunEdison Semiconductor Limited (“SunEdison”) on December 2, 2016. SunEdison is a semiconductor wafer fabrication and supplier, and has been leading silicon wafer designs since its inception. SunEdison's R&D and manufacturing strongholds spread over United States, Europe and Asia, and also dedicated to develop the next generation High performance semiconductor wafers. The Group expands its sales network and upgrades its research and development capability through this acquisition.

The Company’s common shares have been listed on Taipei Exchange (“TPEX”) since September 25, 2015, and were delisted from the Emerging Market at the same date.

2. Approval date and procedures of the standalone financial statements

These standalone financial statements were authorized for issuance by the board of directors on March 19, 2019.

3. New standards, amendments and interpretations adopted

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.:

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

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

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

1. IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group did not retrospectively apply this standard to the comparative reporting period in which IAS 11, IAS 18, and the related interpretations were applied. The Group would recognize the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018, if any.

(1) Sales of goods

For the sales of products, revenue was previously recognized when the goods were delivered to the customers’ premises, at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

(2) Impacts on financial statements

The group adopted IFRS 15 using the cumulative effect method, wherein no adjustment was made to the opening balance of its retained earnings at January 1, 2018. Therefore, the adoption of IFRS 15 did not have any material impact on its standalone financial statements in 2018.

2. IFRS No. 9, “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement”

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements”, which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in operating expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The details of new significant accounting policies, as well as the nature and effect of the changes to the previous accounting policies are set out below:

(1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(6).

The adoption of IFRS 9 did not have any a significant impact on the Group’s accounting policies on financial liabilities.

(2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(6).

(3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

trading as at FVTOCI.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

(4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.:

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	1,101,936	Amortized cost	1,101,936
Derivative instruments	Held for trading	95	Mandatorily at FVTPL	95
Equity instruments	Financial assets measured at cost (note 1)	49,896	FVTOCI	37,642
Account and other receivables, net	Loans and receivables	2,578,720	Amortized cost	2,578,720
Other financial assets-current and non-current	Loans and receivables	95,603	Amortized cost	95,603

Note 1: These equity securities represent investments that the Group intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. Accordingly, a decrease of \$12,254 thousand in those assets and a decrease of \$12,254 thousand in other equity interest were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.:

	2017.12.31			2018.1.1	2018.1.1	2018.1.1
	IAS 39 Carrying Amount	Reclassifications	Remeasurements	IFRS 9 Carrying Amount	Retained earnings	Other equity
Fair value through other comprehensive income						
Beginning balance of measured at cost (IAS 39)	\$ 49,896	(49,896)	-	-	-	-
Measured at cost reclassified to FVTOCI	-	49,896	(12,254)	37,642	-	(12,254)
Total	\$ 49,896	-	(12,254)	37,642	-	(12,254)

There is no impact on the earnings per share in 2018 and 2017 due to the change.

3. Amendments to IAS 7 "Disclosure Initiative"

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

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

To satisfy the new disclosure requirements, the Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities at note 6(25).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the application of the above-mentioned newly recognized IFRS will not cause significant changes to standalone financial statements. The nature and impact of the significant changes are as follows:

1. IFRS No. 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases–Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on balance sheet lease accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. There are recognition exemptions for short term leases and leases of low value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(2) Transition

As a lessee, the Group can apply the standard using either of the following:

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease by lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- Apply a single discount rate to a portfolio of leases with similar characteristics.
 - Adjust the right of use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
 - Apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
 - Use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- (3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its land, factory facilities and warehouses. The Group estimated its right of use assets and lease liabilities to increase by \$ 73,956 thousand on January 1, 2019.

2. IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine its taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group has assessed that the above changes will not have significant impact on its standalone financial statements.

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

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

- (3) The impact of IFRS issued by IASB but not yet endorsed by the FSC
As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	To be decided by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

4. Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the standalone financial statements.

- (1) Statement of compliance

The standalone financial statements is prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

- (2) Basis of preparation

1. Basis of measurement

Except for the following significant accounts, the standalone financial statements have been prepared on a historical cost basis:

- (1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- (2) Financial assets at fair value through other comprehensive income are measured at fair value;
- (3) Cash settled shared based payment liability is measured at fair value;
- (4) Net defined benefit liabilities are measured at the fair value of the assets of the pension fund, less the present value of the defined benefit obligation and the upper limit impact as stated in Note 4 (16).

2. Functional and presentation currency

The Company's functional currency is the currency of the main economic environment where it is operated. The standalone financial statements are based on the Company's functional currency, the NT Dollar. All financial information presented in NT dollars is expressed in NT\$ thousand.

- (3) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into the functional currency in accordance with the exchange rates prevailing on the transaction date. Monetary items denominated in foreign currency are converted into functional currency in accordance with the exchange rates prevailing on the reporting date (referred to herein after as

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

reporting date). The exchange profit and loss is the difference between the amortized cost denominated in the functional currency at the beginning of the year with the current effective interest adjusted and paid, and the amortized cost denominated in foreign currency translated in accordance with the exchange rate of the reporting date.

The non-monetary item denominated in foreign currency measured at fair value is converted into the functional currency in accordance with the exchange rate on the date the fair value is measured. The non-monetary item denominated in foreign currency measured at historical cost is translated in accordance with the exchange rate on the trading day. The difference in foreign currency exchange arising from the conversion is recognized as gain or loss.

2. Foreign operation

The assets and liabilities of foreign operation, including goodwill and fair value adjustments arising on acquisitions, are converted into the functional currency according to the exchange rate on the reporting date. Revenues and expenses are denominated in accordance with the current average exchange rate and with the exchange differences recognized in other comprehensive Revenue.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(5) Cash and cash equivalents

Cash comprises cash and cash in bank. Cash equivalents are short term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(6) Financial instruments

1. Financial assets (policy applicable from January 1, 2018)

The financial assets of the Company are classified as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive gain or loss, and financial assets measured at fair value through gain or loss.

The Company only reclassified all affected financial assets according to the regulations when changing the business model of managing financial assets.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(1) Financial assets measured at amortized cost

Financial assets subject to the following conditions and not designated as measured at fair value through gain or loss are measured at amortized cost:

- Holds the financial asset under the business model for the purpose of collecting contractual cash flows.
- The cash flow of on a specific date of the contractual terms of the financial asset is solely the interest paid on the principal and the amount of the outstanding principal.

The initial recognition is measured at the fair value plus the directly attributable transaction cost; the subsequent effective interest rate method is measured at the amortized cost, and the amortized cost has been reduced by the impairment loss. Interest Revenue, foreign currency exchange gain or loss and impairment losses are recognized in gain or loss. In addition to the list, the benefits or losses are included in the profit and loss. The purchase or sales of financial assets in ordinary course of business is handled in accordance with the accounting treatment of the trading date.

(2) Fair value through other comprehensive income (FVTOCI)

The Company may make an irrevocable selection when the original recognition is made, and the subsequent fair value changes of the investment in equity instruments that are not held for trading are presented in other comprehensive gain or loss. The aforementioned selections are made on a case-by-case basis.

The initial recognition is measured at fair value plus directly attributable transaction costs; subsequently measured at fair value, except for equity instrument investment dividend revenue (except for the recovery of the portion of the investment costs) that are recognized in gain or loss, changes in the remaining carrying amount are recognized as other comprehensive gain or loss, accumulated as unrealized gain or loss of financial assets measured at fair value through other comprehensive gain or loss under the equity item. At the time of derecognition, an equity instrument investor reclassifies the accumulated interest or loss under equity to retained earnings and does not reclassify to gain or loss. The purchase or sales of financial assets in ordinary course of business is handled in accordance with the accounting treatment of the trading date.

Dividend Revenue from equity investments is recognized on the date on which the Company has the right to receive dividends (usually the ex-dividend date).

(3) Fair value through profit or loss (FVTPL)

Financial assets that are not measured at the amortized cost or measured at fair value through other comprehensive gain or loss are measured at fair value through gain or loss. In the original recognition, in order to eliminate or significantly reduce the inappropriate accounting ratio, the financial assets that are measured at amortized cost or measured at fair value through other comprehensive gain or loss are designated to be those measured at fair value through gain or loss.

When the initial recognition is measured at fair value, the transaction costs are recognized as gain or loss when incurred; subsequently, measured at fair value, the gain or loss (including interest revenue) generated by remeasurement is recognized as gain or loss. The purchase or sales of financial assets in ordinary course of business is handled in accordance with the accounting treatment of the trading date.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(4) Impairment of financial assets

The Company recognizes the allowance for the expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable, refundable deposits and other financial assets, etc.).

The following financial assets are measured as allowance losses based on the expected amount of credit losses for the twelve months, and the rest are measured by the amount of expected credit losses during the duration:

- Determining the credit risk of debt securities on the reporting date is low; and
- The credit risk of other debt securities and bank deposits (i.e., The risk of default on the expected duration of the financial instruments) has not increased significantly since the initial recognition.

The allowance for receivables is measured at the amount of expected credit losses during the lifetime.

Expected credit losses during the duration of the period are expected credit losses arising from all possible defaults during the expected duration of the financial instrument.

The expected credit losses for twelve months are expected credit losses arising from the possible default of the financial instrument in the twelve months following the reporting period (or a shorter period if the expected duration of the financial instrument is less than twelve months).

The longest period of measurement of expected credit losses is the longest contract period in which the Company is exposed to credit risk.

In determining whether the credit risk has increased significantly since the original recognition, the Company considers reasonable and provable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and analysis based on the Company's historical experience, credit assessments and forward-looking information.

Expected credit losses are probability-weighted estimates of credit losses for the expected duration of the financial instrument. Credit losses are measured at the present value of all cash shortfalls, which is the difference between the cash flows that the Company can receive based on the contract and the cash flows expected to be received by the Company. Expected credit losses are discounted at the effective interest rate of financial assets.

The allowance for financial assets measured as amortised cost is deducted from the carrying amount of the asset. The amount of accrual or reversal of allowance for loss is recognized in gain or loss.

When the Company cannot reasonably expect the recovery of financial assets in whole or in part, it will directly reduce the total carrying amount of its financial assets. Usually, the Company determines that the debtor's assets or sources of Revenue cannot generate sufficient cash flow to repay the amount of the write-off. However, the written-off financial assets can still be enforced in order to comply with the procedures for the Company to recover the overdue amount.

(5) Derecognition of financial assets

The Company's financial asset is derecognized only when the contractual rights to the cash flows from the assets are terminated or when the financial assets have been transferred and nearly all of the risks and rewards related to the ownership of

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

the financial assets have been transferred to other companies.

2. Financial assets (policy applicable before January 1, 2018)

Financial assets of the Company are classified into: financial assets measured at fair value through gain or loss, financial assets measured at cost and receivables.

(1) Financial assets measured at fair value through profit or loss

Such financial assets are financial assets held for trading. The main purpose of its acquisition or occurrence is to sell or buy back in the short term.

Such financial assets are measured at fair value during the initial recognition. The transaction cost is recognized in gain or loss upon recognition. The subsequent evaluation is measured at fair value with the profit and loss (including related dividend Revenue and interest Revenue) arising from the re-measurement recognized in gain or loss and reported in the “non-operating Revenue and expense” account. The purchase or sales of financial assets in ordinary course of business is handled in accordance with the accounting treatment of the trading date.

(2) Financial assets at cost

If such financial assets are equity investments “without quoted market price and reliably measured fair value,” it is measured at cost net of impairment loss and reported at “financial assets measured at cost” item.

(3) Receivables

Accounts receivables are financial assets without a quoted market price and with fixed or determinable payment amount, including notes and accounts receivables. It is measured at fair value plus directly attributed transaction cost at initial recognition. In the subsequent period it is measured in accordance with the effective interest rate method and the amortized cost is net of impairment loss, except for short-term receivables with insignificant interest recognized. The purchase or sales of financial assets in ordinary course of business is handled in accordance with the accounting treatment of the trading date.

Interest Revenue is reported in the “non-operating Revenue and expense” account.

(4) Impairment of financial assets

The impairment of the financial assets not measured at fair value through gain or loss should be assessed on each reporting date. When there is objective evidence indicating that the estimated future cash flow of asset might suffer a loss due to one or more incidence after the initial recognition of financial assets, it means the financial asset is impaired.

Objective evidence of impairment of financial assets includes significant financial difficulties of the issuer, default (such as delay or non-payment of interest or principal payments), a significant increase in the likelihood that the debtor will enter bankruptcy or other financial restructuring, and financial difficulties making the active market of the financial assets disappear etc.

If the accounts receivable, after individual assessment, prove to be without identified impairment, they should be jointly assessed with other for further assess of impairment. Objective evidence of impairment for a receivable portfolio could include the Company’s experience in collection, the increase in delayed payments to the receivable portfolio exceeding the average credit period and the national or regional economic conditions and changes related to receivable arrears.

The recognized impairment loss of financial assets measured at cost is the

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

difference between the carrying amount of the assets and the present value of the estimated future cash flow discounted at the market return rate on similar assets. Such impairment loss cannot be reversed in the subsequent period.

Impairment loss of financial assets is directly deducted from carrying amount of financial asset; however, the carrying amount of accounts receivables is adjusted down with the allowance account. The account receivable determined to be uncollectible is written off against the allowance account. The amount recovered that was previously written off is credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in the gain or losses.

The loss and recovery of the bad debt of accounts receivable are reported as operating expenses. The impairment loss and recovery of financial assets other than accounts receivables are reported under the “non-operating Revenue and expense” account.

(5) Derecognition of financial assets

The Company’s financial asset is derecognized only when the contractual rights to the cash flows from the assets are terminated or when the financial assets have been transferred and nearly all of the risks and rewards related to the ownership of the financial assets have been transferred to other companies.

3. Financial liabilities and equity instruments

(1) Classification of debt or equity

The Company's debt and equity instruments are classified as financial liabilities or equity based on the substance of the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instrument refers to any contract underlying the Company’s residual equity after deducting all liabilities from the assets. The equity instrument issued by the Company is recognized at the acquisition price net of the direct issue cost.

Interest and loss or gain related to the financial liabilities are recognized in gain or loss and reported under the “non-operating Revenue and expense” account.

(2) Other financial liabilities

Financial liabilities not held for trading and are not designated as measured at fair value through gain or loss include long-term and short-term borrowings, and accounts payable. Initial recognition is measured at fair value plus directly attributable transaction costs; the evaluation then uses the effective interest rate method measured at amortized cost. Interest expense not capitalized as a cost of asset is reported under the “non-operating Revenue and expense” account.

(3) Derecognition of financial liabilities

The Company’s financial liability is derecognized when the contractual obligations have been performed, cancelled or expired.

When derecognizing financial liability, the difference between the carrying amount and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in the gains or losses and reported in the “non-operating Revenue and expense” account.

(4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and recognized in the balance sheet only when the Company has a legal right to do so and has the intention to have them cleared at a net worth or has the asset cashed and the liability settled at the same time.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

3. Derivative financial instruments

The Company holds derivatives to hedge foreign currency risk exposure. The initial recognition is measured at fair value, and the transaction costs are recognized as gain or loss. Subsequent evaluations are measured at fair value. Benefits or losses from the re-measurement is directly included in gain or loss and is presented to other benefits and losses under non-operating Revenue and expense. If fair value of derivative is positive, it is classified as financial asset; if fair value of derivative is negative, it is classified as a financial liability.

(7) Inventories

Inventory is valued at a lower level than the cost or net of the realizable value. Costs include costs of acquisition, production or processing and other costs necessary to make the product available at the designed location and status, which is calculated in accordance with the weighted average method. The cost of finished goods and work-in-process goods includes manufacturing cost that is amortized proportionately to the regular productivity.

The net realizable value is calculated in accordance with the estimated selling price in the course of business net of the costs needed to complete the project and the selling expenses.

(8) Investment in associates

Affiliated companies are those that have significant influence on the financial and operating policies of the Company but are not controlled or jointly controlled.

The Company has accounted for equities in affiliated companies under the equity method. Under the equity method, investment is initially recognized at cost. Investment cost includes transaction cost. The carrying amount of investment in the affiliates includes goodwill recognized at initial investment, net of any accumulated impairment losses.

The standalone financial statements includes, after the adjustments made in accordance with the Company's accounting policies, the amount of profit and loss and other comprehensive gains and losses of each of the investment-related enterprises from the date of significant impact to the date of the loss of significant impact. When the affiliated companies have equity changes of non-profit-and-loss or other comprehensive gain or loss, which does not affect the Company's shareholding ratio of them, the Company will recognize the equity changes of share of affiliated companies attributable to the Company as capital reserve.

The unrealized gains and losses arising from the transactions conducted between the Company and the affiliated companies have been offset within the scope of the investment in the investee company. The written-off unrealized loss is the same as the written-off unrealized gain but is limited to the circumstances when the impairment evidence is not available.

When the loss of the affiliated company to be recognized by the Company proportionately to the shareholdings is equal to or exceeds the Company's equity in the affiliated company, stop recognizing any loss. Recognize additional losses and related liabilities only upon the occurrence of a legal obligation, presumption of obligation or within the amount paid on behalf of the investee company.

The Company ceases to adopt equity method from the date when its investment is not for affiliated enterprises or joint venture, and the retained interest is measured at fair value. The difference between the fair value of the retained equity and the disposition price, and the carrying amount of the investment on the date when equity method is ceased to be adopted, is recognized in gain or loss of the current period. For all amounts

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

previously recognised in other comprehensive gain or loss and related to the investment, the basis of accounting treatment is the same as the basis for affiliated enterprises or joint venture to directly dispose of the relevant assets or liabilities, that is, if profit or loss previously recognized in other comprehensive gain or loss shall be reclassified as gain or loss when the relevant assets or liabilities are disposed of. When the enterprise ceases to adopt equity method, the gain or loss is reclassified from equity to gain or loss. If the Company's ownership interest in affiliated enterprises or joint venture is reduced, but equity method continues to be applied, the Company will make a reclassification adjustment for interest or loss that is related to the reduction of ownership interest and previously recognized in other comprehensive gain or loss in accordance with the above measures and reduction ratio.

In circumstance that the affiliated company issues new shares and the Company does not subscribe proportionately to its equity shares in the affiliated company, and that leads to changes of shareholdings and the increase/decrease of net equity of the investment, such increases or decreases shall be adjusted to the paid in capital under the equity method; if paid in capital is insufficient to cover such adjustment, the remaining balance shall be debited to the retained earnings. However if the Company does not subscribe proportionately to its equity shares in the affiliated company and that leads to the decrease of net equity of such investment, any amount associated with this affiliated company recognized previously as comprehensive Revenue shall be reclassified proportionately to the decrease, and accounted with on the basis that the affiliated company is required to adopt and comply with the demands to dispose relevant assets or liabilities directly.

(9) Investment in subsidiaries

The Company has the wholly-owned investee company valued under equity method when preparing the standalone financial statements. Under the equity method, the amortization amount attributable to the shareholders of the parent company from the gains or losses and other comprehensive Revenue of the standalone financial statements and the consolidated financial statements is the same. Moreover, the equity attributable to the shareholders of the parent company from the shareholder's equity of the standalone financial statements and the consolidated financial statements is the same.

If the change in the Company's ownership of the subsidiary does not lead to loss of control over the subsidiary, it is treated as an equity transaction conducted within the shareholders.

(10) Property, plant and equipment

1. Recognition and measurement

Recognition and measurement of property, plant and equipment is based on the cost model. The cost of property, plant and equipment is net of the accumulated depreciation and accumulated impairment. Costs include expenditures directly attributable to assets acquisition. The cost of self-built assets includes raw materials and direct labor, direct attributable cost to have the assets available for the intended use, demolition, removal and restoration of the location, and the loan cost in line with the requirements of assets capitalization. Software acquired for integrating the function of the related equipment is capitalized as part of the equipment.

When property, plant, and equipment contains different components and the cost is relatively significant to the total cost of the item; also, when the use of a different depreciation rate or method is more appropriate, it should be treated as a separate

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

item of the property, plant and equipment (a significant component).

The profit and loss from disposition of property, plant and equipment is determined according to the difference between the carrying amount and the disposition amount of the property, plant and equipment; the difference is recognized under "other gains & losses" of the "non-operating Revenue and expense" account at a net amount.

2. Subsequent cost

When the expected future economic benefits resulting from the subsequent expenditure for property, plant and equipment is likely to flow into the Company and when the amount can be measured reliably, the expenditure is recognized as part of the carrying amount of the item; also, the carrying amount of the replacement is derecognized. The routine repair and maintenance cost of property, plant and equipment is recognized in gain or loss when incurred.

3. Depreciation

Depreciation is calculated in accordance with the asset cost net of residual value, the estimated years of useful life and the straight-line method. Each significant component the asset is assessed. If the useful life of an integral component is different from others in the asset, the unique component should be depreciated separately. The appropriated depreciation is recognized in gain or loss.

Estimated useful lives for the current and comparative periods are as follows:

- (1) Property and building: 2-40 years
- (2) Machinery equipment: 1-10 years
- (3) Other equipment: 1-12 years
- (4) The significant parts of housing and construction include plant building, electrical power engineering and wastewater treatment systems, whose depreciation are appropriated in accordance with the useful life of 25-40 years, 25 years, and 4-15 years, respectively.

Depreciation methods, years of useful life and residual values are reviewed at the end of each financial year. If the expected value is different from the estimates, it should be adjusted properly when necessary; also, the difference should be processed as changes in accounting estimates.

(11) Lease

The Company's leases are classified as operating leases. The assets under such leases are not recognized in the Company's balance sheet.

Payment of the operating lease shall not include operating costs such as insurance and maintenance. They are recognized as expenses on straight line basis in the lease term.

(12) Intangible Assets

1. Research and development

Research phase refers to the activity conducted to acquire and understand new scientific or technological knowledge; also, the related expense is recognized in the gain or loss when they are incurred.

The expenditure accrued in the development phase that meets all the following conditions simultaneously is recognized as an intangible asset; however, if it does not meet all the following conditions, it is to be recognized in the gain or loss when incurred:

- (1) Technical feasibility of the intangible asset is completed and the intangible asset is ready for use or sale.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

- (2) The intention is to have the intangible asset completed for use or sale.
- (3) The Company is capable of using or selling the intangible asset.
- (4) The intangible asset is likely to generate future economic benefits.
- (5) The Company has sufficient technical, financial and other resources to complete this development and to use or sell the intangible asset.
- (6) The expenditure attributable to the intangible asset development can be reliably measured.

2. Other intangible assets

The other intangible assets acquired by the Company are measured at cost, net of accumulated amortization and accumulated impairment.

3. Subsequent expenditures

Subsequent expenditures that can help increase the future economic benefits of the specific assets can be capitalized. All other expenses are recognized in the gain or loss when incurred.

4. Amortization

The amortizable amount is the asset cost, net of residual value.

Intangible assets from the state available for use is amortized in accordance with the straight-line method over the estimated useful life; also, the amortization amount is recognized in gain or loss.

Review the residual value, amortization period and amortization method for intangible assets at the end of the fiscal year and with the changes, if any, treated as a change in accounting estimates.

(13) Impairment of non-financial assets

The Company assesses the non-financial assets other than inventories and deferred Income tax assets for any impairment on each reporting date; also, estimates the recoverable amount of the assets with an impairment evidence. If the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit that the asset belongs to in order to assess the impairment.

The recoverable amount is the fair value of an individual asset or the cash-generating unit net of the sale cost or value in use, whichever is higher. If the recoverable amount of an individual asset or cash-generating unit is lower than the carrying amount, the carrying amount of the individual asset or cash-generating unit is adjusted down to the recoverable amount with the impairment loss recognized. Impairment loss is recognized immediately in gain or loss of the current period.

The Company reevaluates on each reporting day whether there are indications that the impairment loss of non-financial assets other than goodwill recognized previously have been eliminated or reduced. If the estimates used to determine the recoverable amount are changed, the impairment loss should be reversed in order to increase the carrying amount of the individual asset or cash-generating unit to the recoverable amount; however, it shall not exceed the carrying amount of the individual assets or cash-generating unit in the prior period before recognizing the impairment loss but after appropriating the depreciation or amortization.

(14) Treasury stock

The Company has the outstanding stock shares repurchased and classified as "Treasury stock" for the considerations (including the amount attributable to the cost) and debited to the equity. If the disposition price of the treasury stock is higher than the book

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

value, the difference is classified as “Additional paid-in capital - Treasury stock;” if the disposition price is lower than the book value, the difference is applied to write off the additional paid-in capital of the treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. The carrying amount of treasury stock is calculated in accordance with the weighted average method and is calculated separately in accordance with the reason for repurchase.

When the treasury stock is cancelled, the “capital reserve- – Treasury stock” is debited proportionately to the equity shares, the difference is applied to write off the capital reserve - treasury stock in the same category or debited to retained earnings, if there is an insufficient amount. If the carrying amount is lower than the sum of par value and the premium from issuing stocks, it shall be debited to the additional paid in capital from transactions of the treasury stock in the same category

(15) Revenue Recognition

1. Revenue from customer contracts (applicable after January 1, 2018 (inclusive))

Revenue is measured by the amount of consideration that is expected to be obtained based on the transfer of goods or services. The Company recognizes Revenue when the control of goods or services is transferred to the customer and the performance obligation is fulfilled. The Company's main Revenue items are as follows:

(1) Sale of goods

The consolidated company researches, develops, designs, manufactures and markets semiconductor silicon wafer materials and their components. The Company recognizes revenue when it transfers control of the product. Control transfer of the product means that the product has been delivered to the customer, and the customer can completely determine the sales channel and price of the product, and has no impact on the customer's unfulfilled obligation to accept the product. The delivery occurs when the product is shipped to a specific location, its obsolescence and loss risk has been transferred to the customer, and the customer has accepted the product under the sales contract, the acceptance terms have lapsed, or the company has objective evidence that all acceptance conditions have been met.

The Company recognizes the accounts receivable when the goods are delivered, because the Company has the right to charge the consideration unconditionally at that time.

(2) Services

The Company provides labor services and recognizes relevant revenue during financial reporting of the provision of labor services. Fixed price contracts are based on the proportion of services actually provided as a percentage of total services as of the reporting date. The proportion is determined by the percentage of the amount of labor performed to account for the total amount of labor to be performed.

If the circumstances change, the estimates of Revenue, cost and degree of completion will be revised and the changes will be reflected in gain or loss when the management is informed of the change in circumstances and the amendment is made.

2. Revenue recognition (applicable before January 1, 2018)

(1) Sales of goods

The Revenue from product sales in the course of business is measured at the fair value of the considerations received or receivable net of sales return, sales

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

discount and volume discount. Revenue is recognized when persuasive evidence is available (usually a signed purchase order from the customers), the significant risks of ownership and considerations are transferred to the buyer, the proceeds are likely to be collected, the associated cost and possible sales returns can be estimated reliably, do not continue to be involved in instrument management and the amount of Revenue can be measured reliably. If a discount is likely to occur and the amount can be measured reliably, it is credited to the Revenue when the sale is recognized.

The timing for the transfer of risks and considerations depends on the individual term of the sales contracts. Export sales are mainly made FOB Shipping Point, and the risks and returns are transferred to the buyer when the goods are brought on board at the port. For sales in domestic market, the risks and returns are generally transferred to the buyer when the goods are delivered to the customer's warehouse for inspection and acceptance.

(2) Services

The Company provides labor services to its customers. Labor service Revenue is recognized in accordance with the percentage of completion on the reporting date.

(3) Government grants

Government grant obtained is recognized in each period in pursuant to the costs expected to incur in proportion to total costs in the "non-operating Revenue and expense" account.

(4) Royalty revenue

The royalty revenue from the use of corporate assets by others and economic benefits associated with the transaction are likely to flow into the enterprise; and when the amount of revenue can be reliably measured, it is recognized as accrual basis in accordance with the substance of the relevant agreement.

(16) Employee benefits

1. Defined contribution plan

The appropriation obligation under the defined contribution plan is recognized as employee benefits expense in the gain or loss account throughout the employee's service period.

2. Defined benefit plan

The retirement benefit plan that is not a defined contribution plan is classified as a defined benefit plan. The Company's net obligation under the defined benefit plan is based on the present value of the future benefit amount earned by employees currently or previously in each benefit plan. Any unrecognized prior service cost and the fair value of the plan assets are deducted. The discount rate is based on the interest rate of the market yield rate of government bonds on the reporting date that is with a similar due date as the Company's net obligation deadline and denominated in the same currency as the expected benefit payment.

Enterprise's net obligation is calculated annually by a qualified actuary in accordance with the project unit credit method. When the calculation is favorable to the Company, recognized assets are limited to the present value of the total economic benefit to be derived from the refund to be collected from the plan, or the reduction of the appropriation for the plan. The minimum fund appropriation needed for any plan of the Company should be considered when calculating the present value of the economic benefits. If a benefit can be realized in the plan period or upon the liquidation of the

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

plan liability, it is with economic benefit to the Company.

For the plan benefit that is improved due to the service provided by the employees, the relevant expenses are recognized as gain or loss immediately.

Remeasurements of the net defined benefit liability (asset), comprising: (1) actuarial gains and losses; (2) return on plan assets, but not including net interest on the net defined benefit liability (asset); and (3) changes in the effect of the asset ceiling, but not including the net interest on the net defined benefit liability (asset). The remeasurement of net defined benefit liabilities (assets) are recognized in other comprehensive Revenue. The Company had chosen to have amounts recognized in other comprehensive Revenue to be transferred to the retained earnings.

The Company, when experiencing curtailment or settlement, should recognize the curtailment or settlement gain or loss of the defined benefit plan. Curtailment or settlement gains and losses include any changes in the fair value of any plan assets and changes in the present value of defined benefit obligations.

3. Short-term employee benefits

Short-term employee benefit obligation is measured on an undiscounted basis; also, it is recognized as an expense when the related service is provided.

For the short-term cash bonus or the amount expected to be paid of a bonus plan, if the Company has a legal obligation or presumption of obligation due to the services rendered by employees and the obligation can be estimated reliably, the amount is recognized as a liability.

(17) Share-based payment

For the share-based rewards to be paid to the employees, remuneration cost should be recognized with the respective equity increased in accordance with the fair value on the payment date when the employees are entitled to the rewards, unconditionally. The remuneration cost to be recognized is adjusted in accordance with the rewards in line with the expected conditions of service. The final remuneration cost recognized is based on the rewards in line with the expected conditions of service on the payment date.

(18) Income tax

Income tax expense includes current and deferred Income tax. Except for the items related to a merger or recognized directly in the equity or other comprehensive Revenue, the current Income tax and deferred Income tax should be recognized in the gain or loss.

Current Income tax includes the estimated Income tax payable or tax refund receivable of the current taxable Revenue (loss) calculated in accordance with the statutory tax rate on the reporting date or the substantive legislation tax rate and any adjustments to the tax payable of the previous years.

Deferred Income tax is measured and recognized in accordance with the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax basis. The temporary differences arising in the following circumstances will be without any recognized deferred Income tax:

1. Assets or liabilities that are originally recognized in a transaction not attributable to a business merger; also, the transaction does not affect accounting profit and taxable Revenue (loss).
2. It resulted from investing in subsidiaries and joint ventures; also, it probably won't be reversed in the foreseeable future.
3. Initial recognition of goodwill

Deferred Income tax is measured in accordance with the tax rate in the expected asset

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

realization or liability settlement period; also, it is based on the statutory tax rate or substantive legislation tax rate on the reporting date.

The Company will only offset the deferred Income tax assets and deferred Income tax liabilities when the following conditions are met:

1. With statutory right to offset financial assets and financial liabilities; and
2. Deferred Income tax assets and deferred Income tax liabilities are related to one of the taxable entities that are levied by the same tax authorities:
 - (1) The same taxable entity; or
 - (2) Different taxable entities, but each entity intends to settle current Income tax liabilities and assets at a net amount or to realize assets and liquidate liability simultaneously when a significant amount of deferred tax assets is expected to be recovered and deferred tax liabilities are expected to be liquidated in each future period.

The unapplied tax losses and unapplied tax credits carried forward and deductible temporary differences are recognized as deferred Income tax assets within the range of probable future taxable Revenue available for use. The deferred Income tax assets should be reassessed on each reporting date and should be adjusted down within the range of improbable Income tax benefit.

(19) Earnings per share

The Company illustrated the basic and diluted earnings per share attributable to the common stock shareholders. Basic earnings per share is calculated by having the gain or loss attributable to the Company's common stock shareholders divided by the weighted average number of the outstanding common stock shares during the period. Diluted earnings per share is calculated by having the gain or loss attributable to the Company's common stock shareholders and the weighted average number of common stock shares outstanding adjusted for the effects of all potential diluted common stock shares, respectively. The Company's potential diluted ordinary share includes employee remuneration that has not been resolved by the board of directors and has been issued in the form of shares.

(20) Operating segment

The Company has the segment information disclosed in the consolidated financial statements; therefore, it will not be disclosed in the standalone financial statements.

5. Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The management, when preparing the standalone financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", must make judgments, estimates and assumptions which will affect the adopted accounting policies and the assets, liabilities, revenues and expense amounts. The actual results could differ from those estimates.

The management is to continue examining the estimates and underlying assumptions. Changes in accounting estimates are to be recognized during the affected and future periods.

The accounting policies adopted in the standalone financial statements do not involve significant judgment.

As for the uncertainty of assumptions and estimates, the relevant information that may cause adjustments in the next year is as follows:

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

Investment accounted for under equity method

The Company's reinvestment in subsidiaries under equity method is mainly derived from corporate mergers and acquisitions. The evaluation process of its subsidiaries' goodwill impairment relies on the subjective judgment of management, including identifying the cash-generating unit, apportioning goodwill to the relevant cash-generating unit, and determining the recoverable amount of the relevant cash-generating unit. For the description of the investment under equity method, please refer to Note 6 (7) of the standalone financial statements, Investment under equity method.

The Company's accounting policies and disclosure has adopted the fair value to measure financial/ non-financial assets and liabilities. The Company's financial and accounting departments are responsible for the independent verification of fair value with independent information source on the valuation result to match the market status, as well as to ensure that the sources are independent, reliable, and consistent with other resources and represent executable prices. The Company also regularly calibrates the valuation model and conducts retroactive test updating input values desired by the valuation model and making necessary adjustments to fair value to ensure the results of the valuation are reasonable.

While measuring the assets and liabilities, the Company uses the observable market input values as much as possible. The definition of each fair value category is pursuant to the input values used by valuation techniques. The categories are summarized as follows:

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

In case there is movement between fair value hierarchy, the Company should recognize such movement at the reporting date. The relevant information of the assumptions used to measure fair value is detailed in Note 6 (22).

6. Explanation of significant accounts

(1) Cash and cash equivalents

	<u>2018.12.31</u>	<u>2017.12.31</u>
Cash on hand	\$ 100	100
Demand deposits	2,281,559	447,116
Time deposits	<u>1,075,025</u>	<u>654,720</u>
	<u>\$ 3,356,684</u>	<u>1,101,936</u>

Please refer to Note 6 (22) for the disclosure of interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(2) Financial assets and liabilities at fair value through profit or loss

	<u>2018.12.31</u>	<u>2017.12.31</u>
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 76,475	-
Stock of booked (OTC) companies	90,000	-
Privately offered funds	64,697	-
Financial assets designated as at fair value through profit or loss:		
Forward exchange contracts	-	95
	<u>\$ 231,172</u>	<u>95</u>
Financial liabilities designated as at fair value through profit or loss:		
Forward exchange contract	<u>\$ -</u>	<u>4,917</u>

Please refer to Note 6 (21) for the amount remeasured at fair value and recognized in gain or loss

The Company engages in derivative financial instrument transactions to circumvent the Currency risk exposed by the business activities. The breakdown of the derivatives of the financial assets and financial liabilities that are available for the transaction due to the failure to apply the hedge accounting report is as follows:

	<u>2018.12.31</u>		
	<u>Contract amount (NT\$ thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Forward exchange contracts purchased	JPY 17,000,000	JPY against NTD	2019.01.15-2019.06.14
	<u>2017.12.31</u>		
	<u>Contract amount (NT\$ thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Forward exchange contracts sold	NTD 794,900	NTD against JPY	2018.01.26-2018.03.28

In 2018 and 2017, the realized financial assets and liabilities interests from the above-mentioned forward foreign exchange contract and exchange rate exchange contract transactions were NT\$ 55,164 thousands and NT\$ 79,115 thousands respectively.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(3) Financial assets at fair value through other comprehensive income

	2018.12.31
Equity investment in domestic entities	\$ 51,636

The Company's investments in these equity instruments are long-term strategic investments and are not held for trading purposes and have been designated to be measured at fair value through other comprehensive gain or loss.

The Company did not dispose of strategic investment in 2018. During the period, accumulated gain or loss was not transferred within the equity.

The dividend revenue recognized by the Company in 2018 was NT\$ 1,077 thousands due to financial assets measured at fair value through other comprehensive gain or loss.

For credit risk and market risk information, please refer to Note 6 (23).

The above financial assets have not been provided as collateral guarantees.

(4) Financial assets measured at cost — non-current

	2017.12.31
Equity investment in domestic entities	49,896

For the above financial assets measured at cost, since the fair value is with a broad range of reasonable estimation and the probability of estimations cannot be reasonably assessed; therefore, the management of the Company believes that the fair value cannot be reliably measured.

The above financial assets have not been provided as collateral guarantees.

(5) Notes and accounts receivable, net

	2018.12.31	2017.12.31
Accounts receivable	\$ 1,954,350	1,573,385
Less: Allowance for doubtful accounts	(7,179)	(6,768)
Allowance for sales discounts and returns	-	(15,364)
	\$ 1,947,171	1,551,253

The changes in allowances for notes receivable and accounts receivable of the Company are as follows:

	2018	2017
Balance on January 1, 2018 and 2017 per IAS39	\$ 6,768	6,385
Adjustment on initial application of IFRS 9	-	
Balance on January 1, 2018 per IFRS 9	6,768	
Impairment losses recognized	411	383
Balance on December 31, 2018 and 2017	\$ 7,179	6,768

The Company used a simplified approach to estimate the expected credit losses for all notes receivables and accounts on December 31, 2018, that is, the use of expected credit

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

losses during the existing period. For the purpose of this measure, the notes and the accounts receivable are grouped by the common credit risk characteristics that represent the ability of the customer to pay all of the maturity amounts in accordance with the terms of the contract, and have been incorporated into forward-looking information. The expected credit loss of notes receivable and accounts receivable of the Company on December 31, 2018 is analyzed as follows:

	Gross carrying amount	Weighted average loss rate	Loss allowance provision
Current	\$ 1,831,457	0%	-
Overdue 1-30 days	109,692	0%-1%	-
Overdue 31-60 days	6,433	0%-1%	411
Overdue 121-150 days	-	0%-1%	-
Overdue over 151 days	6,768	100%	6,768
Total	<u>\$ 1,954,350</u>		<u>7,179</u>

On December 31, 2017, the allowance for bad debts of accounts receivable and notes receivable was considered by using the occurred credit loss model. The ageing analysis of the Company's overdue but not deductible accounts receivable and notes receivable on December 31, 2017 is as follows:

	<u>2017.12.31</u>
Overdue 1-30 days	\$ 69,637
Overdue 31-60 days	1,554
	<u>\$ 71,191</u>

On December 31, 2017, the accounts receivable that were overdue but not deducted were booked. After assessment that the credit quality has not changed significantly, there is no worry for impairment.

(6) Inventories

	<u>2018.12.31</u>	<u>2017.12.31</u>
Finished goods	\$ 295,750	250,486
Finished goods	125,649	100,441
Work-in-process goods	26,289	45,709
Raw materials	831,805	1,266,894
Supplies	74,802	51,035
	<u>\$ 1,354,295</u>	<u>1,714,565</u>

Component of operating cost are as follows:

	<u>2018</u>	<u>2017</u>
Cost of sales	\$ 8,832,425	7,084,219
Appropriate (reverse) inventory loss in valuation	5,784	(10,263)
Unallocated fixed manufacturing expense	29,526	34,313
	<u>\$ 8,867,735</u>	<u>7,108,269</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

None of the above inventories has been provided as a collateral guarantee.

(7) Investments accounted for using equity method

The Company's investments under equity method on the reporting date were as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Associates	\$ 178,442	318,622
Subsidiary	<u>58,201,357</u>	<u>46,093,553</u>
	<u>\$ 58,379,799</u>	<u>46,412,175</u>

1. Subsidiaries

- (1) For relevant information, please refer to the consolidated financial statements of 2018.
- (2) The subsidiary, Gwafers Singapore Pte. Ltd. in 2017 handled the capital reduction and returned payment of NT\$ 11,878,020 thousands. On December 31, 2018 and 2017, the outstanding amounts were NT\$ 0 thousands and NT\$ 7,916,160 thousands respectively, booked in other receivables.
- (3) The subsidiary Gwafers Singapore Pte. Ltd. in 2017 handled capital increase by cash NT\$ 6,340,950 thousands, recognized as investment increase under equity method.
- (4) The Company restructured its organization in 2017. The subsidiary Taisil Electronic Materials Corp. Originally held by SunEdison Semiconductor B.V. and SunEdison Semiconductor Holdings B.V. was adjusted to be of direct investment by the Company with an amount of NT\$ 14,503,726 thousands, recognized as investment increase under equity method. In addition, Taisil Electronic Materials Corp. in 2017 handled the capital reduction and returned payment of NT\$ 726 thousands, recognized as investment decrease under equity method.
- (5) The Company in 2018 allocated NT\$ 623,387 thousands cash dividend to subsidiaries, recognized as an investment decrease under equity method.
- (6) The subsidiary GWafers together with the Company merged with GlobalWafers Japan Co., Ltd. that the Company indirectly holds in January 2018, and the existing company is GWafers then renamed as GWJ.
- (7) The Company invested NT\$ 1,779 thousands in 2018 to obtain the non-controlling interest of the subsidiary Taisil Electronic Materials Corp., NT\$ 1,582 thousands. The difference was adjusted to the capital reserve.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

2. Affiliated companies

For the Company's affiliated enterprises under equity method are standalonly insignificant, their summarized financial information is as follows. These financial information are included in the Company's standalone financial statements:

	<u>2018.12.31</u>	<u>2017.12.31</u>
The carrying amount of investments in the individually insignificant associates	<u>\$ 178,442</u>	<u>318,622</u>
	<u>2018</u>	<u>2017</u>
Attributable to the Group:		
Net income	\$ 14,439	5,959
Other comprehensive income (loss)	<u>(149,269)</u>	<u>112,663</u>
Total	<u>\$ (134,830)</u>	<u>118,622</u>

The Company in 2018 allocated NT\$ 5,350 thousands cash dividend to affiliated enterprises, recognized as an investment decrease under equity method.

3. Guarantee

None of the above investments under equity method has been provided as a collateral guarantee.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(8) Property, plant and equipment

1. Changes in the cost and depreciation of the Company's property, property, plant and equipment are as follows:

	<u>Building</u>	<u>Machinery equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Cost:					
Balance of January 1, 2018	\$ 171,656	841,623	160,660	99,410	1,273,349
Additions	555,585	110,552	105,836	70,892	842,865
Disposition	(1,828)	(426,093)	(27,557)	-	(455,478)
Reclassification	-	97,031	4,812	(101,843)	-
Transfer expenses	-	-	-	(306)	(306)
Balance of December 31, 2018	<u>\$ 725,413</u>	<u>623,113</u>	<u>243,751</u>	<u>68,153</u>	<u>1,660,430</u>
Balance of January 1, 2017	\$ 182,470	799,340	131,455	31,114	1,144,379
Additions	171	63,549	12,528	94,414	170,662
Disposition	(10,985)	(27,866)	(2,841)	-	(41,692)
Reclassification	-	6,600	19,518	(26,118)	-
Balance of December 31, 2017	<u>\$ 171,656</u>	<u>841,623</u>	<u>160,660</u>	<u>99,410</u>	<u>1,273,349</u>
Depreciation:					
Balance of January 1, 2018	\$ 122,298	671,718	67,549	-	861,565
Current depreciation	46,720	66,178	37,076	-	149,974
Disposition	(1,829)	(423,232)	(20,341)	-	(445,402)
Balance of December 31, 2018	<u>\$ 167,189</u>	<u>314,664</u>	<u>84,284</u>	<u>-</u>	<u>566,137</u>
Balance of January 1, 2017	\$ 123,146	646,006	40,230	-	809,382
Current depreciation	10,137	53,578	30,160	-	93,875
Disposition	(10,985)	(27,866)	(2,841)	-	(41,692)
Balance of December 31, 2017	<u>\$ 122,298</u>	<u>671,718</u>	<u>67,549</u>	<u>-</u>	<u>861,565</u>
Carrying amount:					
December 31, 2018	<u>\$ 558,224</u>	<u>308,449</u>	<u>159,467</u>	<u>68,153</u>	<u>1,094,293</u>
January 1, 2017	<u>\$ 59,324</u>	<u>153,334</u>	<u>91,225</u>	<u>31,114</u>	<u>334,997</u>
December 31, 2017	<u>\$ 49,358</u>	<u>169,905</u>	<u>93,111</u>	<u>99,410</u>	<u>411,784</u>

2. Guarantees

For statement of guarantee for long-term borrowings and financing quota, please refer to Note 8.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(9) Intangible assets

The intangible assets of the Company are trademark rights and patent rights. The relevant acquisition costs and amortization are detailed as follows:

	<u>2018</u>	<u>2017</u>
Cost:		
Balance as of January 1 (i.e. balance at December 31)	\$ 1,631,850	1,631,850
amortization		
Balance as of January 1	(317,931)	-
Current amortization	<u>(317,931)</u>	<u>(317,931)</u>
Balance as of December 31	<u>(635,862)</u>	<u>(317,931)</u>
Carrying amount:		
Balance as of January 1	<u>\$ 1,313,919</u>	<u>1,631,850</u>
Balance as of December 31	<u>\$ 995,988</u>	<u>1,313,919</u>

None of the above intangible assets has been provided as collateral guarantee.

(10) Short-term borrowings

	<u>2018.12.31</u>	<u>2017.12.31</u>
Unsecured bank loans	<u>\$ 5,042,000</u>	<u>10,121,350</u>
Unused loan amount	<u>\$ 10,997,146</u>	<u>4,068,909</u>
Loan interest rate collars at end of period	<u>0.76%-0.89%</u>	<u>0.83%-1.06%</u>

(11) Long-term loan

Details, terms and conditions of the Company's long-term loan are as follows:

<u>2018.12.31</u>				
	<u>Currency</u>	<u>Interest rates collars</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured Bank Loan	NTD	1.28%	2033.02	<u>\$ 430,000</u>
<u>2017.12.31</u>				
	<u>Currency</u>	<u>Interest rates collars</u>	<u>Year of maturity</u>	<u>Amount</u>
Unsecured bank loans	NTD	1.1028%-1.254%	2020.5-2021.11	\$ 3,076,333
Secured Bank Loan	NTD	1.325%	2021.11	1,200,000
Less: the part due within one year				<u>(613,333)</u>
Total				<u>\$ 3,663,000</u>

Please refer to Note 8 for the Company's assets pledged as collateral for bank loans.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(12) Operating lease

The rent payment of the irrevocable operating leases is as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Within 1 year	\$ 9,065	4,781
1-5 years	19,789	5,493
Over 5 years	<u>53,788</u>	<u>-</u>
	<u>\$ 82,642</u>	<u>10,274</u>

The expenses of operating lease in 2018 and 2017 booked in gain or loss of were NT\$ 12,115 thousands and NT\$ 25,251 thousands respectively.

The base of the Company located in the factory building of Science Based Industrial Park was leased from the Science Park Bureau. The original lease period was from October 1, 2011 to December 31, 2037. The rent for the contract should be adjusted according to the adjustment of the land price set by the government. The annual rent is about NT\$ 6,589 thousands.

(13) Employee benefits

1. Defined benefit plan

The present value of the defined benefit obligation of the Company and the fair value of the plan assets are adjusted as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Total present value of obligations	\$ (105,915)	(112,422)
Fair value of plan assets	<u>58,517</u>	<u>58,092</u>
Recognized liabilities for defined benefit obligations	<u>\$ (47,398)</u>	<u>(54,330)</u>

The Company's defined benefit plans are appropriated to the labor pension reserve account at the Bank of Taiwan. The pension payment to each employee under the Labor Standards Act is calculated in accordance with the service points received for the years of service and the average salary six months prior to retirement.

(1) Plan assets composition

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed collectively by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the "Bureau of Labor Funds"). According to the "Rules Governing the Revenue and Expense Safekeeping and Utilization of Labor Pension Fund," the minimum earnings of the fund shall not be less than the earnings calculated at the two-year time deposit interest rate of the local bank.

Up to the reporting date, the balance of the Company's labor retirement reserve account at Bank of Taiwan was NT\$ 58,517 thousands. The Labor Pension Fund asset implementation information includes fund returns rate and fund asset allocation. Please refer to the information published on the website of the Ministry of the Bureau of Labor Funds, Ministry of Labor.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(2) Changes in the present value of the defined benefit obligation

Changes in the present value of the defined benefit obligation of the Company in 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at January 1	\$ 112,422	95,273
Current service costs and interest cost	2,156	2,006
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	5,103	14,580
—Actuarial gains and losses resulting from changes in demographic assumptions	5,668	2,668
—Actuarial gains and losses resulting from changes in financial assumptions	-	1,408
Plan asset payment	<u>(19,434)</u>	<u>(3,513)</u>
Defined benefit obligations at December 31	<u>\$ 105,915</u>	<u>112,422</u>

(3) Changes in the fair value of plan assets

The changes in the fair value of the defined benefit plan assets of the Company in 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 58,092	53,989
Interest revenue	735	1,032
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	1,618	(517)
Contributions made	17,506	7,101
Plan asset payment	<u>(19,434)</u>	<u>(3,513)</u>
Fair value of plan assets at December 31	<u>\$ 58,517</u>	<u>58,092</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(4) The expenses recognized in the gain or loss

The details of the expenses recognized by the Company in 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 891	835
Net interest of net liabilities for defined benefit obligation	<u>530</u>	<u>139</u>
	<u>\$ 1,421</u>	<u>974</u>
Operating cost	\$ 1,035	638
Selling expenses	75	56
Administration expenses	65	49
Research and development expenses	<u>246</u>	<u>231</u>
	<u>\$ 1,421</u>	<u>974</u>

(5) Remeasurement of net liabilities under defined benefit plan recognized as other comprehensive Revenue

The remeasurement of the net defined benefit liabilities cumulatively recognized by the Company as other comprehensive gain or loss as of December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ (61,229)	(42,056)
Recognized during the period	<u>(9,153)</u>	<u>(19,173)</u>
Accumulated amount at December 31	<u>\$ (70,382)</u>	<u>(61,229)</u>

(6) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of the defined benefit obligation at the financial reporting ending date are as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Discount rate	1.125%	1.125%
Future salary increase rate	2.000%	2.000%

The Company estimates that the payment amount for defined benefit plan within one year after the reporting date in 2018 is NT\$ 10,008 thousands.

The weighted average duration of the defined benefit plan is 11.4 years.

(7) Sensitivity analysis

The impact of the changes in the main actuarial assumptions adopted in 2018 and on December 31, 2017 on the present value of the defined benefit obligation is as follows:

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

<u>Actuarial assumptions</u>	<u>The impact to the defined benefit obligations</u>	
	<u>Increased by 0.25%</u>	<u>Decreased by 0.25%</u>
December 31, 2018		
Discount rate	\$ <u>(2,975)</u>	<u>3,096</u>
Future salary increases rate	\$ <u>3,014</u>	<u>(2,912)</u>
December 31, 2017		
Discount rate	\$ <u>(2,910)</u>	<u>3,021</u>
Future salary increases rate	\$ <u>2,937</u>	<u>(2,844)</u>

The above sensitivity analysis is to analyze the impact of one single assumption with other assumptions remaining unchanged. In practice the changes of many assumptions may be correlated. The approach used for sensitivity analysis is consistent with the calculation of net pension liabilities recorded in the balance sheet.

The approach and assumptions used to compile the sensitivity analysis is the same with that of the previous period.

2. Defined Contribution Plan

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the employee's monthly wage is appropriated to the respective labor pension account with the Bureau of Labor Insurance. According to the defined contribution plan, the Company, after appropriating a fixed amount to the Bureau of Labor Insurance, is free from any legal or constructive obligations of making extra payments.

The pension expenses under the proposed retirement pension scheme for the Company in 2018 and 2017 were NT\$ 19,792 thousands and NT\$ 16,587 thousands respectively, which were allocated to the Labour Insurance Bureau.

(14) Income tax

The Presidential Office issued an amendment to the Income tax Act on February 7, 2018. The Income tax rate for the profit-making business has been raised from 17% to 20% since 2018.

1. The details of the income tax expenses of the Company in 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense	\$ 834,772	216,164
Deferred tax expense	<u>1,628,838</u>	<u>535,757</u>
	<u>\$ 2,463,610</u>	<u>751,921</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

2. The breakdown of income tax expenses (interests) recognized by the Company in 2018 and 2017 in other comprehensive gain or loss is as follows:

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	<u>\$ (28,883)</u>	<u>88,347</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u>\$ 107,421</u>	<u>(97,718)</u>

The relationship between the income tax expenses of the Company in 2018 and 2017 and the net profit before tax is adjusted as follows:

	<u>2018</u>	<u>2017</u>
Net Revenue before tax	<u>\$ 16,094,283</u>	<u>6,026,644</u>
The Income tax is calculated in accordance with the domestic Income tax rate where the Company is located.	3,218,857	1,024,529
Income tax rate change	183,901	-
Impact of permanent differences on income tax	(402,633)	(245,875)
Investment tax credits increase	(15,000)	(15,419)
Changes of unrecognized temporary differences	(552,728)	(11,143)
High and low estimates in the previous period and others	30,183	(171)
Taxes levied on undistributed retained earnings	<u>1,030</u>	<u>-</u>
	<u>\$ 2,463,610</u>	<u>751,921</u>

2. Deferred Income tax assets and liabilities

(1) The items not recognized by the Company as deferred income tax assets are as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ (673,788)</u>	<u>(121,060)</u>

The temporary differences related to the investment in subsidiaries on December 31, 2018 and 2017 are due to that the Company controls the time point of the temporary differences reversal and confirms the reversal will not happen in

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

the foreseeable future. Therefore, the temporary differences are not recognized as deferred income tax liabilities.

(2) Recognized deferred Income tax assets and liabilities

	2017.1.1	Recognized in the Revenue	Recognized in other comprehens ive Revenue	2017.12.31	Recognized in the Revenue	Recognized in other comprehensive Revenue	2018.12.31
Deferred Income tax assets:							
Allowance for inventory loss in valuation	\$ 6,680	(1,745)	-	4,935	2,028	-	6,963
Investment accounted for under equity method	395,401	(118,621)	107,592	384,372	16,827	(344,562)	56,637
Unrealized gain from inter-affiliate accounts	16,072	1,636	-	17,708	8,204	-	25,912
Other	17,638	5,306	3,260	26,204	14,027	4,462	44,693
	<u>\$ 435,791</u>	<u>(113,424)</u>	<u>110,852</u>	<u>433,219</u>	<u>41,086</u>	<u>(340,100)</u>	<u>134,205</u>
Deferred Income tax liabilities:							
Investment accounted for under equity method	\$ (526,016)	(445,553)	(101,481)	(1,073,050)	(1,676,137)	261,562	(2,487,625)
Other	(32,130)	23,220	-	(8,910)	6,213	-	(2,697)
	<u>\$ (558,146)</u>	<u>(422,333)</u>	<u>(101,481)</u>	<u>(1,081,960)</u>	<u>(1,669,924)</u>	<u>261,562</u>	<u>(2,490,322)</u>

3. Audited and approved Income tax return filed

The Income tax settlement report of the Company's profit-making business has been approved by the tax authorities to 2016.

(15) Capital and other equity

1. Common stock

On December 31, 2018 and 2017, the total share capital of the Company were both NT\$ 6,000,000 thousand, and the denomination per share was NT\$ 10, both with a total of 600,000 thousand shares (all including employee stock option, special stocks with stock option or corporate with stock option, and the amount of shares that can be subscribed is NT\$ 200,000 thousands). The registration of change for the authorized capital stock is completed. The paid-up share capital were both NT\$ 4,372,500 thousands.

The Company participated in the global depositary receipts for NT\$ 680,000 thousand with cash capital increase and with 68,000 thousand shares issued, of which booked at the Luxembourg Stock Exchange on April 26, 2017. The issuance price per share was US\$ 6.9, the total issuance amount was US\$ 469,200 thousands. Such cash capital increase had already been approved by FSC and the capital increase base date is April 26, 2017 with the payment of all issued shares received. The total issuance amount was US\$ 469,200 thousand, equivalent to NT\$ 14,141,688 thousands after translation per the closing exchange rate of the trading day. The amount, after net of

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

the underwriting fees and related issuance cost of NT\$ 106,264 thousand, the premium of NT\$ 13,355,424 thousand was booked in the “capital reserve” item.

2. Capital surplus

The balances of capital surplus were as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Additional paid-in capital	\$ 24,711,963	24,711,963
Employee stock options	60,727	60,727
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	<u>(82)</u>	<u>115</u>
	<u>\$ 24,772,608</u>	<u>24,772,805</u>

According to the Company Act amended in January 2012, capital reserve is for making up losses first before using the capital reserve realized to distribute cash or new shares to shareholders in proportion to their original shareholding ratio. The capital reserve realized referred above includes the stock premium and bestowed Revenue. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital reserve for capitalization every year may not exceed 10% of the paid-in capital.

The Company on June 19, 2017, through resolution of the shareholders' meeting, distributed cash NT\$ 324,133 thousands (NT\$ 0.7413 per share) out of capital reserve. Relevant information can be found in the public information observatory and other pipelines.

3. Retained earnings

In accordance with the Company's articles of association, if there is earnings in the annual final accounts, they are distributed in the following order:

- (1) Make up losses.
- (2) Set aside ten percent of such profits as a legal reserve. Unless the cumulative legal reserve is equivalent to the Company's total capital stock.
- (3) Appropriate or reverse the special reserve in accordance with the law or regulations or the requirements of the competent authorities;
- (4) If the earnings of the current year deducted by those in Item 1 to 3 above still exist, then for the earnings of the current year and the undistributed retained earnings of the previous years, the board of directors shall make a proposal for earnings distribution and submit it to the shareholders' meeting for resolution.

In order to maintain the company's sustainable development and steady growth of earnings per share, the shareholder's dividend is in principle over 50% of the current year's post-tax earnings deducted by the special reserve in the current year accrued in accordance with the law, and the cash dividend in the distribution shall not be less than 50%.

(1) Legal reserve

According to the Company Act amended in January 2012, the parent company is to appropriate 10% of net Revenue as legal reserve until it is equivalent to the total capital amount. If there is no net loss, the Company may have stock dividends or cash dividends distributed with legal reserve based on the resolution reached in

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

the shareholder's meeting, but limited to the legal reserve amount exceeding 25% of the paid-in capital.

(2) Special reserve

Per 6 April 2012 Order No. Financial-Supervisory-Securities-Corporate-1010012865 of the Financial Supervisory Commission, Executive Yuan, while distributing the distributable earnings, the Company had special reserve appropriated in the same amount from the current earnings after tax and unappropriated earnings of the prior period for the difference between the net amount debited to other shareholder's equity. For the amount debited to other shareholders' equity attributable to prior period accumulation, the special reserve was appropriated from the unappropriated earnings of the prior period and it could not be distributed. The amount debited to the shareholders' equity reversed subsequently can be distributed as earnings. As of December 31, 2018 and 2017, the balance the special reserve were NT\$ 1,133,596 thousands and NT\$ 350,635 thousands.

(3) Distribution of earnings

The shareholders' meeting of the Company resolved on June 25, 2018 and June 19, 2017 the earnings distribution proposal for 2017 and 2016, and the distributed dividends are as follows:

	<u>2017</u>	<u>2016</u>
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$10 and \$1.7587, respectively)	<u>\$ 4,372,500</u>	<u>768,992</u>

The above earnings distribution for 2017 and 2016 are no different from the contents proposed for review at the board of directors of the Company. Relevant information can be obtained from the public information observatory and other pipelines.

On March 19, 2019, the board of directors of the Company reviewed the earnings distribution proposal for 2018. Cash dividend distributed per share was NT\$ 25. The above-mentioned earnings distribution will be subject to the resolution of the shareholders' meeting. The relevant information can be found on the public information observatory after the resolution of relevant meetings of the Company.

4. Treasury shares

In accordance with the provisions of Article 28-2 of the Securities Exchange Act, the amount and number of shares bought back by the Company in 2018 for the transfer of shares of the Company to employees were NT\$ 576,779 thousands and 2,013 thousand shares respectively. On December 31, 2018, the number of shares not transferred was 2,013 thousand.

According to the Securities Exchange Act, the repurchased shares and percentage shall not exceed 10% of the outstanding shares; the total amount of treasury stock shall not exceed the lump sum of the retained earnings, stock premium and capital reserve realized. According to the Securities and Exchange Act, the Company's treasury stock may not be pledged and is not entitled to the rights of shareholders before transfer.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

5. Other equity

	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instruments measured at fair value through other comprehensiv e income	Unrealized gains (losses) on available-for- sale financial assets	Total
January 1, 2018	\$ (2,069,569)	-	112,663	(1,956,906)
Effects of retrospective application of new standards	-	100,409	(112,663)	(12,254)
January 1, 2018 after adjusted	(2,069,569)	100,409	-	(1,969,160)
Exchange differences on translation of foreign operations	740,695	-	-	740,695
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	16,435	-	16,435
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	(149,269)	-	(149,269)
Balance of December 31, 2018	<u>\$ (1,328,874)</u>	<u>(32,425)</u>	-	<u>(1,361,299)</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available for sale financial assets	Total
January 1, 2017	\$ (1,592,477)	-	(1,592,477)
Foreign exchange differences (net of tax)	(477,092)	-	(477,092)
Unrealized losses from available-for-sale investment	-	112,663	112,663
Balance of December 31, 2017	<u>\$ (2,069,569)</u>	<u>112,663</u>	<u>(1,956,906)</u>

(16) Share-based payment

- In June 2010, Sino-American Silicon Products. Inc. resolved by the board of directors to issue for the first time 10,000,000 units of employee stock option certificate for 2010. They were declared effective on November 12, 2010 and issued on August 10, 2011, each unit can subscribe for 1 ordinary share of Sino-American Silicon Products. Inc. with the duration of six years. If the employee has two, three, four and five years of service from the date of grant of the stock option, the cumulative ratio of exercising stock option is 40%, 60%, 80% and 100% respectively.

As of December 31, 2017, for the employee stock option certificates issued by Sino-American Silicon Products. Inc., the duration for employees of the Company has expired due to demergers. The Company recognized the remuneration cost in 2017 as NT\$ 0. The information on the quantity and weighted average exercise price of the Company's remuneration employee stock option certificate in 2017 is disclosed as follows:

	2017	
Employee stock options	Options (thousands)	Weighted-ave rage exercise price (dollars)
Outstanding at beginning of year	2,884	50.20
Granted	33	48.60
Exercised	2,647	48.60
Forfeited	<u>270</u>	48.60
Outstanding at end of year	<u>-</u>	-
Options exercisable at end of year	<u>-</u>	-
Weighted-average fair value per employee stock options (dollars)	<u>\$ 23.36</u>	

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

2. The Company issued in 2018 a cash delivery share-based payment for a period of four years. The assigned employees are entitled to future cash payments when performing the conditions of service. The condition of the plan requires that employees who are entitled to the above share appreciation rights must be in service on each vested date at the Company (February 28, 2019, February 28, 2020, February 28, 2021 and February 28, 2022). On each vested day employee is entitled to a 25% share appreciation right. In addition, the share appreciation rights are determined by the stock price of the Company on each vested day and individual performance.

On December 31, 2018, the stock price of the Company was NT\$ 280.5. In 2018, the Company recognized the remuneration cost as NT\$ 11,290 thousands.

(17) Earnings per share

1. Basic earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	<u>\$ 13,630,673</u>	<u>5,274,723</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>437,183</u>	<u>415,826</u>
Basic earnings per share (dollars)	<u>\$ 31.18</u>	<u>12.68</u>

2. Diluted earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	<u>\$ 13,630,673</u>	<u>5,274,723</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	437,183	415,826
Effect of the employee remuneration issued by stock (in thousands of shares)	<u>1,937</u>	<u>775</u>
	<u>439,120</u>	<u>416,601</u>
Diluted earnings per share (dollars)	<u>\$ 31.04</u>	<u>12.66</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(18) Revenue from contracts with customers

1. Details of revenues

	<u>2018</u>
Primary geographical markets:	
Taiwan	\$ 6,392,425
U.S.A.	2,240,467
Mainland China	2,227,438
Japan	689,059
Other regions	<u>2,191,316</u>
	<u>\$ 13,740,705</u>
Major product categories:	
Semiconductor wafers	\$ 11,633,475
Semiconductor ingot	342,533
Others	<u>1,764,697</u>
	<u>\$ 13,740,705</u>

2. Contract balances

	<u>2018.12.31</u>	<u>2018.1.1</u>
Contract liabilities	<u>\$ 3,388,779</u>	<u>2,948,294</u>

The change in contractual liabilities is mainly due to the advance payment of customers according to the contract, and the revenue will be recognized when the goods are transferred to customers. The opening balance of the contractual liabilities on January 1, 2018 and those in 2018 recognized as revenue was NT\$ 513,378 thousands.

Contractual liabilities is mainly due to the advance payment according to the wafer sales contract, and the revenue will be recognized when the goods are transferred to customers.

(19) Revenue

	<u>2017</u>
Sales of goods	\$ 8,301,362
Labor service provided (Note 7)	293,186
Royalty (Note 7)	<u>685,773</u>
	<u>\$ 9,280,321</u>

(20) Remuneration of employees and directors

In accordance with the articles of association of the Company, if there is profit in the year, the Company shall accrue 3%- 15% of the profit as employee's remuneration, and up to 3% as directors' remuneration. However, the company's accumulated losses shall have been covered by the amount reserved in advance. The Company may have the profit distributable as employees' remuneration in the preceding paragraph distributed in the

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive shares or cash, may be determined by the Board of Directors. The company may, by a resolution adopted by a significantly vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' remuneration in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The Company in 2018 and 2017 accrued employees' remuneration NT\$ 504,801 thousand and NT\$ 291,640 thousand respectively, and the directors' remuneration, NT\$ 50,060 thousand and NT\$ 15,000 thousand respectively, which is based on the amount of the pre-tax net profit of the period deducted by employee and director remuneration, multiplied by the distribution ratio of employee and director remuneration as set out in the Articles of Association of the company. They are booked as operating costs or operating expenses for the period, in which if employees are paid by stocks, the number of shares allotted is calculated by the closing price of the ordinary share the day before the resolution of the board of directors. The amount of remuneration of employees and directors distributed by the above-mentioned board of directors resolution is no different from the estimated amount in the standalone financial statements of 2018 and 2017 of the Company.

(21) Other gains and losses

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses)	\$ 40,711	(173,009)
Unrealized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	71,962	(7,264)
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	55,164	79,115
Other	58,434	61,448
	<u>\$ 226,271</u>	<u>(39,710)</u>

(22) Financial instruments

1. Credit Risk

(1) Credit risk exposure

The carrying amount of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

The Company's material clients are in the silicon wafer industry. The Company assigns a credit line to each customer in accordance with the credit procedures; therefore, the Company's credit risk is mainly affected by the silicon wafer industry. As of December 31, 2018 and 2017, 62% and 66% of the balance of notes and accounts receivable (including related parties) of the Company were composed of ten customers. In the case of credit risk concentration, the Company has regularly assessed the possibility of receivables recovery and accrued appropriate allowance for losses.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(3) Credit risk of receivables

For credit risk exposure information on notes and accounts receivables, please refer to Note 6 (5).

2. Liquidity Risk

The contract maturities of financial liabilities are illustrated in the following table, including estimated interest but excluding the impact of the agreed net amount.

	Carrying Amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years or more
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	\$ 5,042,000	(5,044,991)	(5,044,991)	-	-	-
Notes and accounts payable (including related parties)	13,336,621	(13,336,621)	(13,336,621)	-	-	-
Long-term debt payable	430,000	(475,178)	(2,752)	(2,752)	(5,504)	(464,170)
Derivative financial instruments						
Forward exchange contracts						
Outflows	-	(4,655,900)	(4,655,900)	-	-	-
Inflows	76,475	4,729,400	4,729,400	-	-	-
	<u>\$ 18,885,096</u>	<u>(18,783,290)</u>	<u>(18,310,864)</u>	<u>(2,752)</u>	<u>(5,504)</u>	<u>(464,170)</u>
December 31, 2017						
Non-derivative financial liabilities						
Short-term borrowings	\$ 10,121,350	(10,167,102)	(10,167,102)	-	-	-
Notes and accounts payable (including related parties)	8,986,979	(8,986,979)	(8,986,979)	-	-	-
Long term borrowings (including current portion of long term borrowings payable)	4,276,333	(4,550,592)	(321,113)	(353,470)	(1,272,754)	(2,603,255)
Derivative financial instruments						
Forward exchange contracts						
Outflows	4,822	(794,900)	(794,900)	-	-	-
Inflows	-	792,600	792,600	-	-	-
	<u>\$ 23,389,484</u>	<u>(23,706,973)</u>	<u>(19,477,494)</u>	<u>(353,470)</u>	<u>(1,272,754)</u>	<u>(2,603,255)</u>

The Company does not expect the cash flow analysis on the maturity date to occur significantly ahead of the schedule or the actual amount will be significantly different.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

3. Currency risk

(1) Risk of Currency exposure

The Company's financial assets and liabilities exposed to significant foreign currency risk are as follows:

	2018.12.31		
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 211,942	30.715	6,508,799
JPY	839,682	0.2782	233,600
<u>Long-term investments accounted for under equity method</u>			
USD	879,494	30.715	27,013,672
JPY	48,734,986	0.2782	13,558,073
DKK	359,066	4.7	1,687,613
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	36,851	30.715	1,131,878
JPY	20,825,307	0.2782	5,793,600
2017.12.31			
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 373,408	29.76	11,112,622
JPY	623,947	0.2642	164,847
<u>Long-term investments accounted for under equity method</u>			
USD	631,656	29.76	18,798,094
JPY	41,045,193	0.2642	10,844,140
DKK	368,426	4.78	1,761,074
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD	25,627	29.76	762,660
JPY	8,175,036	0.2642	2,159,845

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(2) Sensitivity analysis

The Company's Currency risk primarily comes from the cash and cash equivalents, accounts receivable, loan and accounts payable, etc. denominated in foreign currency with the resulting foreign currency exchange gains and losses. In the case on December 31, 2018 and 2017, when the NTD depreciated or appreciated by 1% against USD and JPY, and all other factors remained unchanged, the pre-tax net profit for 2018 and 2017 will increase or decrease by NT\$ 1,831 thousands and NT\$ 83,549 thousands respectively. The analysis of the two periods was performed with the same basis.

(3) Exchange gains or losses for monetary items

The amount of transaction of foreign exchange gain or loss (including realized and unrealized) on the Company's monetary items into the functional currency with exchange rate information as follows:

	2018		2017	
	Foreign exchange gains and losses	The average exchange rate	Foreign exchange gains and losses	The average exchange rate
US Dollar	\$ 172,300	30.149	(238,902)	30.432
Japanese Yen	(135,695)	0.2730	63,274	0.2713
EUR	2,293	35.60	3,176	34.35
RMB	1,810	4.562	(553)	4.507
CHF	3	30.81	(4)	30.89

4. Interest Analysis

The following sensitivity analysis is based on the interest rate risk exposure. The analysis of the floating interest rate liabilities is with the assumption that the amount of liability outstanding on the reporting date was outstanding for the whole year.

If the interest rate increases or decreases by 0.25%, and all other variables remain unchanged, the pre-tax net profit of the Company in 2018 and 2017 will decrease or increase by NT\$ 7,976 thousands and NT\$ 34,876 thousands respectively due to consolidated company's bank deposits and borrowings of the changing interest rate.

5. Fair value of financial instruments

(1) Categories of financial instruments and fair value

Financial assets and liabilities measured at fair value through gain or loss and financial assets measured at fair value through other comprehensive gain or loss are measured at fair value on a repetitive basis. The carrying amount and fair value of various financial assets and financial liabilities (including fair value etc. information. However, if the carrying amount of financial instruments not measured at fair value is rationally similar to the fair value, and investment in equity instruments that are not quoted in the active market and whose fair value cannot be reliably measured, there is no need to disclose fair value information as required) booked as follows:

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

		2018.12.31				
		Fair value				
		Carrying Amount	Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss						
Forward exchange contract	\$	76,475	-	76,475	-	76,475
Stock listed on domestic market		90,000	90,000	-	-	90,000
Privately offered fund		64,697	-	-	64,697	64,697
		<u>\$ 231,172</u>	<u>90,000</u>	<u>76,475</u>	<u>64,697</u>	<u>231,172</u>
Financial assets at fair value through other comprehensive income						
		<u>\$ 51,636</u>	<u>51,636</u>	<u>-</u>	<u>-</u>	<u>51,636</u>
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	3,356,684	-	-	-	-
Notes and accounts receivable (including related party)		3,957,996	-	-	-	-
Other financial assets – Non-current		10,745	-	-	-	-
		<u>\$ 7,325,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost						
Short-term loans	\$	5,042,000	-	-	-	-
Notes and accounts payable (including related party)		13,336,621	-	-	-	-
Long-term debt payable		430,000	-	-	-	-
		<u>\$ 18,808,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

	2017.12.31				
	Carrying Amount	Fair value			
		Level I	Level II	Level III	Total
Financial assets at fair value through profit or loss	\$ <u>95</u>	-	<u>95</u>	-	<u>95</u>
Financial assets at amortized cost— non-current	<u>49,896</u>	-	-	-	-
Loans and receivables					
Cash and cash equivalents	\$ 1,101,936	-	-	-	-
Notes and accounts receivable (including related parties)	2,578,720	-	-	-	-
Other receivables	7,916,160	-	-	-	-
Other financial assets – Non-current	<u>95,603</u>	-	-	-	-
	<u>\$ 11,692,419</u>	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ <u>4,917</u>	-	<u>4,917</u>	-	<u>4,917</u>
Financial liabilities at amortized cost					
Short-term borrowings	\$ 10,121,350	-	-	-	-
Notes and accounts payable (including related parties)	8,986,979	-	-	-	-
Long-term loans (including long-term loan due in one year)	<u>4,276,333</u>	-	-	-	-
	<u>\$ 23,384,662</u>	-	-	-	-

(2) Valuation technique of fair value of financial instruments measured at fair value

A. Non-derivatives financial instruments

If the financial instrument has quoted prices available in the active market, the quote in the active market shall be used as fair value. Significant exchanges are basis of fair value for equity instruments booked in the Exchange (Taipei Exchange).

If public quoted prices can be timely obtained from the exchanges, brokers, underwriters, industry associations, price making service agencies or the competent authority, and the prices can represent actual and frequent transactions in the market, the financial instruments are consider to have public quoted prices in the active market. If the above condition is not met, the market is consider inactive. Generally speaking, if there is great difference between the sales price and purchase price, or there is significant increase in such difference or the transaction are not frequent, there is indication that the market is not active.

In addition to the above-mentioned financial instruments with active

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

markets, the fair value of the remaining financial instruments is obtained by means of evaluation technologies or reference to counterparty quotes. The fair value obtained through the evaluation technology can be based on the current fair value of other financial instruments with similar characteristics and characteristics, the discounted cash flow method or other evaluation technology, including the calculation with model and the market information available on the reporting date.

B. Derivative financial instruments

It is based on evaluation models accepted by most market users, such as discounting methods and option pricing models. Forward foreign exchange contracts are usually evaluated based on the current forward exchange rate.

(3) Reconciliation of Level 3 fair value

If the fair value of the Company in 2018 measured as Level 3, the changes are as follows:

	Financial assets measured at fair value through other comprehensive income (financial assets measured at cost)	Financial assets measured at fair value through profit or loss
January 1, 2018	\$ 49,896	-
New payment for shares	15,282	-
Reclassification	(65,178)	65,178
Recognized in profit or loss	-	(481)
December 31, 2018	<u>\$ -</u>	<u>64,697</u>

(4) Financial instrument of the Company whose fair value measurement classified as Level 3 is based on the third-party pricing information as its fair value. Since the unobservable input value of the fair value is not established when the Company measures the fair value, so it is not intended to reveal quantitative information and sensitivity analysis of significant unobservable input value.

(23) Financial risk management

1. Outline

The financial instrument that the Company is using is exposed to the following risks:

- (1) Credit Risk
- (2) Liquidity Risk
- (3) Market Risk

The Company's risk exposure information and the objectives, policies and procedures of the Company's risk measurement and management are disclosed in this note. Please refer to the notes to the standalone financial statements for the quantitative disclosure in detail.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

2. Structure of risk management

The Board has sole responsibility for and oversight of the Company's risk management framework and risk management policies and procedures. Internal auditors assist the Board of Directors to monitor and to carry out the regular and extraordinary review of risk management controls and procedures, and to report the results of the review to the Board.

The Company's risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risk and the compliance with risk limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Company's operations. Also, develop a disciplined and constructive environmental control through training, management standards, and operating procedures in order to help all employees understand their roles and obligations.

Supervising and management personnel of the audit committee of the Company monitor the compliance of the Company's risk management policies and procedures, as well as review the adequacy of the parent company's related risk management framework for the risk faced. The internal auditor assists the audit committee the Company to play the role of auditors. Internal auditors carry out the regular and extraordinary review of risk management controls and procedures, and report the results of the review to the audit committee.

3. Credit Risk

The primary potential credit risk of the Company mainly comes from the financial instruments of cash and accounts receivable. The Company's cash is deposited in different financial institutions. The Company controls the credit risk exposure of each financial institution, and believes that the Company's cash is free of any notable significant concentration of credit risk.

4. Liquidity Risk

The Company's capital and working capital is sufficient enough to fulfill all contractual obligations; therefore, there is no liquidity risk arising from the inability of raising funds for fulfilling contractual obligations.

5. Market Risk

Market risk refers to the changes in market prices, such as exchange rates, interest rates and equity instrument price changes, causing risks to the Company's Revenue or the value of the financial instruments. The purpose of market risk management is to contain market risk exposure within the tolerable range and with the return on investment optimized.

(1) Currency risk

The Company is exposed to Currency risk that is arising from the sales, purchases and loans transactions denominated in non-functional currency. The functional currencies of the group enterprises are mainly NTD, as well as USD, EUR and JPY. The main currencies of the transactions are NTD, USD, EUR and JPY.

Loan interest is denominated in the currency of the loan principal. In general, a loan is in the same currency as the cash flow generated from an operating activity, which is mainly in NT Dollars.

For other monetary assets and liabilities denominated in foreign currencies, for any short-term imbalance occurring, the Company is to maintain the net risk exposure at an acceptable level by buying or selling foreign currency at the spot

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

exchange rate.

(2) Interest rate risk

The Company holds assets and liabilities with floating interest rates, resulting in a cash flow interest rate risk exposure.

6. Other price risks

If there is a change in the price of the equity securities on the reporting day (the two phases of the analysis are based on the same basis and the other variables are assumed to be unchanged), the impact on the consolidated profit and loss item is as follows:

Securities price on the reporting date	2018		2017	
	Other comprehensive income (after-tax)	After-tax profit or loss	Other comprehensive income (after-tax)	After tax profit or loss
Increase 5%	\$ 2,582	4,500	2,495	-
Decrease 5%	(2,582)	(4,500)	(2,495)	-

(24) Capital Management

The policy of the Board of Director is to maintain sound capital base in order to uphold the confidence of investor, creditor, and market, and to support future operations and development. Capital includes the share capital, capital reserve, retained earnings and non-controlling interests of the Company. The Board of Directors controls the return on capital and the common stock dividend level.

Debt capital ratio on the reporting date is as follows:

	2018.12.31	2017.12.31
Total liabilities	\$ 26,606,585	28,218,416
Less: cash and cash equivalents	(3,356,684)	(1,101,936)
Net debt	<u>\$ 23,249,901</u>	<u>27,116,480</u>
Total equity	<u>\$ 43,139,455</u>	<u>34,045,928</u>
Debt-to-equity ratio	<u>53.89%</u>	<u>79.65%</u>

The decrease in the debt-to-capital ratio as on December 31, 2018 was due to maturity and early repayment of long-term and short-term borrowings from banks

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(25) Financing activities

The adjustment of liabilities from financing activities is as follows:

	Short-term borrowings	Long-term borrowings	Payable to related parties	Total liabilities from financing activities
Balance of January 1, 2018	\$ 10,121,350	4,276,333	6,492,600	20,890,283
Cash from borrowing	46,105,586	430,000	3,380,400	49,915,986
Repayment of borrowings	<u>(51,184,936)</u>	<u>(4,276,333)</u>	-	<u>(55,461,269)</u>
Balance of December 31, 2018	<u>\$ 5,042,000</u>	<u>430,000</u>	<u>9,873,000</u>	<u>15,345,000</u>

7. Related party transactions

(1) Parent company and the ultimate controlling party

Sino-American Silicon Products Inc. is the parent company of the Company and the ultimate controlling party of the group which the Company belongs to. As of December 31, 2018, it held 51.17% of the Company's outstanding common stocks. Sino-American Silicon Products Inc. has prepared the consolidated financial statements for public use.

(2) Names and relationship with related parties

The parties involved in the transaction of the consolidated company during the period of the standalone financial statements are as follows:

Names of related parties	Relationship with the Company
Sino-American Silicon Products Inc. (hereinafter referred to as SAS)	The parent company of the Company
Sunrise PV World Co.	Subsidiary of the parent company SAS
Actron Technology Corporation	Chairman of the parent company, SAS is also the Chairman of the Company
Crystalwise Technology Incorporation	Affiliated enterprise of the parent company SAS
GlobalSemiconductor Inc. (hereinafter referred to as "GSI")	Subsidiaries directly held by the Company
GWafers Singapore Pte. Ltd. (hereinafter referred to as GWafers Singapore)	Subsidiaries directly held by the Company
Topsil GlobalWafers A/S (hereinafter referred to as Topsil A/S)	Subsidiaries directly held by the Company
Taisil Electronic Materials Corp. (hereinafter referred to as Taisil)	Subsidiaries directly held by the Company
Kunshan Sino Silicon Technology Co., Ltd. (hereinafter referred to as "Kunshan Sino")	Subsidiary indirectly owned by the Company
GlobiTech Incorporated (hereinafter referred to as GTI)	Subsidiary indirectly owned by the Company

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

<u>Names of related parties</u>	<u>Relationship with the Company</u>
GlobalWafers Japan Co., Ltd.(referred as GWI)	Subsidiaries directly held by the Company
Shanghai GrowFast Semiconductor Technology Co., Ltd. (hereinafter referred to as Shanghai GrowFast)	Subsidiary indirectly owned by the Company
Topsil Semiconductor sp z o.o. (hereinafter referred to as Topsil PL)	Subsidiary indirectly owned by the Company
GlobalWafers Singapore Pte. Ltd. (hereinafter referred to as GWS)	Subsidiary indirectly owned by the Company
GlobalWafers B.V. (hereinafter referred to as GWBV)	Subsidiary indirectly owned by the Company
MEMC Japan Ltd. (hereinafter referred to as MEMC Japan)	Subsidiary indirectly owned by the Company
MEMC Electronic Materials, SpA (hereinafter referred to as MEMC SpA)	Subsidiary indirectly owned by the Company
MEMC Electronic Materials France SarL (hereinafter referred to as MEMC SarL)	Subsidiary indirectly owned by the Company
MEMC Electronic Materials GmbH (hereinafter referred to as MEMC GmbH)	Subsidiary indirectly owned by the Company
MEMC Holding B.V. (hereinafter referred to as MEMC BV)	Subsidiary indirectly owned by the Company
MEMC Korea Company (hereinafter referred to as MEMC Korea)	Subsidiary indirectly owned by the Company
MEMC LLC (hereinafter referred to as MEMC LLC)	Subsidiary indirectly owned by the Company
MEMC Electronic Materials, Sdn Bhd (hereinafter referred to as MEMC Sdn Bhd)	Subsidiary indirectly owned by the Company
SunEdison Semiconductor Technology (Shanghai) Ltd. (hereinafter referred to as SunEdison Shanghai)	Subsidiary indirectly owned by the Company
MEMC Ipoh Sdn Bhd (hereinafter referred to as MEMC Ipoh)	Subsidiary indirectly owned by the Company

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

(3) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 79,977	172,701
Post-employment benefits	707	540
Share-based payment	<u>14,732</u>	<u>-</u>
	<u>\$ 95,416</u>	<u>173,241</u>

In 2018 and 2017, the Company provided 2 vehicles with the cost of NT\$ 2,240 thousands and 2 vehicles with the cost of NT\$ 1,500 thousands respectively for key management personnel to use.

(4) Significant transactions with related parties

1. Sales

The Company's material sales amount to the related party are as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 9,071	13,129
Other related parties	<u>244,481</u>	<u>267,973</u>
	<u>\$ 253,552</u>	<u>281,102</u>

The Company offers selling price to the related party in accordance with the general market price and has the price adjusted with the considerations of sales area, sales volume, etc.

The agreed payment period of the Company in 2018 and 2017 to the general customer is O/A 0-120 days; to main related parties, O/A 30 days to O/A 135 days.

2. Purchase and outsourced processing

The amount of purchase and outsourced processing from the related party by the Company is as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 669,431	176,922
Subsidiary - GWJ	6,564,463	5,986,763
Subsidiary - Kunshan Sino	2,661,905	2,015,251
Subsidiary - GTI	1,944,060	1,345,536
Subsidiary - Others	<u>1,028,611</u>	<u>371,807</u>
	<u>\$ 12,868,470</u>	<u>9,896,279</u>

The Company has used the general market price to purchase goods and outsource processing from the related party.

The Company's payment conditions to general supplier in 2018 and 2017 are from O/A 0 days to O/A 120 days EOM; to related parties, from O/A 30 days EOM to O/A 90 days, and O/A 30 days EOM.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

3. Receivables from related parties

The Company's receivables from related parties are as follows:

<u>Account</u>	<u>Classification of related party</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Receivables from related parties	Parent company	\$ 711	565
Receivables from related parties	Other related parties	<u>64,949</u>	<u>71,578</u>
		<u>\$ 65,660</u>	<u>72,143</u>

4. Payables to related parties

The Company's payables to related parties are as follows:

<u>Account</u>	<u>Classification of related party</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Payable to related parties	Parent company	\$ 161,758	47,771
Payable to related parties	Subsidiary - GWJ	1,714,488	1,497,896
Payable to related parties	Subsidiary - Others	<u>1,072,748</u>	<u>744,741</u>
		<u>\$ 2,948,994</u>	<u>2,290,408</u>

5. Loan of funds

The actual disbursement of loan to the related parties is as follows:

2018					
<u>Related party</u>	<u>Maximum balance</u>	<u>Actual disbursement balance</u>	<u>Ending balance</u>	<u>Interest rates collars</u>	<u>Interest Revenue</u>
Subsidiary	<u>\$ 2,500,000</u>	<u>-</u>	<u>-</u>	1.5%	<u>-</u>
2017					
<u>Related party</u>	<u>Maximum balance</u>	<u>Actual disbursement balance</u>	<u>Ending balance</u>	<u>Interest rates collars</u>	<u>Interest Revenue</u>
Subsidiary	<u>\$ 4,110,525</u>	<u>-</u>	<u>2,500,000</u>	<u>1.5-2.5%</u>	<u>2,879</u>

As of December 31, 2018 and 2017, the amount due to loan of funds and interest income has been fully recovered.

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

6. Financing

The actual disbursement amount of financing to related parties of the Company in 2018 and 2017 is as follows:

<u>Related party</u>	2018		
	<u>Ending balance</u>	<u>Interest rates collars</u>	<u>Interest expenditure</u>
Subsidiary	<u>\$ 9,873,000</u>	0.47%-1.5%	<u>88,930</u>

<u>Related party</u>	2017		
	<u>Ending balance</u>	<u>Interest rates collars</u>	<u>Interest expenditure</u>
Subsidiary	<u>\$ 6,492,600</u>	0.46%-1.5%	<u>24,566</u>

As of December 31, 2018 and 2017, the unpaid interest was NT\$ 20,133 thousands and NT\$ 20,145 thousands respectively.

7. Endorsements/guarantees

In 2018 and 2017, the highest amount of endorsements/guarantees for related parties to obtain bank financing is as follows:

<u>Classification of related party</u>	Unit: NT\$ Thousand			
	2018		2017	
Subsidiary	NTD	200,000	NTD	200,000
Subsidiary	JPY	1,000,000	JPY	1,000,000
Subsidiary	USD	160,000	USD	360,000
Subsidiary	DKK	25,000	DKK	25,000

As of December 31, 2018 and 2017, the balance of endorsements/ guarantees is listed as follows:

<u>Classification of related party</u>	Unit: NT\$ Thousand			
	2018.12.31		2017.12.31	
Subsidiary	NTD	-	NTD	200,000
Subsidiary	JPY	-	JPY	1,000,000
Subsidiary	USD	60,000	USD	160,000
Subsidiary	DKK	25,000	DKK	25,000

8. Payment on behalf of others

On December 31, 2018 and 2017, the Company's unsettled accounts receivable (payable) to related parties due to payments paid on behalf of others among related parties for materials purchase, insurance, water and electricity fee, and labor service assistance etc. were booked in accounts receivable to related parties (NT\$ 1,011 thousands) and accounts payable to related parties (NT\$ 2,599 thousands).

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

9. Transactions of property, plant and equipment

(1) The Company's acquisition payment of property, plant and equipment from the related parties is listed as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 627,309	759
Subsidiary	14,995	4,367
Other related parties	-	17,385
	<u>\$ 642,304</u>	<u>22,511</u>

As of December 31, 2018 and 2017, the unpaid amount of the Company for the above-mentioned payment was NT\$ 205 thousands and NT\$ 0 thousands respectively.

(2) The Company's sales of property, plant and equipment to the related parties is listed as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 50	-
Subsidiary	11,772	-
	<u>\$ 11,822</u>	<u>-</u>

As of December 31, 2018 and 2017, the above transaction payments have been fully collected. In addition, the sales of property, plant and equipment in 2018 generated disposition gain of NT\$ 131 thousands and deferred credit of NT\$ 1,616 thousands.

10. Others

(1) If the Company directly sells to the related parties, as the inventory is transferred, the sales revenue and related costs are written off when the financial statements are expressed. They are not regarded as the sales and cost of the Company. And the above sales transaction amount for 2018 and 2017 is as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Subsidiary	<u>\$ 10,140,550</u>	<u>5,344,879</u>

The labor service revenue generated by the Company's purchase of raw materials on behalf of subsidiaries in 2018 and 2017 was NT\$ 777,249 thousands and NT\$ 259,586 thousands respectively.

In addition, the Company agreed with its subsidiaries to receive commission revenue. The total commission revenue generated in 2018 and 2017 was NT\$ 42,918 thousands and NT\$ 33,600 thousands respectively, listed in the labor serve revenue.

The balance of accounts receivable generated from the above transactions were as follows:

<u>Account</u>	<u>Classification of related party</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Receivables from related parties	Subsidiary	<u>\$ 1,778,759</u>	<u>865,236</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

- (2) The Company collects royalty from related parties, and the related royalty revenue and receivables from related parties are as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Subsidiary	<u>\$ 936,274</u>	<u>685,773</u>

<u>Account</u>	<u>Classification of related party</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Receivables from related parties	Subsidiary	<u>\$ 154,120</u>	<u>86,544</u>

- (3) The Company provides related parties with other services, including service revenue, machine use, human resources and plant rental, etc. The related other revenue and receivables from related parties are as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 56,321	1,956
Subsidiary	21,181	10,278
Other related parties	910	1,350
	<u>\$ 78,412</u>	<u>13,584</u>

<u>Account</u>	<u>Classification of related party</u>	<u>2018.12.31</u>	<u>2017.12.31</u>
Receivables from related parties	Parent company	\$ 4,707	275
Receivables from related parties	Subsidiary	6,770	1,129
Receivables from related parties	Other related parties	442	650
		<u>\$ 11,919</u>	<u>2,054</u>

- (4) The related parties provide the Company with other services, including management fee, technical service fee, machine use, legal work engagement fee, commission expenditure and plant rental, etc. The related other expenses and payables to related parties are as follows:

<u>Classification of related party</u>	<u>2018</u>	<u>2017</u>
Parent company	\$ 29,445	31,557
Subsidiary	48,889	27,390
	<u>\$ 78,334</u>	<u>58,947</u>

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

Account	Classification of related party	2018.12.31	2017.12.31
Payable to related parties	Parent company	\$ 5,464	6,082
Payable to related parties	Subsidiary	5,884	5,434
		\$ 11,348	13,016

8. Pledged Assets

The book value of the assets mortgaged/pledged by the Company as collateral is as follows:

Asset name	Pledge or mortgage underlying subject	2018.12.31	2017.12.31
Property, plant and equipment	Long-term borrowings and financing quota	\$ 508,886	97,497
Time deposits (recorded as "other financial assets – non-current)	Provide guarantee for the bank to open a land and plant lease in the Science Based Industrial Park	9,067	5,037
Time deposits (recorded as "other financial assets – non-current)	Bank loan reserve account margin	-	78,600
Time deposits (recorded as "other financial assets – non-current)	Performance bonds for Government grant provided to technology projects	-	10,300
		\$ 517,953	191,434

9. Significant commitments and contingencies

(1) Significant unrecognized contractual commitments

- The amount that the Company has not yet purchased in accordance with the current valid contract is as follows:

(Expressed in thousands of foreign currency)

	2018.12.31	2017.12.31
USD	\$ 14,083	43,060
EUR	\$ 7,623	13,522

- The Company has long-term sales contracts with certain customers and collects the advance sales receipts. The customer is required to fulfill the minimum order quantity or the quantity provided by the Company.

(2) Contingent liabilities: None.

10. Losses due to major disaster: None

11. Subsequent Events: None

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

12. Others

The functions of employee benefits, depreciation and amortization expenses are summarized as follows:

By Nature	2018			2017		
	Classified as operating cost	Classification of operating expenses	Total	Classified as operating cost	Classification of operating expenses	Total
Employee benefits expense						
Salaries	514,676	466,922	981,598	480,589	311,471	792,060
Labor and health insurance	24,638	14,906	39,544	25,403	11,000	36,403
Pension expenses	12,449	8,764	21,213	11,079	6,482	17,561
Other employee benefits expense	19,980	7,592	27,572	16,678	5,519	22,197
Directors' remuneration	-	52,310	52,310	-	17,390	17,390
Depreciation expense	87,381	62,593	149,974	51,854	42,021	93,875
Amortization expenses	317,931	-	317,931	317,931	-	317,931

The number of employees of the Company on December 31, 2018 and 2017 were 657 and 592 respectively, of which 5 and 6 respectively were directors (not acting as employees).

13. Other disclosures

(1) Information on significant transactions

In 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the relevant information on significant transactions that should be disclosed again is as follows:

- Loans to other parties: Please refer to Table 1 for details.
- Guarantees and endorsements for other parties: Please refer to Table 2 for details.
- Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3 for details.
- Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4 for details.
- Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 5 for details.
- Related party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 6 for details.
- Receivables from related parties reaching NT\$100 million or 20% of paid-in capital: Please refer to Table 7 for details.
- Trading in derivative instruments: Note 6 (2).

(2) Information on investees: Please refer to Table 8 for details.

(3) Information on investment in Mainland China:

- Relevant information on the name and principal business activities of any investee

Notes to the standalone financial statements of GlobalWafers Co., Ltd. (Continued)

company in the Mainland Area: Please refer to Table 9 (1) for details.

2. Limit on the amount of investment in the Mainland Area: Please refer to Table 9 (2) for details.
3. Information on significant transactions with the investee companies in the Mainland Area:

The Company's significant transactions directly or indirectly with the investee companies in the Mainland Area in 2018 (which were written off at the time of preparation of the consolidated statements), please refer to the description of "Information on Significant Transactions" and "Business Relationships between Parent Company and Subsidiaries and Significant Transactions".

14. Segment information

Please refer to the consolidated financial statements of 2018.

GlobalWafers Co., Ltd. and Subsidiaries

Loans to other parties

For the year ended December 31, 2018

Table 1

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	Taisil	Intercompany Loan	Yes	2,500,000	-	-	1.5%	2	-	Operating capital	-	-	-	17,255,782	17,255,782
1	GWJ	The Company	Intercompany Loan	Yes	4,173,000	4,173,000	4,173,000	0.47091%~0.53091%	1	6,564,463	Business between two parties	-	-	-	6,564,463	5,430,209
1	GWJ	MEMC Japan	Intercompany Loan	Yes	278,200	278,200	-	0.56091%	2	-	Operating capital	-	-	-	2,715,105	5,430,209
2	MEMC SpA	GWS	Intercompany Loan	Yes	2,826,720	2,745,600	2,145,431	3.559%	2	-	Operating capital	-	-	-	11,348,657	11,348,657
3	Taisil	The Company	Intercompany Loan	Yes	5,700,000	5,700,000	5,700,000	1.5%	2	-	Operating capital	-	-	-	6,434,620	6,434,620
4	GTI	Topsil A/S	Intercompany Loan	Yes	87,585	-	-	6%	2	-	Operating capital	-	-	-	3,492,437	3,492,437
4	GTI	MEMC LLC	Intercompany Loan	Yes	671,485	-	-	3.62%	2	-	Operating capital	-	-	-	3,492,437	3,492,437

Note 1: The method of filling in financing purposes:

(1) Represents entities with business transaction with the Group.

(2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 2: For entities who have business transactions with the Company, the amount of endorsements offered to a single company and to an Investee whose voting shares, directly or indirectly, owned by the Company shall not exceed 40 percent of the lender's net worth.

Note 3: The total amount available for financing purposes shall not exceed 40 percent of the lender's net worth. Investee whose voting shares, directly or indirectly, owned by the Company shall not exceed double of the Company's net worth.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2018

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3, 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Topsil A/S	2	43,139,455	120,250	117,500	17,625	-	0.27%	129,418,365	Y	N	N
0	The Company	GWJ	2	43,139,455	275,400	-	-	-	- %	129,418,365	Y	N	N
0	The Company	MEMC LLC	2	43,139,455	464,325	-	-	-	- %	129,418,365	Y	N	N
0	The Company	MEMC Korea	2	43,139,455	773,875	-	-	-	- %	129,418,365	Y	N	N
0	The Company	GWS	2	43,139,455	1,857,300	1,842,900	614,300	-	4.27%	129,418,365	Y	N	N
0	The Company	Taisil	2	43,139,455	200,000	-	-	-	- %	129,418,365	Y	N	N
0	The Company	Taisil	2	43,139,455	1,857,300	-	-	-	- %	129,418,365	Y	N	N
1	GTI	MEMC LLC	2	43,655,460	462,450	460,725	98,013	-	5.28%	43,655,460	N	N	N

Note 1: The character of guarantees and endorsements are coded as follows:

(1) The issuers are coded "0".

(2) The investee are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

(1) Ordinary business relationship.

(2) Subsidiary which owned more than 50 percent by the guarantor.

(3) An investee owned more than 50 percent in total by both the guarantor and its subsidiary.

(4) An investee owned more than 90 percent by the guarantor or its subsidiary.

(5) Fulfillment of contractual obligations by providing mutual endorsements and guarantor for peer or joint builders in order to undertake a construction project.

(6) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

(7) The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for per-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of external endorsements and/or guarantees shall worth no more than triple of the Company' s net worth.

Note 4: The total amount of external endorsements and/or guarantees for any single company shall not exceed 10 percent of the Company' s net worth. However, for subsidiaries shall not exceed 100 percent of the Company' s net worth.

Note 5: Taisil made a guarantee payment for its import VAT amounting to \$5,000 thousand.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2018

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Highest Percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	CDIB Capital Growth Partners L.P.	None	Financial assets at fair value through profit or loss	-	64,697	3.85%	64,697	3.85%	
The Company	Taiwan Styrene Monomer Corporation	None	Financial assets at fair value through profit or loss	4,000	90,000	0.76%	90,000	0.76%	
The Company	The stock of Phoenix Silicon International Corporation	None	Financial asset at FVTOCI	1,324	51,636	1.00%	51,636	1.00%	

GlobalWafers Co., Ltd. and Subsidiaries

Acquisition of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2018

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Property, plant and equipment	January, 2018 and May, 2018	625,136	The amount had been fully paid	SAS	Parent Company	-	-	-	-	Fair value	For operating purpose	None

GlobalWafers Co., Ltd. and Subsidiaries
Disposal of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock
For the year ended December 31, 2018

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
MEMC Ipoh	Factory	February, 2018	February, 2008	158,283	309,009	The amount had been received	150,726	Kamaya Electric(M) Sdn. Bhd.	None	Production purpose	Fair value	None

GlobalWafers Co., Ltd. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2018

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	SAS	Parent Company	Purchase	669,431	4%	Net 55 days from the end of the month upon issuance of invoice	-	-	(161,758)	(5)%	
The Company	GTI	Indirectly subsidiaries	Purchase	1,944,060	12%	Net 60 days from the end of the month upon issuance of invoice	-	-	(313,206)	(9)%	
The Company	SST	Indirectly subsidiaries	Purchase	2,661,905	16%	Net 60 days from the end of the month upon issuance of invoice	-	-	(547,518)	(16)%	
The Company	GWJ	Directly subsidiaries	Purchase	6,564,463	40%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(1,714,488)	(51)%	
The Company	Topsil A/S	Directly subsidiaries	Purchase	528,318	3%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(45,031)	(1)%	
The Company	GWS	Indirectly subsidiaries	Purchase	372,841	2%	Net 60 days from the end of the month upon issuance of invoice	-	-	(70,979)	(2)%	
The Company	Taisil	Directly subsidiaries	Purchase	125,611	1%	Net 60 days from the end of the month upon issuance of invoice	-	-	(46,433)	(1)%	
Taisil	The Company	Directly subsidiaries	Purchase	451,866	3%	Net 45 to 60 days from the end of the month upon issuance of invoice	-	-	(72,564)	(2)%	
GWS	The Company	Indirectly subsidiaries	Purchase	1,456,325	11%	Net 60 days from the end of the month upon issuance of invoice	-	-	(215,973)	(6)%	
MEMC Korea	The Company	Indirectly subsidiaries	Purchase	825,874	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(315,552)	(8)%	
MEMC SpA	The Company	Indirectly subsidiaries	Purchase	644,521	5%	Net 60 days from the end of the month upon issuance of invoice	-	-	(184,188)	(5)%	
GTI	The Company	Directly subsidiaries	Purchase	3,539,263	26%	Net 45 days from the end of the month upon issuance of invoice	-	-	(325,569)	(9)%	
SST	The Company	Indirectly subsidiaries	Purchase	1,197,780	9%	Net 30 to 135 days from the end of the month upon issuance of invoice	-	-	(101,895)	(3)%	
GWJ	The Company	Directly subsidiaries	Purchase	1,610,451	12%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(457,509)	(12)%	
Sunshine PV Corp	The Company	Same chairman with the parent Company	Purchase	244,481	2%	Net 85 days from the end of the month upon issuance of invoice	-	-	(64,950)	(2)%	
Topsil A/S	The Company	Indirectly subsidiaries	Purchase	348,946	3%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(88,894)	(2)%	

(Continued)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
GWS	MEMC LLC	Indirectly subsidiaries	Sale	(754,906)	(3)%	Net 60 days from the end of the month upon issuance of invoice	-	-	110,273	3%	
GWS	MEMC LLC	Indirectly subsidiaries	Purchase	840,682	4%	Net 60 days from the end of the month upon issuance of invoice	-	-	(187,532)	(5)%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Purchase	1,894,541	10%	Net 60 days from the end of the month upon issuance of invoice	-	-	(309,612)	(9)%	
GWS	MEMC Sdn Bhd	Indirectly Subsidiaries	Sale	(789,994)	(3)%	Net 60 days from the end of the month upon issuance of invoice	-	-	120,333	3%	
GWS	MEMC SpA	Indirectly subsidiaries	Purchase	3,344,615	18%	Net 60 days from the end of the month upon issuance of invoice	-	-	(861,178)	(25)%	
GWS	MEMC SpA	Indirectly subsidiaries	Sale	(3,211,255)	(14)%	Net 60 days from the end of the month upon issuance of invoice	-	-	578,286	16%	
GWS	MEMC Korea	Indirectly subsidiaries	Purchase	1,924,133	10%	Net 60 days from the end of the month upon issuance of invoice	-	-	(309,702)	(9)%	
GWS	MEMC Korea	Indirectly subsidiaries	Sale	(148,090)	(1)%	Net 60 days from the end of the month upon issuance of invoice	-	-	3,940	0%	
GWS	MEMC Japan	Indirectly subsidiaries	Purchase	4,093,919	22%	Net 60 days from the end of the month upon issuance of invoice	-	-	(728,119)	(21)%	
GWS	MEMC Japan	Indirectly subsidiaries	Sale	(1,414,201)	(6)%	Net 60 days from the end of the month upon issuance of invoice	-	-	252,803	7%	
GWS	Taisil	Indirectly subsidiaries	Purchase	5,147,816	28%	Net 60 days from the end of the month upon issuance of invoice	-	-	(861,178)	(25)%	
GWS	Taisil	Indirectly subsidiaries	Sale	(1,381,626)	(6)%	Net 60 days from the end of the month upon issuance of invoice	-	-	228,430	6%	

Note: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries

Receivables from related parties with amounts exceeding the lower than NT\$100 million or 20% of the capital stock

December 31, 2018

Table 7

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	GTI	Indirectly subsidiaries	325,569	10.53	-		325,569	-
The Company	GWJ	Directly subsidiaries	457,509	3.86	-		310,014	-
The Company	Taisil	Directly subsidiaries	101,895	12.79	-		101,895	-
The Company	GWS	Indirectly subsidiaries	215,973	13.49	-		215,973	-
The Company	MEMC Korea	Indirectly subsidiaries	315,552	5.23	-		-	-
The Company	MEMC SpA	Indirectly subsidiaries	184,188	7.00	-		167,207	-
Taisil	The Company	Directly subsidiaries	5,700,000	- (Note 3)	-		-	-
SAS	The Company	Parent Company	161,758	6.40	-		-	-
GTI	The Company	Indirectly subsidiaries	313,206	7.05	-		313,206	-
SST	The Company	Indirectly subsidiaries	547,518	5.52	-		316,460	-
GWJ	The Company	Directly subsidiaries	1,714,488	4.09	-		972,326	-
GWJ	The Company	Directly subsidiaries	4,173,000	- (Note 3)	-		-	-
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	309,612	6.12	-		309,612	-
GWS	MEMC Japan	Indirectly subsidiaries	728,119	5.99	-		726,851	-
GWS	MEMC SpA	Indirectly subsidiaries	578,286	6.83	-		578,286	-
GWS	MEMC LLC	Indirectly subsidiaries	110,273	2.31	-		110,273	-
GWS	Taisil	Indirectly and directly subsidiaries	228,430	12.04	-		228,430	-
MEMC Sdn Bhd	GWS	Indirectly subsidiaries	120,333	6.16	-		120,333	-
MEMC SpA	GWS	Indirectly subsidiaries	2,145,431	- (Note 3)	-		-	-
MEMC SpA	GWS	Indirectly subsidiaries	861,178	5.72	-		722,673	-
MEMC Korea	GWS	Indirectly subsidiaries	309,702	8.74	-		309,702	-
MEMC Japan	GWS	Indirectly subsidiaries	252,803	5.96	-		252,803	-
Taisil	GWS	Indirectly and directly subsidiaries	861,178	7.26	-		-	-
MEMC LLC	GWS	Indirectly subsidiaries	187,532	5.26	-		187,532	-

Note 1: As of February 26, 2019, the amount had been received.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Note 3: Account receivable from related-party of financing.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2018

Table 8

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GW1	Cayman	Investment activities	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00%	5,677,436	100.00%	1,903,803	1,903,803	Subsidiary
The Company	GSI	Cayman	Investment in various businesses and triangular trade centers with subsidiaries in Mainland China	756,809 (USD26,555)	756,809 (USD26,555)	25,000	100.00%	1,376,601	100.00%	341,260	341,260	Subsidiary
The Company	GWafers	Japan	Investment activities	Note 4	5,448,015 (JPY13,827,513)	-	- %	-	100.00%	-	-	Subsidiary Note 1
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00%	13,558,073	100.00%	2,107,707	2,098,458	Subsidiary Note 4
The Company	GWafers Singapore	Singapore	Investment activities	11,966,930	11,966,930	364,000	67.20%	19,959,635	100.00%	7,395,394	5,914,715	Subsidiary
The Company	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers	Note 2	Note 2	1,000	100.00%	1,687,613	100.00%	(40,596)	(50,650)	Subsidiary
The Company	HONG-WANG Investment Co.,Ltd.	Taiwan	Investment activities	200,000	200,000	312	24.39%	178,442	24.39%	59,258	14,439	Affiliated Companies
The Company	Taisil	Taiwan	Manufacturing and trading of silicon wafers	14,504,663	14,502,885	9,999	99.99%	16,071,561	99.99%	1,889,479	1,902,311	Subsidiary
GW1	GTI	Texas	Manufacturing of epitaxial wafers and silicon wafers	-	2,241,668	-	- %	-	100.00%	418,874	-	None 3 and 5
GW1	GWafers Singapore	Singapore	Investment activities	5,411,947	-	177,674	32.80%	5,677,436	32.80%	7,395,394	-	None 3 and 5
GWafers	GWJ	Japan	Manufacturing and trading of silicon wafers	Note 4	5,484,300 (JPY13,142,798)	-	- %	-	100.00%	-	-	None 3 and 5
GWJ	MEMC Japan	Japan	Manufacturing and trading of silicon wafers	373,413 (JPY 100,000)	373,413 (JPY 100,000)	-	100.00%	1,448,078	100.00%	157,805	-	None 3 and 5
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	Note 2	Note2	1	100.00%	(123,976)	100.00%	(70,472)	-	None 3 and 5
GWafers Singapore	GWS	Singapore	Investment, marketing and trading activities	17,846,803 (USD540,649)	12,434,855 (USD362,975)	177,674	100.00%	27,037,489	100.00%	7,362,796	-	None 3 and 5
GWS	GWBV	Netherlands	Investment activities	9,589,374 (USD266,974)	4,177,427 (USD89,300)	0.1	100.00%	29,179,287	100.00%	3,589,426	-	None 3 and 5
GWS	SSTPL	Singapore	Investment activities	-	-	0.001	100.00%	-	100.00%	-	-	None 3 and 5
GWBV	MEMC SpA	Italy	Manufacturing and trading of silicon wafers	6,732,641 (USD201,788)	6,732,641 (USD201,788)	65,000	100.00%	11,348,657	100.00%	1,680,298	-	None 3 and 5
MEMC SpA	MEMC SarL	France	Engaged in the trading of substrates	1,316 (USD40)	1,316 (USD40)	0.5	100.00%	82	100.00%	689	-	None 3 and 5
MEMC SpA	MEMC GmbH	Germany	Engaged in the trading of substrates	4,622 (USD141)	4,622 (USD141)	0.002	100.00%	5,677	100.00%	556	-	None 3 and 5
MEMC SpA	MEMC BV	Netherlands	Investment activities	2,430,141 (USD73,918)	2,430,141 (USD73,918)	0.2	100.00%	3,422,692	100.00%	691,209	-	None 3 and 5
MEMC BV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	2,427,650 (USD73,842)	2,427,650 (USD73,842)	6,880	40.00%	3,415,898	40.00%	1,726,189	-	None 3 and 5

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying value				
GWBV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	3,641,474 (USD110,763)	3,641,474 (USD110,763)	10,320	60.00%	5,123,846	60.00%	1,726,189	-	None 3 and 5
GWBV	MEMC LLC	United states	Research and development, manufacturing and trading of silicon wafers	-	5,289,887 (USD173,839)	-	- %	-	- %	193,960	-	None 3 and 5
GWBV	GTI	United states	Manufacturing of epitaxial wafers and silicon wafers	8,776,143 (USD288,120)	-	0.001	100.00%	8,731,092	100.00%	803,066	-	None 3 and 5
GWBV	MEMC Sdn Bhd	Malaysia	Manufacturing and trading of silicon wafers and sale	898,016 (USD27,315)	898,016 (USD27,315)	1,036	100.00%	919,602	100.00%	99,469	-	None 3 and 5
GWBV	MEMC Ipoh	Malaysia	Manufacturing and trading of silicon wafers and sale	146,624 (USD3,020)	743,440 (USD22,613)	669,374	100.00%	55,797	100.00%	143,384	-	None 3 and 5
GTI	MEMC LLC	United states	Manufacturing and trading of silicon wafers and sale	3,364,196 (USD110,446)	-	1	100.00%	4,092,008	100.00%	193,960	-	None 3 and 5

Note 1: The item is a Limited Company.

Note 2: Topsil A/S and Topsil PL were acquired by the Company, with an investment amount of \$1,964,069 thousand (DKK 407,600 thousand).

Note 3: The investees are indirect subsidiaries for the Company. GWafer Singapore had been restructured for the Company and GWI to hold 67.2 percent and 32.8 percent, respectively, of its shares on July 1, 2018. In addition, GTI was transferred to GWBV; and MEMC LLC was transferred to GTI.

Note 4: GWafers and GWJ merged in January 2018, wherein GWafers as the surviving company, and GWJ as the subsequent name used.

Note 5: The investor disclosed the profits and losses of the investment, which include the profits and losses of the investee; therefore, no disclosure is needed from the Company.

Note 6: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Information on investment in mainland China
For the year ended December 31, 2018

Table 9

(In Thousands of New Taiwan Dollars)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
SST	Processing and trading of ingots and wafers	769,177 (Note 7)	Note 1	713,300 (USD21,729)	-	-	713,300 (USD 21,729)	321,712	100%	100%	321,712	1,313,144	-
SunEdison Shanghai	Trading business	7,527 (RMB 1,500)	Note 2	Note 2	-	-	Note 2	706	100%	100%	706	9,849	-
GF	Sale and marketing	9,756 (RMB 2,000)	Note 3	-	-	-	-	6,946	60%	60%	4,168	20,840	-

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300(USD 21,729)	818,233(USD 25,000) (Note 5)	25,893,667 (Note 6)

Note 1: Investments through GSI registered in mainland China.

Note 2: Investments through GWBV registered in mainland China which is acquired from the acquisition of GWS (SSL).

Note 3: GF was invested by SST in mainland China, without limit on investment, due to not having any investment from Taiwan.

Note 4: The basis for investment income (loss) recognition is from the financial statements audited.

Note 5: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the Historical Foreign Exchange Rate.

Note 6: Pursuant to the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, the total amount of investment shall not exceed 60% of the Company's net worth on December 31, 2018.

Note 7: Retained earnings Transferred to Capital was included.

GlobalWafers Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.8, Industrial East Road 2, Science-Based Industrial
Park, Hsinchu, Taiwan, R.O.C.
Telephone: (03)5772255

The independent 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of GlobalWafers Co., Ltd. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GlobalWafers Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: GlobalWafers Co., Ltd.
Chairman: Doris Hsu
Date: March 19, 2019



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Independent Auditors' Report

To the Board of Directors of GlobalWafers Co., Ltd.:

Opinion

We have audited the consolidated financial statements of GlobalWafers Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, 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 developed by the International Financial Reporting Interpretations Committee (“IFRIC”), and the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect 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 the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits 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. Based on our judgment, the key audit matters that should be disclosed in this audit report are as follows:

1. Revenue recognition

Please refer to note 4(16) “Revenue recognition” for accounting policy and note 6(21) “Revenue from contracts with customers” of the consolidated financial statements for further information.

Description of key audit matter:

The Group's revenues are derived from the sales of semiconductor materials and components. Revenue recognition is also dependent on whether the specified sales terms in each individual contract are met. In consideration of the high volume of sales transactions generated from world-wide operations, revenue recognition is one of the key areas our audit focused on.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding of revenue recognition policies and assessing whether revenue recognition policies are appropriate based on sales terms and revenue recognition criteria; understanding the design and process of implementation of internal controls and testing operating effectiveness; testing selected sales samples and agreeing to customer orders, delivery note and related documentation supporting sales recognition; testing sales cut-off, on a sample basis, for transactions incurred within a certain period before or after the balance sheet date by reviewing related sales terms, inspecting delivery documents, and other related supporting document to evaluate whether the revenue was recorded in proper period.

2. Impairment of goodwill

Please refer to the note 4(12) “Intangible assets” for accounting policy, note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” for impairment assessment, and note 6(9) “Intangible assets” for further details.

Description of key audit matter:

The Group is in a capital intensive industry, with goodwill arising from business combinations. Moreover, the Group operates in an industry in which the operations are easily influenced by various external factors, such as market conditions and governmental policies. Therefore, the assessment of impairment of goodwill is one of the key areas in our audit. The assessment procedures, including identification of cash-generating units, valuation models, selection of key assumptions and calculations of recoverable cash inflows, depend on the management’s subjective judgments, which contained uncertainty in accounting estimations. Consequently, this is one of the key areas in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included: assessing triggering events identified by management for impairment indicators existing in a cash-generating unit, assessing whether the assumptions used for evaluating the recoverable amount are reasonable; evaluating the achievement of prior year financial forecasts; inspecting the calculations of recoverable amounts; assessing the assumptions used for calculating recoverable amounts and cash flow projections; performing the sensitivity analysis based on key factors; assessing whether the accounting policies for goodwill impairment and other relevant information have been appropriately disclosed.

Other Matter

GlobalWafers Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified 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, and SIC endorsed and issued into effect 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 the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' 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 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 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 of the current period 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 Cheng-Chien, Chen and An-Chih, Cheng.

KPMG

Taipei, Taiwan (Republic of China)

March 19, 2019

Notes to Readers

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

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

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(21), (22) and 7)	\$ 59,063,510	100	46,212,601	100
5000	Operating costs (notes 6(6), (16), (23) and 7)	<u>36,764,666</u>	<u>62</u>	<u>34,404,835</u>	<u>74</u>
	Gross profit from operations	<u>22,298,844</u>	<u>38</u>	<u>11,807,766</u>	<u>26</u>
	Operating expenses (notes 6(16), (23) and 7):				
6100	Selling expenses	1,259,718	2	1,067,714	3
6200	Administrative expenses	1,810,251	3	1,881,450	4
6300	Research and development expenses	1,650,559	3	1,445,060	3
6450	Impairment loss determined in accordance with IFRS 9 (notes 6(5))	<u>265</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total operating expenses	<u>4,720,793</u>	<u>8</u>	<u>4,394,224</u>	<u>10</u>
	Net operating income	<u>17,578,051</u>	<u>30</u>	<u>7,413,542</u>	<u>16</u>
	Non-operating income and expenses:				
7010	Interest income	464,012	1	92,150	-
7020	Other gains and losses, net (notes 6(24) and 7)	319,317	-	(232,808)	(1)
7050	Interest expense	<u>(108,013)</u>	<u>-</u>	<u>(398,185)</u>	<u>(1)</u>
		<u>675,316</u>	<u>1</u>	<u>(538,843)</u>	<u>(2)</u>
7900	Income before income tax	18,253,367	31	6,874,699	14
7950	Income tax expense (note 6(17))	<u>4,619,596</u>	<u>8</u>	<u>1,596,492</u>	<u>3</u>
	Net income	<u>13,633,771</u>	<u>23</u>	<u>5,278,207</u>	<u>11</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(16))	(251,429)	-	506,863	1
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	16,435	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(17))	<u>68,152</u>	<u>-</u>	<u>(88,347)</u>	<u>-</u>
		<u>(166,842)</u>	<u>-</u>	<u>418,516</u>	<u>1</u>
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign operations	854,780	1	(610,623)	(1)
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(7))	(149,269)	-	112,663	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(17))	<u>(107,421)</u>	<u>-</u>	<u>97,718</u>	<u>-</u>
		<u>598,090</u>	<u>1</u>	<u>(400,242)</u>	<u>(1)</u>
8300	Other comprehensive income (after tax)	<u>431,248</u>	<u>1</u>	<u>18,274</u>	<u>-</u>
	Total comprehensive income	<u>\$ 14,065,019</u>	<u>24</u>	<u>5,296,481</u>	<u>11</u>
	Net income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	\$ 13,630,673	23	5,274,723	11
	Non-controlling interests	<u>3,098</u>	<u>-</u>	<u>3,484</u>	<u>-</u>
		<u>\$ 13,633,771</u>	<u>23</u>	<u>5,278,207</u>	<u>11</u>
	Total comprehensive income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	\$ 14,055,257	24	5,328,810	11
	Non-controlling interests	<u>9,762</u>	<u>-</u>	<u>(32,329)</u>	<u>-</u>
		<u>\$ 14,065,019</u>	<u>24</u>	<u>5,296,481</u>	<u>11</u>
	Basic earnings per share (NT dollars) (note 6(20))				
	Basic earnings per share	\$ <u>31.18</u>		<u>12.68</u>	
	Diluted earnings per share	\$ <u>31.04</u>		<u>12.66</u>	

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Equity attributable to shareholders of GlobalWafers Co., Ltd.

	Retained earnings						Other equity interest					Non-controlling interests	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instrument measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares			
Balance at January 1, 2017	\$ 3,692,500	11,741,399	719,690	239,802	973,790	1,933,282	(1,592,477)	-	-	(1,592,477)	-	15,774,704	43,798	15,818,502
Net income for the year	-	-	-	-	5,274,723	5,274,723	-	-	-	-	-	5,274,723	3,484	5,278,207
Other comprehensive income for the year	-	-	-	-	418,516	418,516	(477,092)	-	112,663	(364,429)	-	54,087	(35,813)	18,274
Comprehensive income for the year	-	-	-	-	5,693,239	5,693,239	(477,092)	-	112,663	(364,429)	-	5,328,810	(32,329)	5,296,481
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	93,949	-	(93,949)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	110,833	(110,833)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(768,992)	(768,992)	-	-	-	-	-	(768,992)	-	(768,992)
Cash dividends distribution from capital surplus	-	(324,133)	-	-	-	-	-	-	-	-	-	(324,133)	-	(324,133)
Capital increase by cash	680,000	13,355,424	-	-	-	-	-	-	-	-	-	14,035,424	-	14,035,424
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	115	-	-	-	-	-	-	-	-	-	115	(2,991)	(2,876)
Balance at December 31, 2017	4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	-	112,663	(1,956,906)	-	34,045,928	8,478	34,054,406
Effects of retrospective application of new accounting standards	-	-	-	-	-	-	-	100,409	(112,663)	(12,254)	-	(12,254)	-	(12,254)
Balance at January 1, 2018 after adjustments	4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	100,409	-	(1,969,160)	-	34,033,674	8,478	34,042,152
Net income for the year	-	-	-	-	13,630,673	13,630,673	-	-	-	-	-	13,630,673	3,098	13,633,771
Other comprehensive income for the year	-	-	-	-	(183,277)	(183,277)	740,695	(132,834)	-	607,861	-	424,584	6,664	431,248
Comprehensive income for the year	-	-	-	-	13,447,396	13,447,396	740,695	(132,834)	-	607,861	-	14,055,257	9,762	14,065,019
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	527,472	-	(527,472)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	782,961	(782,961)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,372,500)	(4,372,500)	-	-	-	-	-	(4,372,500)	-	(4,372,500)
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	(576,779)	(576,779)	-	(576,779)
Difference between the consideration and the carrying amounts of subsidiaries acquired or disposed	-	(197)	-	-	-	-	-	-	-	-	-	(197)	(1,582)	(1,779)
Balance at December 31, 2018	\$ 4,372,500	24,772,608	1,341,111	1,133,596	13,457,718	15,932,425	(1,328,874)	(32,425)	-	(1,361,299)	(576,779)	43,139,455	16,658	43,156,113

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Income before income tax	\$ 18,253,367	6,874,699
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expenses	4,460,291	4,690,903
Amortization expenses	354,779	349,133
Expected credit losses / Provisions for bad debt expense	265	23,645
Net gains on financial assets or liabilities at fair value through profit or loss	(55,950)	(37,583)
Interest expense	108,013	398,185
Interest income	(464,012)	(92,150)
Dividend income	(1,077)	-
Shares of profit of associates and joint ventures accounted for using equity method	(14,439)	(5,959)
Gains on disposal of property, plant and equipment	(124,083)	(3,498)
Reversal of inventory valuation allowance	(62,627)	(165,861)
Total adjustments	<u>4,201,160</u>	<u>5,156,815</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable (including related parties)	(1,356,799)	(250,840)
Inventories	359,447	125,957
Prepayments for purchase of materials	339,011	163,133
Other current assets	(275,810)	543,632
Other financial assets	(516,113)	9,937
Total changes in operating assets	<u>(1,450,264)</u>	<u>591,819</u>
Contract liabilities	14,839,499	-
Notes and accounts payable (including related parties)	600,953	(856,148)
Provisions	(89,888)	(460,680)
Advance sales receipts	-	6,671,333
Net defined benefit liabilities	37,537	(99,944)
Other operating liabilities	949,627	(455,702)
Total changes in operating liabilities	<u>16,337,728</u>	<u>4,798,859</u>
Total changes in operating assets and liabilities	<u>14,887,464</u>	<u>5,390,678</u>
Total adjustments	<u>19,088,624</u>	<u>10,547,493</u>
Cash inflow generated from operations	37,341,991	17,422,192
Interest received	428,181	88,426
Dividends received	1,077	-
Interest paid	(129,754)	(400,360)
Income taxes paid	(1,462,773)	(833,884)
Net cash flows from operating activities	<u>36,178,722</u>	<u>16,276,374</u>

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Consolidated Statements of Cash Flows(Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(71,470)	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	8,732	-
Acquisition of financial assets at fair value through profit or loss	(98,853)	-
Acquisition of financial assets measured at cost	-	(49,896)
Acquisition of investments accounted for using equity method	-	(200,000)
Cash dividends from investments accounted for using equity method	5,350	-
Acquisition of property, plant and equipment	(6,696,362)	(2,948,413)
Proceeds from disposal of property, plant and equipment	414,284	196,152
Acquisition of intangible assets	-	(2,530)
Decrease in other financial assets	70,154	353,665
Net cash flows used in investing activities	<u>(6,368,165)</u>	<u>(2,651,022)</u>
Cash flows from financing activities:		
Decrease in short-term borrowings	(5,082,365)	(2,366,861)
Increase in long-term borrowings	430,000	2,273,000
Repayments of long-term borrowings	(4,276,333)	(12,854,479)
Increase (decrease) in guarantee deposits received	17,858	(745,817)
Cash dividends paid	(4,372,500)	(1,093,125)
Capital increase by cash	-	14,035,424
Cost of increase in treasury stock	(482,609)	-
Change in non-controlling interests	(1,779)	(2,876)
Net cash flows used in financing activities	<u>(13,767,728)</u>	<u>(754,734)</u>
Effect of exchange rate changes on cash and cash equivalents	377,132	295,765
Net increase in cash and cash equivalents	16,419,961	13,166,383
Cash and cash equivalents at beginning of period	<u>18,794,362</u>	<u>5,627,979</u>
Cash and cash equivalents at end of period	<u><u>\$ 35,214,323</u></u>	<u><u>18,794,362</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of the Consolidated Financial Statements Originally Issued in Chinese)
GlobalWafers Co., Ltd. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

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

1. Company history

GlobalWafers Co., Ltd. (the “Company”) had been a semiconductor operating unit of Sino-American Silicon Products Inc. (“SAS”) and the Company, along with its assets and liabilities, was spun off from SAS on October 1, 2011. The Company was incorporated in October 18, 2011, and authorized by the Hsinchu Science Park Bureau (HSPB). Its registered office is located at No. 8, Industrial East Road 2, Science-Based Industrial Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2018, the consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers, and is also engaged in the technology and management consulting service for related products.

The Company acquired ownership of 100% outstanding shares of SunEdison Semiconductor Limited (“SunEdison”) on December 2, 2016. SunEdison is a semiconductor wafer fabrication and supplier, and has been leading silicon wafer designs since its inception. SunEdison's R&D and manufacturing strongholds spread over United States, Europe and Asia, and also dedicated to develop the next generation High-performance semiconductor wafers. The Group expands its sales network and upgrades its research and development capability through this acquisition.

The Company’s common shares have been listed on Taipei Exchange (“TPEX”) since September 25, 2015, and were delisted from the Emerging Market at the same date.

2. Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 19, 2019.

3. New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group did not retrospectively apply this standard to the comparative reporting period in which IAS 11, IAS 18, and the related interpretations were applied. The Group would recognize the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018, if any.

1) Sales of goods

For the sales of products, revenue was previously recognized when the goods were delivered to the customers’ premises, at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue is recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The group adopted IFRS 15 using the cumulative effect method, wherein no adjustment was made to the opening balance of its retained earnings at January 1, 2018. Therefore, the adoption of IFRS 15 did not have any material impact on its consolidated financial statements in 2018.

(ii) IFRS 9 “Financial Instruments”

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

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements”, which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in operating expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The details of new significant accounting policies, as well as the nature and effect of the changes to the previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(7).

The adoption of IFRS 9 did not have any a significant impact on the Group’s accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVTOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39, please see note 4(7).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity interest as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.

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- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVTOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	18,794,362	Amortized cost	18,794,362
Derivative instruments	Held-for-trading	21,546	Mandatorily at FVTPL	21,546
Equity instruments	Financial assets measured at cost (note 1)	49,896	FVTOCI	37,642
Account and other receivables, net	Loans and receivables	7,869,432	Amortized cost	7,869,432
Other financial assets-current and non-current	Loans and receivables	556,706	Amortized cost	556,706

Note1: These equity securities represent investments that the Group intends to hold for the long term strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. Accordingly, a decrease of \$12,254 thousand in those assets and a decrease of \$12,254 thousand in other equity interest were recognized on January 1, 2018.

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The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of measured at cost (IAS 39)	\$ 49,896	(49,896)	-	-	-	-
Measured at cost reclassified to FVTOCI	-	49,896	(12,254)	37,642	-	(12,254)
Total	<u>\$ 49,896</u>	<u>-</u>	<u>(12,254)</u>	<u>37,642</u>	<u>-</u>	<u>(12,254)</u>

There is no impact on the earnings per share in 2018 and 2017 due to the change.

(iii) Amendments to IAS 7 “Disclosure Initiative”

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

To satisfy the new disclosure requirements, the Group presents a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities at note 6(28).

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases–Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

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IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

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- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its land, factory facilities and warehouses. The Group estimated its right-of-use assets and lease liabilities to increase by \$920,732 thousand on January 1, 2019. No significant impact is expected on the Group's finance leases.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine its taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Group has assessed that the above changes will not have significant impact on its consolidated financial statements.

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

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

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4. Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial instruments measured at fair value through profit or loss are measured at fair value;
- (b) Financial assets at fair value through other comprehensive income are measured at fair value;
- (c) Cash-settled share-based-payment liability is measured at fair value;
- (d) The defined benefit liability (asset) is recognized based on the fair value of the plan assets, less, the present value of the defined benefit obligation.

B. Functional and presentation currency

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

(3) Basis of consolidation

A. Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and the entities controlled by the Company (its subsidiaries). The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

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GlobalWafers Co., Ltd. and subsidiaries
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The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Subsidiaries' financial statements are adjusted to align the accounting policies with those of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
The Company	GlobalSemiconductor Inc. (GSI)	Investment activities	100%	100%	
The Company	GlobalWafers Inc. (GWI)	Investment activities	100%	100%	
The Company	GWafers Japan (GWafers)	Investment activities	- %	100%	note(3)
The Company	GlobalWafers Japan Co., Ltd. (GWJ)	Manufacturing and trading of silicon wafers	100%	- %	note(3)
The Company	GWafers Singapore Pte. Ltd. (GWafers Singapore)	Investment activities	67.2%	100%	note(5)
The Company	Topsil GlobalWafers A/S (Topsil A/S)	Manufacturing and trading of silicon wafers	100%	100%	
The Company	Taisil Electronic Materials Corp. (Taisil)	Manufacturing and trading of silicon wafers	99.99%	99.98%	note(1)
GSI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trading of ingots and wafers	100%	100%	
GWI	GlobiTech Incorporated (GTI)	Manufacturing of epitaxial wafers and silicon wafers	- %	100%	note(5)
GWI	GWafers Singapore	Investment activities	32.8%	- %	note(5)
GWafers	GlobalWafers Japan Co., Ltd. (GWJ)	Manufacturing and trading of silicon wafers	- %	100%	note(3)

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Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
GWJ	MEMC Japan Ltd. (MEMC Japan)	Manufacturing and trading of silicon wafers	100%	100%	note(2)
SST	Shanghai GrowFast Semiconductor Technology Co., Ltd.	Sale and marketing	60%	60%	
Topsil A/S	Topsil Semiconductor sp z o.o. (Topsil PL)	Manufacturing and trading of silicon wafers	100%	100%	
GWafers Singapore	GlobalWafers Singapore Pte. Ltd. (Formerly known as SunEdison Semiconductor Limited, GWS)	Investment, marketing and trading activities	100%	100%	
GWS	GlobalWafers B.V. (Formerly known as SunEdison Semiconductor B.V., GWBV)	Investment activities	100%	100%	
GWS	SunEdison Semiconductor Technology Pte. Ltd. (SSTPL)	Investment activities	-	%	100% note(4)
GWBV	MEMC Electronic Materials, SpA (MEMC SpA)	Manufacturing and trading of silicon wafers	100%	100%	
MEMC SpA	MEMC Electronic Materials France SarL (MEMC SarL)	Trading	100%	100%	
MEMC SpA	MEMC Electronic Materials GmbH (MEMC GmbH)	Trading	100%	100%	
MEMC SpA	MEMC Holding B.V. (MEMC BV)	Investment activities	100%	100%	
GWBV 、 MEMC BV	MEMC Korea Company (MEMC Korea)	Manufacturing and trading of silicon wafers	100%	100%	
GWBV	MEMC LLC (Formerly known as SunEdison Semiconductor LLC, MEMC LLC)	Research and development, manufacturing and trading of silicon wafers	-	%	100% note(5)

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Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
GWBV	MEMC Electronic Materials, Sdn Bhd (MEMC Sdn Bhd)	Research and development, manufacturing and trading of silicon wafers	100%	100%	
GWBV	SunEdison Semiconductor Technology (Shanghai) Ltd. (SunEdison Shanghai)	Trading	100%	100%	
GWBV	GTI	Manufacturing of epitaxial wafers and silicon wafers	100%	-	% note(5)
GTI	MEMC LLC	Research and development and manufacturing and trading of silicon wafers	100%	-	% note(5)
GWBV	SunEdison Semiconductor Holdings B.V. (SSHBV)	Investment activities	-	%	100% note(4)
GWBV	MEMC Ipoh Sdn Bhd (MEMC Ipoh)	Manufacturing and trading of silicon wafers	100%	-	% note(4)
SSHBV	MEMC Ipoh Sdn Bhd (MEMC Ipoh)	Manufacturing and trading of silicon wafers	-	%	100% note(4)

Note: The Group's organizational restructuring was as follows:

- (1) Taisil was transferred from SSBV and SSHBV to the Company in October 2017.
- (2) MEMC Japan was transferred from GWBV to GWJ in October 2017.
- (3) GWafers and GWJ were merged in January 2018, with GWafers as the surviving company, which was then renamed to GWJ.
- (4) SSHBV and SSTPL were liquidated and have not been included in the consolidated financial statements since the completion of the liquidation. MEMC Ipoh was transferred from SSHBV to GWBV.
- (5) GWafers Singapore has been directly owned by the Company and GWI for 67.2% and 32.8%, respectively of the shares since July 1, 2018. In addition, GTI was transferred from GWI to GWBV, and MEMC LLC was transferred from GWBV to GTI.

C. Subsidiaries excluded from the consolidated financial statements: None.

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GlobalWafers Co., Ltd. and subsidiaries
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(4) Foreign currencies

A. Foreign currency transactions

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss except for the differences of available-for-sale financial assets, which are recognized in other comprehensive income.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Taiwan Dollars at the average rate. Foreign currency differences are recognized in other comprehensive income.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency differences are considered parts of investment in foreign operations and are recognized in other comprehensive income.

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- A. It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period; or
- D. The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period; or
- D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(6) Cash and cash equivalents

Cash comprises cash and cash in bank. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified as cash equivalents.

(7) Financial instruments

A. Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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(b) Fair value through other comprehensive income (FVTOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present the subsequent changes in its investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVTOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVTOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income deriving from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVTOCI described as above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVTOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, guarantee deposits paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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Loss allowance for account receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial assets (policy applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets measured at fair value through profit or loss, financial assets at cost and receivables.

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(a) Financial assets measured at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets measured at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade-date accounting.

(b) Financial assets at cost

Investment in equity instruments that do not have quoted market price in an active market and whose fair values cannot be reliably measured, are carried at their cost, less, any impairment loss, and are included in financial assets at cost.

(c) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise notes and accounts receivable. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses. Interest on short-term accounts receivable is not calculated because it does not have significant influence. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Interest income is included in non-operating income and expenses.

(d) Impairment of financial assets

Except for financial assets measured at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes the severe financial difficulties, default or delinquency by debtor (such as interest and payment are delay or unpaid), indications that a debtor or issuer will enter bankruptcy, possibility of restructuring increase and economic conditions that correlate with defaults of issuers and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

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

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Impairment losses and recoveries of accounts receivables are recognized in operating expenses. Impairment loss and recoveries of financial assets excluding accounts receivable are recognized in non-operating income and expenses.

(e) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity—unrealized gains or losses from available-for-sale financial assets" is recognized in profit or loss, and recognized in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized, and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, under non-operating income and expenses.

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

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

C. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

(b) Financial liabilities at fair value through profit or loss

A financial liability in this category is a liability held for trading or measured at fair value through profit or loss.

(c) Other financial liabilities.

Financial liabilities not classified as held for trading or designated as measured at fair value through profit or loss, comprising long-term and short-term borrowings and accounts payable, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method.

Interest expense not capitalized as asset cost is recognized in profit or loss, under non-operating income and expenses.

(d) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, under non-operating income and expenses.

(e) Offsetting of financial assets and liabilities

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

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GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

D. Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and included in other gains and losses. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(8) Inventories

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

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

(9) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. The Group recognizes any changes, proportionately with the shareholding ratio under additional paid in capital, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual controlling power.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

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GlobalWafers Co., Ltd. and subsidiaries
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The Group shall discontinue the use of the equity method from the date when its investment ceases to be an associate or a joint venture. The Group shall measure the retained interest at fair value. The difference between the fair value of retained interest and proceeds from disposal, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group shall account for all the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the associates had directly disposed of the related assets or liabilities. If a gain or loss previously recognized in other comprehensive income would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity shall reclassify the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If an entity's ownership interest in an associate or a joint venture is reduced while the entity continues to apply the equity method, the entity shall reclassify the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest to profit or loss.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under additional paid in capital. If the additional paid in capital resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Group's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(10) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are recognized and measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the equipment if the purchase of the software is necessary for the equipment to be capable of operating.

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

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The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and is charged to profit or loss, under non-operating income and expenses.

B. Subsequent cost

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

C. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful life of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period is recognized in profit or loss.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- (a) Buildings: 2 to 40 years
- (b) Machinery and equipment: 1 to 15 years
- (c) Other equipment and leased assets: 1 to 12 years
- (d) Buildings constitute mainly buildings, mechanical and electrical power equipment, and related engineering, wastewater treatment and sewage system, etc. Each such part is depreciated based on its useful life of 25 to 40 years, 25 years, and 4 to 15 years, respectively.

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

(11) Lessee

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

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GlobalWafers Co., Ltd. and subsidiaries
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Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Group's consolidated statements of balance sheets.

Payments made under an operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease.

Expenditures for obtaining land use rights are recognized as acquisition cost. Based on the shorter of the contract period or the estimated useful life, the cost of land use rights is amortized over 50 or 99 years.

(12) Intangible assets

A. Goodwill

(a) Initial recognition

Goodwill arising from the acquisition of subsidiaries is included in intangible assets.

(b) Subsequent measurement

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

B. Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they are recognized in profit or loss as incurred:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) The intention to complete the intangible asset and use or sell it.
- (c) The ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

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GlobalWafers Co., Ltd. and subsidiaries
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- (f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

C. Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

D. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

E. Amortization

The amortizable amount is the cost of an asset less its residual value.

Except for goodwill, amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives from the date that they are available for use.

- (a) Patents and trademarks: 4 to 6 years
- (b) Development costs: 10 years

The residual value, amortization period, and amortization method of intangible assets are reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a changes in accounting estimates.

(13) Impairment of non-financial assets

The Group measures whether impairment has occurred in non-financial assets (except for inventories and deferred income tax assets) on every reporting date, and when there is an indication of impairment, the Group estimates its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, then the Group will have to determine the recoverable amount of the cash-generating unit (“CGU”) to which the asset has been allocated to.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount; and that reduction is accounted as an impairment loss, which shall be recognized immediately in profit or loss.

Recoverability of goodwill is required to be tested annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

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GlobalWafers Co., Ltd. and subsidiaries
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For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of CGUs, that are expected to benefit from the synergies of the combination. If the carrying amount of the CGUs exceeds the recoverable amount of the unit, impairment loss is recognized. The impairment loss is allocated to reduce the carrying amount of the goodwill of such cash-generating unit first and then to the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

At the end of each reporting period, an assessment is made whether there is any indication that an impairment loss recognized in prior periods for an asset, other than goodwill, may no longer exist or have decreased. If any such indication exists, the recoverable amount of that asset is estimated.

An impairment loss recognized in prior periods for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount as a reversal of a previously recognized impairment loss.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as interest expense.

A. Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land and the related expense are recognized when the land is contaminated. A provision for site restoration of lease land and the related expense are recognized over the term of the lease.

B. Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract or the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(15) Treasury stock

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

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

(16) Revenue recognition

A. Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

Sale of goods

The Group engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

B. Revenue (policy applicable before January 1, 2018)

(a) Sale of goods

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

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GlobalWafers Co., Ltd. and subsidiaries
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The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For international shipments, transfer of risks and rewards occurs upon loading the goods onto the relevant carrier. Generally for such products, the customer has no right of return. For domestic shipments, risks and rewards are normally transferred when goods are delivered and accepted by customers at the client's designated location.

(b) Services

The Group provides services to its customers. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(c) Government grants

Income from government grants for research and development is recognized as revenue under non-operating income and expenses, based on actual costs incurred as a percentage of the expected total costs. Income from government grants for equipment spending is recognized as the deduction of the equipment's carrying amount, which is also allocated on a straight-line basis over the useful life of the equipment as a reduction of depreciation expense.

(17) Employee benefits

A. Defined contribution plans

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

B. Defined benefit plans

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

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

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GlobalWafers Co., Ltd. and subsidiaries
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If the benefit of plan is improved, the pension cost incurred from the portion of the increased benefit relating to the past services by the employees, is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income; wherein the Group recognized them under retained earnings.

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

C. Short-term employee benefits

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

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

(18) Share-based payment

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

(19) Income tax

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. However, deferred taxes are not recognized for the following:

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

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

C. Initial recognition of goodwill.

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

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

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

B. The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

(a) Levied by the same taxing authority; or

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

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

(20) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee remuneration that could be settled in the form of stock.

(21) Operating segment

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

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

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

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

There is no critical judgment made in applying accounting policies.

The accounting policies which involved the estimation and assumption uncertainty that may cause adjustments in the subsequent period are as below:

Impairment of goodwill

The assessment of the impairment of goodwill requires the Group to make subjective judgment to identify cash-generating units, allocate the goodwill to relevant cash-generating units, and estimate the recoverable amounts of the relevant cash-generating units. Please refer to note 6(9) for further description of the assessment of goodwill impairment.

The Group strives to use the observable market inputs in determining the fair value of assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

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

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

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Group recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(25) of the financial instruments.

6. Explanation of significant accounts:

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 11,975	12,228
Demand deposits	9,126,231	9,136,854
Time deposits	26,001,645	9,645,280
Repurchase agreement	<u>74,472</u>	<u>-</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 35,214,323</u>	<u>18,794,362</u>

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Please refer to note 6(25) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(2) Financial assets and liabilities at fair value through profit or loss

	December 31, 2018	December 31, 2017
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 81,798	-
Stocks listed on domestic markets	90,000	-
Privately offered funds	64,697	-
Financial assets designated as at fair value through profit or loss:		
Forward exchange contracts	-	21,546
	\$ 236,495	21,546
Financial liabilities designated as at fair value through profit or loss:		
Forward exchange contract	\$ 119	5,152

The Group uses derivative instruments to hedge certain currency risk arising from the Group's operating activities. The Group held the following derivative instruments not qualified for hedge accounting and accounted them as held-for-trading financial assets and liabilities:

	December 31, 2018			
	Contract amount (in thousands)	Currency	Maturity date	
Forward exchange contracts sold	USD 17,850	USD to EUR	January 24, 2019~ February 26, 2019	
Forward exchange contracts sold	USD 10,197	USD to KRW	January 24, 2019	
Forward exchange contracts purchased	JPY 50,000	JPY to EUR	February 26, 2019	
Forward exchange contracts purchased	EUR 18	EUR to KRW	January 24, 2019	
Forward exchange contracts purchased	JPY 100,412	JPY to KRW	January 24, 2019	
Forward exchange contracts purchased	JPY 17,000,000	JPY to NTD	January 15, 2019~ June 14, 2019	

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	December 31, 2017			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contracts sold	USD	20,700	USD to EUR	January 23, 2018~ February 22, 2018
Forward exchange contracts sold	KRW	74,506,300	KRW to USD	January 24, 2018
Forward exchange contracts sold	NTD	794,900	NTD to JPY	January 26, 2018~ March 28, 2018
Forward exchange contracts purchased	JPY	50,000	JPY to EUR	February 18, 2018

(3) Financial assets at fair value through other comprehensive income

	December 31, 2018
Equity investment in domestic entities	\$ 51,636

The Group designated the equity investments shown above as at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long term strategic purposes.

No strategic investments were disposed of as of December 31, 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

For the year ended December 31, 2018, the dividend income of \$1,077 thousand, related to equity investments at fair value through other comprehensive income held on December 31, 2018, was recognized.

For market risk, please refer to note 6(25).

The financial assets mentioned above were not pledged as collateral.

(4) Financial assets measured at cost – non-current

	December 31, 2017
Equity investment in domestic entities	\$ 49,896

The management of the Group believes that the fair value of the financial assets cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed.

The financial assets measured at cost of the Group were not pledged as collateral.

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(5) Notes and accounts receivable, net

	December 31, 2018	December 31, 2017
Notes receivable	\$ 187,522	145,568
Accounts receivable	8,936,122	7,701,962
Accounts receivable-fair value through other comprehensive income	42,578	-
Less: Allowance for doubtful accounts	(11,198)	(36,149)
Allowance for sales discounts and returns	-	(15,364)
	<u>\$ 9,155,024</u>	<u>7,796,017</u>

The movements in the allowance for doubtful accounts related to notes and accounts receivable were as follows:

	2018	2017
Balance on January 1, 2018 and 2017 per IAS39	\$ 36,149	12,504
Adjustment on initial application of IFRS 9	-	-
Balance on January 1, 2018 per IFRS 9	36,149	-
Impairment losses recognized	265	23,645
Amounts written off	(24,857)	-
Foreign exchange losses	(359)	-
Balance on December 31, 2018 and 2017	<u>\$ 11,198</u>	<u>36,149</u>

The Group applied the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 8,631,396	0%	-
1 to 30 days past due	480,384	0%	-
31 to 60 days past due	46,169	0~15%	3,507
61 to 90 days past due	464	25%	120
91 to 120 days past due	231	50%	115
121 to 150 days past due	408	70%	286
More than 151 days past due	7,170	100%	7,170
	<u>\$ 9,166,222</u>		<u>11,198</u>

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As of December 31, 2017, the Group applied the incurred loss model to estimate the loss allowance provision for notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, as follows:

	December 31, 2017
Overdue 1 to 30 days	\$ 261,484
Overdue 31 to 60 days	2,483
Overdue 61 to 90 days	69
Overdue 121 to 150 days	5
	\$ 264,041

The Group has concluded that they are not impaired based on its assessment of credit risks in the above table on December 31, 2017. The Group has not obtained any collateral for those overdue receivables.

The Group factored its accounts receivable to manage credit risks as of each reporting date as follows:

The Group entered into an agreement with banks to factor certain of its accounts receivable without recourse. According to the agreement, within the factoring line, the Group does not have to ensure the ability of debtors to pay when transferring the rights and obligations.

As of the reporting dates, details of accounts receivable factoring were as follows:

(Unit: Foreign currency/JPY in thousands)

December 31, 2018					
Purchaser	Amounts derecognized	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Mitsubishi UFJ, etc.	\$ 502,978	-	502,978	1.175%~ 1.4758%	None
December 31, 2017					
Purchaser	Amounts derecognized	Factoring Line	Advanced Amount	Range of Interest Rate	Collateral
Mitsubishi UFJ, etc.	\$ 4,269,636	-	4,269,636	1.175%~ 1.475%	None

The factoring agreements above include a factoring line that is intended for revolving use.

The Group's notes and accounts receivable were not pledged as collateral.

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(6) Inventories

	December 31, 2018	December 31, 2017
Finished goods	\$ 1,634,008	1,609,215
Work in progress	2,108,640	2,012,805
Raw materials	<u>3,297,169</u>	<u>3,724,651</u>
	<u>\$ 7,039,817</u>	<u>7,346,671</u>

Components of operating costs were as follows:

	2018	2017
Cost of sales	\$ 36,797,767	34,536,383
Reversal of inventory valuation	(62,627)	(165,861)
Unallocated fixed manufacturing expense	<u>29,526</u>	<u>34,313</u>
	<u>\$ 36,764,666</u>	<u>34,404,835</u>

The Group's inventories were not pledged as collateral.

(7) Investments accounted for using equity method

A summary of the Group's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Associates	<u>\$ 178,442</u>	<u>318,622</u>

A. Associates

The associates of the Group accounted for using the equity method are individually insignificant and the summarized financial information included in the consolidated financial statements of the Group is as follows.

	December 31, 2018	December 31, 2017
The carrying amount of investments in the individually insignificant associates	<u>\$ 178,442</u>	<u>318,622</u>
	2018	2017
Attributable to the Group:		
Net income	\$ 14,439	5,959
Other comprehensive income (loss)	<u>(149,269)</u>	<u>112,663</u>
Total	<u>\$ (134,830)</u>	<u>118,622</u>

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B. Collateral

The Group's investments accounted for using equity method were not pledged as collateral as of December 31, 2018 and 2017.

(8) Property, plant and equipment

A. The movements of cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Cost:						
Balance at January 1, 2018	\$ 2,841,992	14,824,909	45,590,942	2,767,642	1,836,277	67,861,762
Additions	-	555,660	127,017	533,833	5,670,246	6,886,756
Disposals	(49,905)	(29,004)	(1,472,140)	(454,817)	(2,352)	(2,008,218)
Reclassification	-	302,847	3,216,516	50,937	(3,570,300)	-
Transfer and others	-	68,307	452,284	9,734	(725,585)	(195,260)
Effect of changes in exchange rates	<u>103,440</u>	<u>582,110</u>	<u>1,342,359</u>	<u>76,102</u>	<u>1,926</u>	<u>2,105,937</u>
Balance at December 31, 2018	<u>\$ 2,895,527</u>	<u>16,304,829</u>	<u>49,256,978</u>	<u>2,983,431</u>	<u>3,210,212</u>	<u>74,650,977</u>
Balance at January 1, 2017	\$ 3,037,139	15,679,602	45,925,854	2,205,464	1,127,579	67,975,638
Additions	-	1,067	117,632	114,971	2,846,185	3,079,855
Disposals	-	(33,311)	(1,137,105)	(112,281)	(90,209)	(1,372,906)
Reclassification	-	44,684	1,465,457	482,677	(2,126,982)	(134,164)
Effect of changes in exchange rates	<u>(195,147)</u>	<u>(867,133)</u>	<u>(780,896)</u>	<u>76,811</u>	<u>79,704</u>	<u>(1,686,661)</u>
Balance at December 31, 2017	<u>\$ 2,841,992</u>	<u>14,824,909</u>	<u>45,590,942</u>	<u>2,767,642</u>	<u>1,836,277</u>	<u>67,861,762</u>
Depreciation :						
Balance at January 1, 2018	\$ -	6,699,911	31,302,259	1,657,288	-	39,659,458
Depreciation for the year	-	674,984	3,440,624	344,683	-	4,460,291
Disposals	-	(22,547)	(1,422,198)	(431,163)	-	(1,875,908)
Transfer and others	-	(10,356)	(92,305)	(28,754)	-	(131,415)
Effect of changes in exchange rates	<u>-</u>	<u>331,096</u>	<u>1,283,527</u>	<u>36,893</u>	<u>-</u>	<u>1,651,516</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>7,673,088</u>	<u>34,511,907</u>	<u>1,578,947</u>	<u>-</u>	<u>43,763,942</u>
Balance at January 1, 2017	\$ -	6,370,372	29,142,487	1,427,239	-	36,940,098
Depreciation for the year	-	644,948	3,668,044	377,911	-	4,690,903
Disposals	-	(15,199)	(996,159)	(41,397)	-	(1,052,755)
Effect of changes in exchange rates	<u>-</u>	<u>(300,210)</u>	<u>(512,113)</u>	<u>(106,465)</u>	<u>-</u>	<u>(918,788)</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>6,699,911</u>	<u>31,302,259</u>	<u>1,657,288</u>	<u>-</u>	<u>39,659,458</u>

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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Carrying amounts:						
Balance at December 31, 2018	\$ <u>2,895,527</u>	<u>8,631,741</u>	<u>14,745,071</u>	<u>1,404,484</u>	<u>3,210,212</u>	<u>30,887,035</u>
Balance at January 1, 2017	\$ <u>3,037,139</u>	<u>9,309,230</u>	<u>16,783,367</u>	<u>778,225</u>	<u>1,127,579</u>	<u>31,035,540</u>
Balance at December 31, 2017	\$ <u>2,841,992</u>	<u>8,124,998</u>	<u>14,288,683</u>	<u>1,110,354</u>	<u>1,836,277</u>	<u>28,202,304</u>

B. Collateral

Property, plant and equipment was pledged as collateral for long-term borrowings, short-term borrowings and credit lines. Please refer to note 8.

(9) Intangible assets

The cost and amortization of the intangible assets of the Group for the years ended December 31, 2018 ad 2017 were as follows:

	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2018	\$ 2,429,026	1,702,225	164,472	4,295,723
Effect of changes in exchange rates	<u>59,291</u>	<u>2,258</u>	<u>(3,957)</u>	<u>57,592</u>
Balance as of December 31, 2018	\$ <u>2,488,317</u>	<u>1,704,483</u>	<u>160,515</u>	<u>4,353,315</u>
Balance as of January 1, 2017	\$ 2,585,621	1,708,113	153,291	4,447,025
Additions	-	-	2,530	2,530
Effect of changes in exchange rates	<u>(156,595)</u>	<u>(5,888)</u>	<u>8,651</u>	<u>(153,832)</u>
Balance as of December 31, 2017	\$ <u>2,429,026</u>	<u>1,702,225</u>	<u>164,472</u>	<u>4,295,723</u>
Amortization and impairment loss:				
Balance as of January 1, 2018	\$ -	333,694	22,895	356,589
Amortization for the period	-	331,763	16,576	348,339
Effect of changes in exchange rates	<u>-</u>	<u>765</u>	<u>(1,775)</u>	<u>(1,010)</u>
Balance as of December 31, 2018	\$ <u>-</u>	<u>666,222</u>	<u>37,696</u>	<u>703,918</u>
Balance as of January 1, 2017	\$ -	2,286	8,666	10,952
Amortization for the period	-	331,893	11,411	343,304
Effect of changes in exchange rates	<u>-</u>	<u>(485)</u>	<u>2,818</u>	<u>2,333</u>
Balance as of December 31, 2017	\$ <u>-</u>	<u>333,694</u>	<u>22,895</u>	<u>356,589</u>

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	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Total</u>
Carrying amounts:				
Balance as of December 31, 2018	\$ <u>2,488,317</u>	<u>1,038,261</u>	<u>122,819</u>	<u>3,649,397</u>
Balance as of January 1, 2017	\$ <u>2,585,621</u>	<u>1,705,827</u>	<u>144,625</u>	<u>4,436,073</u>
Balance as of December 31, 2017	\$ <u>2,429,026</u>	<u>1,368,531</u>	<u>141,577</u>	<u>3,939,134</u>

As of December 31, 2018 and 2017, the amortization expenses of intangibles recognized under operating expenses in the statements of comprehensive income amounted to \$348,339 thousand, and \$343,304 thousand, respectively.

For the purpose of impairment testing, goodwill was allocated to the semiconductor business. The Group's goodwill has been tested for impairment at least once at the end of each annual reporting period and the recoverable amount is determined based on discounted cash flows.

Based on the result of the Group's assessment, there is no indication of goodwill impairment.

The Group's intangible assets were not pledged as collateral.

(10) Other assets – current and non-current

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Prepayment for materials	\$ 158,800	497,811
Refundable tax and overpaid tax	338,927	318,963
Assets held for sale	-	160,767
Others	<u>415,853</u>	<u>318,996</u>
	<u>\$ 913,580</u>	<u>1,296,537</u>

(11) Short-term borrowings

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured borrowings	\$ <u>5,042,000</u>	<u>10,124,326</u>
Unused credit lines	<u>\$ 17,939,562</u>	<u>11,089,443</u>
	<u>0.76%~</u>	<u>0.83%~</u>
Range of interest rates at year end	<u>0.89%</u>	<u>2.84%</u>

For assets pledged as collateral for borrowings, please refer to note 8.

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(12) Long-term borrowings

The details were as follows:

	December 31, 2018			
	Currency	Rate	Maturity	Amount
Secured bank loans	NTD	1.28%	February 2033	<u>\$ 430,000</u>
	December 31, 2017			
	Currency	Rate	Maturity	Amount
Unsecured bank loans	NTD	1.1028%~1.254%	May 2020~ November 2021	\$ 3,076,333
Secured bank loans	NTD	1.325%	November 2021	1,200,000
Less: current portion				<u>(613,333)</u>
Total				<u>\$ 3,663,000</u>

For assets pledged as collateral for borrowings, please refer to note 8.

(13) Finance lease liabilities

The Group acquired portion of its property, plant and equipment through finance lease. Related finance lease liabilities were recognized as other current liabilities and non-current liabilities as follows:

	December 31, 2018			December 31, 2017		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 9,102	(1,315)	7,787	12,666	(1,735)	10,931
Between one and five years	<u>21,995</u>	<u>(1,390)</u>	<u>20,605</u>	<u>31,455</u>	<u>(2,737)</u>	<u>28,718</u>
	<u>\$ 31,097</u>	<u>(2,705)</u>	<u>28,392</u>	<u>44,121</u>	<u>(4,472)</u>	<u>39,649</u>

(14) Provision

	Site restoration	Onerous contracts	Total
Balance at January 1, 2018	\$ 62,895	86,376	149,271
Provisions used during the year	(6,255)	(89,253)	(95,508)
Provisions made during the year	5,620	-	5,620
Effect of changes in exchange rates	<u>2,391</u>	<u>2,877</u>	<u>5,268</u>
Balance at December 31, 2018	<u>\$ 64,651</u>	<u>-</u>	<u>64,651</u>

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	<u>Site restoration</u>	<u>Onerous contracts</u>	<u>Total</u>
Current	\$ 10,074	-	10,074
Non-current	<u>54,577</u>	-	<u>54,577</u>
Total	<u>\$ 64,651</u>	-	<u>64,651</u>
Balance at January 1, 2017	\$ 142,962	484,639	627,601
Provisions used during the year	(77,701)	(388,380)	(466,081)
Provisions made during the year	5,401	-	5,401
Effect of changes in exchange rates	<u>(7,767)</u>	<u>(9,883)</u>	<u>(17,650)</u>
Balance at December 31, 2017	<u>\$ 62,895</u>	<u>86,376</u>	<u>149,271</u>
Current	\$ 9,984	60,879	70,863
Non-current	<u>52,911</u>	<u>25,497</u>	<u>78,408</u>
Total	<u>\$ 62,895</u>	<u>86,376</u>	<u>149,271</u>

A. Site restoration

Under the lease contract, if the Group does not intend to extend its leasehold, the Group needs to restore the plants. The Group estimates the provision based on the lease terms and in accordance with the Group's published environmental policy and applicable legal requirements. A provision for site restoration is made in respect of environmental cleanup costs.

B. Onerous contracts

The Group entered into several non-cancellable long-term material supply agreements with the suppliers of silicon materials. The Group agrees to purchase the required quantity of raw materials on schedule based on the contractual price during the commitment periods and makes a non-refundable prepayment to the suppliers. The suppliers need to deliver the required quantity of raw materials to the Group according to the contract. Provisions for the onerous contracts were made based on contractual terms and were recognized as cost of sales.

(15) Operating Lease

A. Lessee

Non-cancellable operating lease rentals payable were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	\$ 165,420	154,787
Between one and five years	557,574	390,276
More than five years	<u>441,658</u>	<u>509,934</u>
	<u>\$ 1,164,652</u>	<u>1,054,997</u>

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For the years 2018 and 2017, rental costs from operating leases of \$204,331 thousand and \$286,518 thousand, respectively, were recognized as expenses in profit or loss in respect of the operating leases.

The Group entered into operating lease agreements with Covalent Materials Corporation for the rental of land, buildings, and other equipment in Oguni, Taino and Tokuyama. All the lease agreements covered the period from November 30, 2011 to March 31, 2035. The aggregate future rental payment is \$30,155 thousand each year.

The Group entered into a land lease agreement with the Hsinchu Science Park Administration for the plant located in the Hsinchu Science Park. The land lease agreement has a lease term covering a period from October 1, 2000 to December 31, 2037. According to the lease agreement, rent is subject to adjustment based on the current land value which is announced by the government. The annual rental is approximately \$37,603 thousand.

B. Long-term rental prepayment

In 2018 and 2017, the Group entered into operating lease agreements for land-use-right, with the lease terms of 50 years and 99 years, respectively, and the rental amounts of \$225 thousand and \$448 thousand, respectively, which were recognized in profit or loss, were fully paid in advance. One of the subsidiaries' land-use-right was classified as held-for-sale asset under other current assets along with held-for-sale property, plant and equipment in the fourth quarter of 2017. As of December 31, 2018 and 2017, the unamortized amounts of prepayment were \$7,538 thousand and \$7,918 thousand, respectively, wherein the held-for-sale asset was sold in the first quarter of 2018.

(16) Employee benefits

A. Defined benefit plans

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

	December 31, 2018	December 31, 2017
Total present value of obligations	\$ (8,137,636)	(8,129,147)
Fair value of plan assets	4,964,607	5,245,084
Recognized liabilities for defined benefit obligations	<u>\$ (3,173,029)</u>	<u>(2,884,063)</u>

The plans entitle a retired employee to receive a pension benefit based on years of service prior to retirement.

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(a) Movements in present value of the defined benefit obligations

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

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at January 1	\$ 8,129,147	8,805,750
Current service costs and interest cost	462,600	471,712
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	(11,623)	14,675
—Actuarial gains and losses resulting from changes in demographic assumptions	(173,162)	32,972
—Actuarial gains and losses resulting from changes in financial assumptions	72,204	(181,635)
Employer contributions	-	5,621
Benefits paid	(565,993)	(501,737)
Effect of changes in exchange rates	<u>224,463</u>	<u>(518,211)</u>
Defined benefit obligation at December 31	<u>\$ 8,137,636</u>	<u>8,129,147</u>

(b) Movements in fair value of defined benefit plan assets

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 5,245,084	5,314,880
Interest revenue	144,541	139,945
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	(364,010)	372,872
Contributions made	216,692	253,919
Benefits paid	(408,228)	(470,441)
Effects of changes in exchange rates	<u>130,528</u>	<u>(366,091)</u>
Fair value of plan assets at December 31	<u>\$ 4,964,607</u>	<u>5,245,084</u>

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Composition of plan assets:

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum returns of assets shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The labor pension reserve account balance with the Bank of Taiwan amounted to \$203,213 thousand as of December 31, 2018. For more information of the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

Under the employee defined benefit plans of a Group subsidiary in Korea, plan assets comprised of time deposits bearing annual interest rates ranging from 1.74% to 2.20%.

In Italy, the Group's subsidiary contributes an amount to the National Social Security Pension Fund (INPS) for the employee defined benefit plan.

Under the employee defined benefit plans of the entities located in the United States, plan assets are comprised of trust funds with different grades of risks and returns. Plan asset portfolio consists of a variety of financial instruments including cash, equity securities, and income funds.

(c) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 445,314	456,747
Net interest of net liabilities for defined benefit obligation	<u>(127,255)</u>	<u>(124,980)</u>
	<u>\$ 318,059</u>	<u>331,767</u>
Operating cost	\$ 269,889	274,028
Selling expenses	13,621	37,983
Administration expenses	19,209	11,147
Research and development expenses	<u>15,340</u>	<u>8,609</u>
	<u>\$ 318,059</u>	<u>331,767</u>

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(d) Re-measurement of net defined benefit liability recognized in other comprehensive income

The Group's re-measurement of the net defined benefit liability recognized in other comprehensive income was as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 397,627	(97,521)
Recognized during the period	(251,429)	506,863
Effect of changes in exchange rates	<u>8,489</u>	<u>(11,715)</u>
Accumulated amount at December 31	<u>\$ 154,687</u>	<u>397,627</u>

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	0.26%~4.05%	0.25%~3.73%
Future salary increase rate	1.33%~9.96%	1.37%~6.56%

The estimated amount of contribution to be made by the Group to the defined benefit plans for the one-year period after the reporting date is \$566,588 thousand.

The weighted-average durations of the defined benefit obligation are 9.1 years to 18.73 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2018 and 2017, the impact on the present value of the defined benefit obligation would be as follows:

<u>Actuarial assumptions</u>	<u>Influences to defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2018		
Discount rate	\$ <u>(182,883)</u>	<u>191,790</u>
Future salary increase rate	\$ <u>80,114</u>	<u>(76,135)</u>
December 31, 2017		
Discount rate	\$ <u>(202,194)</u>	<u>213,667</u>
Future salary increase rate	\$ <u>80,629</u>	<u>(74,470)</u>

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Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, assuming other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in previous periods. There was no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

B. Defined contribution plans

The Company contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company's contribution to the Bureau of Labor Insurance requires no additional legal or constructive obligations thereafter.

The total periodic pension costs of other subsidiaries were recognized as current expenses in accordance with the local regulations of their respective jurisdictions where they are domiciled.

The Company's pension costs incurred from contributions to the defined contribution plan were \$56,531 thousand and \$51,859 thousand for the years 2018 and 2017, respectively. Such contributions were made to the Bureau of the Labor Insurance.

The Group recognized the pension costs of \$80,721 thousand and \$76,029 thousand for the years 2018 and 2017, respectively.

(17) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable from the year 2018.

A. Income tax expense

The components of income tax expenses in 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense	\$ 2,632,784	1,055,618
Deferred tax expense	<u>1,986,812</u>	<u>540,874</u>
	<u>\$ 4,619,596</u>	<u>1,596,492</u>

The amounts of income tax (benefit) recognized in other comprehensive income in 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	\$ <u>(68,152)</u>	<u>88,347</u>

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	2018	2017
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	\$ <u>107,421</u>	<u>(97,718)</u>

Reconciliations of income tax and income before income tax for 2018 and 2017 are as follows:

	2018	2017
Income before income tax	\$ <u>18,253,367</u>	<u>6,874,699</u>
Income tax using the Company's domestic tax rate	3,650,673	1,168,699
Effect of tax rates in foreign jurisdiction	306,838	318,749
Shares of profit of foreign subsidiaries accounted for using equity method	2,022,449	574,304
Adjustment in tax rate	158,193	-
Tax effect of permanent differences	(82,459)	(32,874)
Investment tax credits	(198,951)	(76,811)
Changes in unrecognized temporary differences and others	<u>(1,237,147)</u>	<u>(355,575)</u>
	\$ <u>4,619,596</u>	<u>1,596,492</u>

B. Deferred tax assets and liabilities

(a) The deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	\$ <u>528,642</u>	<u>2,264,871</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

	December 31, 2018	December 31, 2017
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>(673,788)</u>	<u>(128,340)</u>

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2018 and 2017. Also, the management considers it is probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences were not recognized as deferred tax liabilities.

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(c) Recognized deferred tax assets and liabilities

	<u>January 1, 2018</u>	<u>Recognized in profit or loss</u>	<u>Recognized in other comprehen -sive income</u>	<u>Effect of changes in exchange rates</u>	<u>December 31, 2018</u>
Assets:					
Allowance for inventory valuation	\$ 136,295	(16,806)	-	(160)	119,329
Defined benefit obligations	332,307	6,762	43,731	12,794	395,594
Loss carryforwards	321,384	(283,975)	-	(9,926)	27,483
Unrealized exchange losses	84,745	27,082	-	1,299	113,126
Equity-method investments	384,372	16,828	(344,562)	-	56,638
Depreciation life differences of property, plant and equipment	265,569	(97,796)	-	(1,278)	166,495
Expected credit loss of accounts receivable	9,987	87,534	-	1,500	99,021
Others	<u>302,468</u>	<u>99,777</u>	<u>-</u>	<u>6,646</u>	<u>408,891</u>
	<u>\$ 1,837,127</u>	<u>(160,594)</u>	<u>(300,831)</u>	<u>10,875</u>	<u>1,386,577</u>
Liabilities:					
Equity method investments	\$ (1,073,050)	(1,676,137)	261,562	-	(2,487,625)
Depreciation life differences of property, plant and equipment	(547,537)	(163,177)	-	(19,102)	(729,816)
Fair value adjustment for the net assets acquired in business combinations	(436,625)	14,842	-	(13,736)	(435,519)
Others	<u>(9,059)</u>	<u>(1,746)</u>	<u>-</u>	<u>(246)</u>	<u>(11,051)</u>
	<u>\$ (2,066,271)</u>	<u>(1,826,218)</u>	<u>261,562</u>	<u>(33,084)</u>	<u>(3,664,011)</u>

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GlobalWafers Co., Ltd. and subsidiaries
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	January 1, 2017	Recognized in profit or loss	Recognized in other comprehen -sive income	Effect of changes in exchange rates	December 31, 2017
Assets:					
Allowance for inventory valuation	\$ 124,590	19,065	-	(7,360)	136,295
Defined benefit obligation	293,086	35,092	3,260	869	332,307
Loss carryforwards	487,277	(191,717)	-	25,824	321,384
Unrealized exchange losses	180,421	(86,757)	-	(8,919)	84,745
Equity method investments	395,401	(118,621)	107,592	-	384,372
Depreciation life differences of property, plant and equipment	93,339	173,671	-	(1,441)	265,569
Allowance for doubtful accounts	8,299	1,316	-	372	9,987
Others	<u>264,771</u>	<u>25,593</u>	<u>-</u>	<u>12,104</u>	<u>302,468</u>
	<u>\$ 1,847,184</u>	<u>(142,358)</u>	<u>110,852</u>	<u>21,449</u>	<u>1,837,127</u>
Liabilities:					
Equity method investments	\$ (526,016)	(445,553)	(101,481)	-	(1,073,050)
Depreciation life differences of property, plant and equipment	(476,819)	(82,794)	-	12,076	(547,537)
Fair value adjustment for the net assets acquired in business combination	(491,461)	17,274	-	37,562	(436,625)
Others	<u>(128,333)</u>	<u>112,557</u>	<u>-</u>	<u>6,717</u>	<u>(9,059)</u>
	<u>\$ (1,622,629)</u>	<u>(398,516)</u>	<u>(101,481)</u>	<u>56,355</u>	<u>(2,066,271)</u>

C. Assessment of tax filings

As of December 31, 2018, income tax returns of the Company for the years through 2016 were assessed by the tax authority.

(18) Capital and other equity

A. Common stock

As of December 31, 2018 and 2017, the authorized shares of common stock of the Company amounted to \$6,000,000 thousand, which was divided into 600,000 thousand shares, with a par value of \$10 per share, of which \$200,000 thousand was reserved for employee stock options, convertible preferred stock, and convertible corporate bonds. The issued and outstanding shares of common stock amounted to \$4,372,500 thousand.

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The Company increased capital in GDRs of \$680,000 thousand, and issued 68,000 thousand shares of common stock on the Luxembourg on April 26, 2017. The price issued per share was US\$6.9. The total issuance amount is US\$469,200 thousand. The cash increase was approved by the Financial Supervisory Commission and the record date of capital increase was on April 26, 2017. All shares issued were paid and registered. The total amount issued was equivalent to \$14,141,688 thousand on the day's closing exchange rates. The total premium amounting to \$13,355,424 thousand was recognized on capital surplus after deducting the related issuance cost of \$106,264 thousand.

B. Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 24,711,963	24,711,963
Employee stock options	60,727	60,727
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	(82)	115
	<u>\$ 24,772,608</u>	<u>24,772,805</u>

According to the R.O.C Company Act revised on January 1, 2012, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus arising from premium on issuance of capital stock and the fair value of donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, to increase common stock by transferring paid-in capital in excess of par value should not exceed 10% of the total common stock outstanding.

Based on resolutions approved by the stockholders during their annual stockholders' meetings at June 19, 2017, the cash dividends of \$324,133 thousand (\$0.7413 per share) was distributed out of capital surplus. Relevant information is available on the Market Observation Post System website.

C. Retained earnings

According to the Company's articles of incorporation, after-tax earnings shall be distributed in the following order:

- (a) Offset the cumulative deficits;
- (b) 10% of the current-period earning should be set aside for legal reserve, until the accumulated legal reserve equals the Company's issued capital;
- (c) Set aside special reserve in accordance with relevant laws or regulations or as requested by the authorities;

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- (d) After deducting items (a), (b), and (c) above from the earnings, the remaining undistributed earnings of current and previous years, if any, will be proposed for distribution by the board of directors and resolved in the stockholders' meeting.

After considering both the long-term development of the business and the goal of stable growth of earnings per share, the distribution of dividends to shareholders should not be less than 50% of the distributable earnings, which is calculated using the net income of the current year, minus, legal reserve and special reserve. Distribution of cash dividends should not be less than 50% of the total dividends.

- (a) Legal reserve

According to the amended ROC Company Act announced in January 2012, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of the total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital stock may be distributed.

- (b) Special reserve

In accordance with Regulatory Permit No. 1010012865 as issued by the FSC on April 6, 2012, a special reserve is appropriated from retained earnings based on the aforementioned requirement. Under such regulation, the Company is also required to set aside an additional special reserve, as part of the distribution of its annual earnings, equal to the difference between the amount of the above mentioned special reserve and the net debit balance of other components of the stockholders' equity. The only distributable special reserve is the portion that exceeds the net debit balance of the other components of the shareholders' equity. The carrying amounts of special reserve were \$1,133,596 thousand and \$350,635 thousand as of December 31, 2018 and 2017, respectively.

- (c) Earnings distribution

The distributions of dividends per share for the years 2017 and 2016 which were approved by the stockholders during their meetings on June 25, 2018 and June 19, 2017, respectively, were as follows:

	2017	2016
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$10 and \$1.7587, respectively)	\$ <u><u>4,372,500</u></u>	<u><u>768,992</u></u>

The above mentioned earnings distribution is consistent with the resolution approved by the board of directors. The information is available on the Market Observation Post System website.

The board of directors proposed the 2018 annual earnings distribution on March 19, 2019 with cash dividends per share of \$25. The above earnings distribution will be resolved by shareholder's meeting.

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After the resolution of the relevant meeting of the Company, the information can be accessed from the Market Observation Post System website.

D. Treasury shares

In 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 2,013 thousand shares at an amount of \$576,779 thousand as treasury shares, in order to transfer the shares to its employees. As of December 31, 2018, a total of 2,013 thousand shares has yet to be transferred.

In accordance with the Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves. In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

E. Other equity

	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instruments measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	Total
January 1, 2018	(2,069,569)	-	112,663	(1,956,906)
Effects of retrospective application of new standards	-	100,409	(112,663)	(12,254)
January 1, 2018 after adjusted	(2,069,569)	100,409	-	(1,969,160)
Foreign exchange differences (net of tax)	740,695	-	-	740,695
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	16,435	-	16,435
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	(149,269)	-	(149,269)
December 31, 2018	<u>\$ (1,328,874)</u>	<u>(32,425)</u>	<u>-</u>	<u>(1,361,299)</u>

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	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available- for-sale financial assets	Total
January 1, 2017	\$ (1,592,477)	-	(1,592,477)
Foreign exchange differences (net of tax)	(477,092)	-	(477,092)
Unrealized losses from available-for-sale investment	-	112,663	112,663
December 31, 2017	<u>\$ (2,069,569)</u>	<u>112,663</u>	<u>(1,956,906)</u>

(19) Share-based payment

- A. In June 2010, the board of directors of Sino-American Silicon Product Inc. (“SAS”) resolved to issue stock options under the 2010 First Employee Stock Option Plan (the “Plan”), with 10,000,000 granted units. Each unit entitles a participant to subscribe for 1 share of SAS common stock. The contractual life is 6 years. The Plan was approved by the SFB (renamed to FSC) on November 12, 2010, and officially implemented on August 10, 2011. Starting from the grant date, according to the vesting schedule, 40%, 60%, 80% and 100% of the options should be vested on each anniversary date after 2 years, 3 years, 4 years and 5 years, respectively.

As of December 31, 2017, the duration of key terms and conditions of SAS outstanding employee stock option plan had expired, wherein no compensation cost was recognized by the Company. As of December 31, 2017, certain details of the Company’s outstanding employee stock option plan were as follows:

Employee stock options	2017	
	Options (thousands)	Weighted- average exercise price (dollars)
Outstanding at beginning of year	2,884	\$ 50.20
Granted	33	48.60
Exercised	2,647	48.60
Forfeited	270	48.60
Outstanding at end of year	-	-
Options exercisable at end of year	-	-
Weighted-average fair value per employee stock options (dollars)	<u>23.36</u>	

- B. The Group signed a cash-settled share-based payment contract with its certain employees. According to the agreement, the vesting period is 4 years, and the employees have to fulfill their required service’ condition, which requires that at each vesting date, (February 28, 2019 to 2022), the employees are still employed by the Group. At each vesting date, the employee have the right to 25% of the awards. Furthermore, the value of cash award is determined by the stock price of the Company at each vesting date and the performance of each employee.

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As of December 31, 2018, the stock price of the Group amounted to \$280.5, and there are 1,000 thousand unvested shares. For the year 2018, the amount of \$70,125 thousand was recognized by the Group as compensation costs.

(20) Earnings per Share (“EPS”)

A. Basic earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	\$ <u>13,630,673</u>	<u>5,274,723</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>437,183</u>	<u>415,826</u>
Basic earnings per share (dollars)	\$ <u>31.18</u>	<u>12.68</u>

B. Diluted earnings per share

	<u>2018</u>	<u>2017</u>
Net income attributable to the shareholders of the Company	\$ <u>13,630,673</u>	<u>5,274,723</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	437,183	415,826
Effect of the employee remuneration issued by stock (in thousands of shares)	<u>1,937</u>	<u>775</u>
	<u>439,120</u>	<u>416,601</u>
Diluted earnings per share (dollars)	\$ <u>31.04</u>	<u>12.66</u>

(21) Revenue from contracts with customers

A. Details of revenues

	<u>2018</u>
Primary geographical markets:	
Taiwan	\$ 13,449,010
Korea	9,647,694
USA	8,340,541
Japan	7,616,281
China	6,002,196
Germany	3,038,700
Other area	<u>10,969,088</u>
	\$ <u>59,063,510</u>

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	2018
Major product categories:	
Semiconductor wafers	\$ 58,447,151
Semiconductor ingot	492,114
Others	124,245
	\$ 59,063,510

B. Contract balances

	December 31, 2018	January 1, 2018
Contract liabilities	\$ 19,107,591	6,736,612

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the year ended December 31, 2018, which was included in the contract liability balance at the beginning of the period, was \$1,364,593 thousand.

The contract liabilities primarily relate to the advance consideration received from customers for the wafers sales contracts, in which revenue is recognized when products are delivered to customers.

(22) Revenue

	2017
Sale of goods	\$ 46,209,069
Rendering of services	3,532
	\$ 46,212,601

For details of revenues in 2018, please refer to note 6(21).

(23) Remuneration to employees and directors

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a rate ranging from 3% to 15% shall be distributed as employee remuneration, and a maximum rate of 3% as directors' remuneration. Employees who are entitled to receive the above mentioned employee remuneration, in the form of shares of stock or cash, include the employees of the subsidiaries of the Company who meet certain specific requirements. The Directors' remuneration will be paid in cash. A resolution for employee remuneration has to be approved first in the board of directors' meeting, wherein at least half of the votes are needed, or two thirds of the members are present during the meeting.

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For the year ended December 31, 2018 and 2017, the Company accrued and recognized its employee remuneration amounting to \$504,801 thousand and \$291,640 thousand, respectively; as well as its remuneration to director amounting to \$50,060 thousand and \$15,000 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees and directors, multiplied by the distribution of ratio of the remuneration to employees and directors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes in accounting estimates the changes shall be accounted for as profit or lost in the following year. If, however, the shareholders determine that the employee remuneration is to be distributed through stock dividends, the calculation, based on the shares, shall be calculated using the stock price on the day before the board of directors. Information relevant to the aforementioned remuneration to employees and directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

(24) Other gains and losses

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses)	\$ 5,484	(424,948)
Unrealized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	55,950	37,583
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	67,566	78,942
Gains on disposal of property, plant and equipment	124,083	3,498
Others	<u>66,234</u>	<u>72,117</u>
	<u>\$ 319,317</u>	<u>(232,808)</u>

(25) Financial instruments

A. Credit risk

(a) Credit risk exposure

The Group's maximum exposure to credit risk is equal to the carrying amount of financial assets.

(b) Concentration of credit risk

The main customers of the Group are from the silicon wafer and related industries. The Group generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Group is mainly influenced by the silicon wafer industry. As of December 31, 2018 and 2017, 46% and 42%, respectively, of the Group's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Group routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

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(c) Credit risk of receivables

For credit risk exposure on notes and accounts receivable, please refer to note 6(5).

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>
December 31, 2018						
Non-derivative financial liabilities						
Short-term borrowings	\$ 5,042,000	(5,044,991)	(5,044,991)	-	-	-
Notes and accounts payable (including related parties)	4,870,445	(4,870,445)	(4,870,445)	-	-	-
Finance lease obligations	28,392	(31,097)	(4,551)	(4,551)	(9,102)	(12,893)
Long-term borrowings (including current portion of long-term borrowings payable)	430,000	(475,178)	(2,752)	(2,752)	(5,504)	(464,170)
Derivative financial instruments						
Forward exchange contracts						
Outflows	-	(5,559,495)	(5,559,495)	-	-	-
Inflows	81,679	5,638,200	5,638,200	-	-	-
	<u>\$ 10,452,516</u>	<u>(10,343,006)</u>	<u>(9,844,034)</u>	<u>(7,303)</u>	<u>(14,606)</u>	<u>(477,063)</u>
December 31, 2017						
Non-derivative financial liabilities						
Short-term borrowings	\$ 10,124,326	(10,170,078)	(10,167,102)	(2,976)	-	-
Notes and accounts payable (including related parties)	4,269,492	(4,269,492)	(4,269,492)	-	-	-
Finance lease obligations	39,649	(44,107)	(7,118)	(5,548)	(9,203)	(22,252)
Long-term borrowings (including current portion of long-term borrowings payable)	4,276,333	(4,550,592)	(321,113)	(353,470)	(1,272,754)	(2,603,255)
Derivative financial instruments						
Forward exchange contracts						
Outflows	-	(3,479,287)	(3,479,287)	-	-	-
Inflows	16,394	3,498,202	3,498,202	-	-	-
	<u>\$ 18,726,194</u>	<u>(19,015,354)</u>	<u>(14,745,910)</u>	<u>(361,994)</u>	<u>(1,281,957)</u>	<u>(2,625,507)</u>

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The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Market risk

(a) Currency risk

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

	December 31, 2018		
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 356,191	30.715	10,940,407
JPY	946,270	0.2782	263,252
EUR	17,064	35.20	600,653
<u>Non-Monetary Items</u>			
USD	24,747	30.715	Note
JPY	17,150,412	0.2782	Note
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	35,022	30.715	1,075,701
JPY	1,027,562	0.2782	285,868
<u>Non-Monetary Items</u>			
USD	3,300	30.715	Note
EUR	18	35.2	Note
	December 31, 2017		
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 515,043	29.76	15,327,680
JPY	341,722	0.2642	90,283
SGD	65,749	21.71	1,427,411
EUR	4,519	35.57	160,741

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	December 31, 2017		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Non-Monetary Items</u>			
USD	20,700	29.76	Note
KRW	74,506,300	0.0281	Note
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	15,107	29.76	449,584
JPY	922,719	0.2642	243,782
<u>Non-Monetary Items</u>			
JPY	50,000	0.2642	Note

Note: The fair value of forward exchange contracts was measured at December 31, 2018 and 2017. For related information, please refer to note 6(2).

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable, that are denominated in foreign currency. A weakening(strengthening) of 1% of the NTD against the USD, JPY and EUR as of December 31, 2018 and 2017, would have increased (decreased) the net income before income tax by \$104,427 thousand and \$163,127 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis was performed on the same basis for comparative years.

(b) Interest rate analysis

The following sensitivity analysis is based on the exposure to interest rates. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.25%, the Group's net income would have increased or decreased by \$9,165 thousand and \$13,129 thousand, for the years ended December 31, 2018 and 2017, respectively, assuming all other variable factors remain constant. The change is mainly due to the Group's bank deposits and borrowings with variable rates.

(c) Foreign exchange gain and loss on monetary items

Since the Group transacts in different functional currencies, the information on foreign exchange gains (losses) on monetary items is disclosed in aggregate amount. For the years ended December 31, 2018 and 2017, the foreign exchange gains (losses) (including realized and unrealized) were \$5,484 thousand and \$(424,948) thousand, respectively.

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D. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of financial assets and liabilities (including the information on fair value hierarchy, but excluding financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value and equity investments with no quoted prices in the active markets whose fair value cannot be reliably measured) were as follows:

	December 31, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Forward exchange contract	\$ 81,798	-	81,798	-	81,798
Stock listed on domestic market	90,000	90,000	-	-	90,000
Privately offered fund	64,697	-	-	64,697	64,697
	<u>\$ 236,495</u>	<u>90,000</u>	<u>81,798</u>	<u>64,697</u>	<u>236,495</u>
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	<u>\$ 51,636</u>	<u>51,636</u>	<u>-</u>	<u>-</u>	<u>51,636</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 35,214,323	-	-	-	-
Notes and accounts receivable (including related parties)	9,226,323	-	-	-	-
Other financial assets – current and non-current	1,038,496	-	-	-	-
	<u>\$ 45,479,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities at fair value through profit or loss					
	<u>\$ 119</u>	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 5,042,000	-	-	-	-
Notes and accounts payable (including related parties)	4,870,445	-	-	-	-
Finance lease liabilities-current and non-current	28,392	-	28,392	-	28,392
Long term borrowings (including current portion of long-term borrowings payable)	430,000	-	-	-	-
	<u>\$ 10,370,837</u>	<u>-</u>	<u>28,392</u>	<u>-</u>	<u>28,392</u>

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	December 31, 2017				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ <u>21,546</u>	-	21,546	-	21,546
Financial assets at amortized cost – non-current	\$ <u>49,896</u>	-	-	-	-
Loans and receivables					
Cash and cash equivalents	\$ 18,794,362	-	-	-	-
Notes and accounts receivable (including related parties)	7,869,432	-	-	-	-
Other financial assets – current and non-current	<u>556,706</u>	-	-	-	-
	<u>\$ 27,220,500</u>	-	-	-	-
Financial liabilities at fair value through profit or loss	\$ <u>5,152</u>	-	5,152	-	5,152
Financial liabilities at amortized cost					
Short-term borrowings	\$ 10,124,326	-	-	-	-
Notes and accounts payable (including related parties)	4,269,492	-	-	-	-
Finance lease liabilities – current and non-current	39,649	-	39,649	-	39,649
Long-term loans borrowings (including current portion of long-term borrowings payable)	<u>4,276,333</u>	-	-	-	-
	<u>\$ 18,709,800</u>	-	39,649	-	39,649

(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

If a financial instrument has an open quote for an active market, it will use the public quoted price of the active market as its fair value.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument. Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
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Measurements of fair value of financial instruments in an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation technique, including a model using observable market data at the reporting date.

ii. Derivative financial instruments

Measurement of the fair value of derivative instruments are based on the valuation techniques generally accepted by market participants, such as discounted cash flow or option pricing models. The fair value of forward currency is usually determined based on the forward currency exchange rate.

(c) Reconciliation of Level 3 fair value

The Group's financial instruments that use reconciliation of Level 3 fair value are deemed as financial assets measured at fair value through other comprehensive income. The movement as follows:

	Financial assets measured at fair value through other comprehensive income (financial assets measured at cost)	Financial assets measured at fair value through profit or loss
January 1, 2018	\$ 49,896	-
Addition/return in capital	15,282	-
Reclassification	(65,178)	65,178
Recognized in profit or loss	-	(481)
December 31, 2018	<u>\$ -</u>	<u>64,697</u>

- (d) The fair value of the Group's financial instruments that use Level 3 inputs to measure fair value was based on the price of the third-party. The Group did not disclose quantified information and sensitivity analysis on significant unobservable inputs because the unobservable inputs used in fair value measurement were not established by the Group.

(26) Financial Risk Management

A. Overview

The Group is exposed to the following risks for holding financial instruments:

- (a) Credit risk

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
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(b) Liquidity risk

(c) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

B. Structure of risk management

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board is responsible for developing and monitoring company's risk management policies. Internal auditors assist the board of directors to monitor and review the risk management control and internal procedures regularly and report them to the board of directors.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

C. Credit risk

The Group's potential credit risk is derived primarily from cash and accounts receivable. The Group maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Group. As a result, the Group believes that there is no concentration of credit risk for cash.

For the year ended December 31, 2018, the Company only provided endorsements for its 100%-owned subsidiaries.

D. Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Group has sufficient capital and working capital to fulfill contract obligations.

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E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollar (NTD), but also include the Chinese Yen (CNY), US Dollar (USD), Euro (EUR) and Japanese Yen (JPY). These transactions are denominated in NTD, USD, EUR and JPY.

Interest is denominated in the currency used in borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily NTD, but also include USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when it is necessary to address short-term imbalances.

(b) Interest rate risk

The Group holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

F. Other price risk

The impact of a changes in equity securities price for the years ended of 2018 and 2017 all other variables remain constant and ignores any impact of forecasted sales and purchases as performed on the same basis for 2017, were as follows:

<u>Securities price on the reporting date</u>	<u>2018</u>		<u>2017</u>	
	<u>Other comprehensive income (after-tax)</u>	<u>After-tax profit or loss</u>	<u>Other comprehensive income (after-tax)</u>	<u>After-tax profit or loss</u>
Increase 5%	\$ 2,582	4,500	2,495	-
Decrease 5%	(2,582)	(4,500)	(2,495)	-

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GlobalWafers Co., Ltd. and subsidiaries
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(27) Capital Management

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, capital surplus, retained earnings and non-controlling interests of the Group. The board of directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 46,666,008	36,177,931
Less: cash and cash equivalents	<u>(35,214,323)</u>	<u>(18,794,362)</u>
Net debt	<u>\$ 11,451,685</u>	<u>17,383,569</u>
Total equity	<u>\$ 43,156,113</u>	<u>34,054,406</u>
Debt-to-equity ratio	<u>26.54 %</u>	<u>51.05 %</u>

Due to a decrease in borrowings and an increase in cash and cash equivalents, the debt-to-equity ratio decreased.

(28) Financing activities

	Short-term borrowings	Long-term borrowings	Guarantee deposits received	Total liabilities from financing activities
Balance at January 1, 2018	\$ 10,124,326	4,276,333	910,098	15,310,757
Cash flow				
Cash from borrowing	46,678,886	430,000	-	47,108,886
Repayment of borrowings	(51,761,251)	(4,276,333)	-	(56,037,584)
Guarantee deposits received	-	-	17,858	17,858
Non-cash changes				
Exchange rate changes	39	-	17,885	17,924
Reclassification to contract liabilities	<u>-</u>	<u>-</u>	<u>(602,980)</u>	<u>(602,980)</u>
Balance at December 31, 2018	<u>\$ 5,042,000</u>	<u>430,000</u>	<u>342,861</u>	<u>5,814,861</u>

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GlobalWafers Co., Ltd. and subsidiaries
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7. Related-party transactions:

- (1) Parent company and ultimate controlling company

Sino-American Silicon Product Inc. (“SAS”) is both the parent company and the ultimate controlling party of the Group. As of December 31, 2018, it owns 51.17 percent of all shares outstanding of the Company and has issued the consolidated financial statements available for public use.

- (2) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Sino-American Silicon Product Inc. (“SAS”)	The parent company
Sunshine PV Corp	Same chairman with the parent company
Crystalwise Technology Inc.	Associate of the parent company
Sunrise PV World Co. (SPW)	The subsidiary of the parent company

- (3) Key management personnel compensation

Key management personnel compensation comprised:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 232,442	182,213
Post-employment benefits	707	540
Share-based payments	<u>14,732</u>	<u>-</u>
	<u>\$ 247,881</u>	<u>182,753</u>

The Group provided two cars costing \$2,240 thousand, and a car costing \$1,500 thousand, for key management use in 2018 and 2017, respectively.

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GlobalWafers Co., Ltd. and subsidiaries
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(4) Significant transactions with related parties

A. Sales

The amounts of significant sales with related parties were as follows:

	For the years ended December 31,	
	2018	2017
Parent company	\$ 19,416	105,684
Other related parties	<u>244,580</u>	<u>267,973</u>
	<u>\$ 263,996</u>	<u>373,657</u>

The sales price for sales to the related parties was determined by market value and adjusted according to the sales area and sales volume.

The credit terms for third parties were 0 to 210 days after month-end both in 2018 and 2017, while those for related parties were 30 to 90 days after month-end both in 2018 and 2017.

B. Purchases and process outsourcing

The amounts of purchases and process outsourcing from related parties were as follows:

	For the years ended December 31,	
	2018	2017
Parent company	\$ 677,097	181,952
Other related parties	<u>163</u>	<u>-</u>
	<u>\$ 677,260</u>	<u>181,952</u>

The prices of purchases and process outsourcing were determined by market rates.

The payment terms to third parties were 0 to 120 days after month-end both in 2018 and 2017, while those to related parties were 30 days after month-end both in 2018, and 2017.

C. Receivables from related parties

The receivables from related parties were as follows:

<u>Items</u>	<u>Categories</u>	December 31, 2018	December 31, 2017
Receivable from related parties	Parent company	\$ 972	783
Receivable from related parties	Other related parties	<u>64,950</u>	<u>71,578</u>
		<u>\$ 65,922</u>	<u>72,361</u>

(Continued)

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D. Payables to related parties

The payables to related parties were as follows:

<u>Items</u>	<u>Categories</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Payable to related parties	Parent company	\$ <u><u>161,758</u></u>	<u><u>47,911</u></u>

E. Payment on behalf of others

The receivables from related parties and payables to related parties generated from material purchases, insurance and utilities payments and manpower support of related parties as of December 31, 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Parent company	\$ 98	129
Parent company	(572)	(2,425)
Other related parties	(74)	-
	\$ <u><u>(548)</u></u>	<u><u>(2,296)</u></u>

F. Transactions of property, plant and equipment

- (a) Purchase amounts of property, plant and equipment from related parties were summarized as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Parent company	\$ 628,158	2,318
Other related parties	5,092	17,445
	\$ <u><u>633,250</u></u>	<u><u>19,763</u></u>

As of December 31, 2018 and 2017, the payables from the above transactions had been fully paid.

- (b) Disposal amounts of property, plant and equipment to related parties was summarized as follows:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Parent company	\$ <u><u>50</u></u>	<u><u>-</u></u>

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As of December 31, 2018 and 2017, the receivable from the above transactions had been fully received.

G. Others

- (a) The Group provides other services for related parties, including service support, machine usage, human resources and plant lease, etc. Details of related other income and receivables from related parties were as follows:

		<u>For the years ended December 31,</u>	
		<u>2018</u>	<u>2017</u>
	Parent company	\$ 52,683	1,956
	Other related parties	<u>422</u>	<u>1,350</u>
		<u>\$ 53,105</u>	<u>3,306</u>

<u>Items</u>	<u>Categories</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Receivable from related parties	Parent company	\$ 5,016	275
Receivable from related parties	Other related parties	<u>263</u>	<u>650</u>
		<u>\$ 5,279</u>	<u>925</u>

- (b) The related parties charged the Group for their services, including administrative assistance, technical service, legal work appointment, and plant lease. Details of related other expenses and payables to related parties were as follows:

		<u>For the years ended December 31,</u>	
		<u>2018</u>	<u>2017</u>
	Parent company	\$ 44,035	45,505
	Other related parties	<u>-</u>	<u>2</u>
		<u>\$ 44,035</u>	<u>45,507</u>

<u>Items</u>	<u>Categories</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Payables to related parties	Parent company	<u>\$ 8,737</u>	<u>10,302</u>

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
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8. Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Time deposits (recognized in other financial assets – current)	Guarantees of acceptances bill	\$ 22,393	24,495
Property, plant and equipment	Borrowings payable	2,923,408	3,005,191
Time deposits (recognized in other financial assets – non-current)	Guarantee for gas consumption from CPC Corporation	6,700	6,700
Time deposits (recognized in other financial assets – non-current))	Guarantee for the land lease contract with the Hsinchu Science Industrial Park Bureau	32,939	35,687
Time deposits (recognized in other financial assets – non-current)	Impound account of borrowings	-	78,600
Refundable deposits (recognized in other financial assets – non-current)	Deposits of material purchase	167,125	158,715
Time deposits (recognized in other financial assets – non-current)	Guarantee payment for import VAT	5,000	5,000
Time deposits (recognized in other financial assets – non-current)	Guarantee for research R&D program of government	-	10,300
Time deposits (recognized in other financial assets – non-current))	Court guarantee	10,748	-
		<u>\$ 3,168,313</u>	<u>3,324,688</u>

9. Significant commitments and contingencies:

(1) Significant unrecognized contractual commitments

A. The purchase amounts for future delivery from suppliers under the existing agreements were as follows:

(Unit: currency in thousands)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
USD	<u>\$ 30,856</u>	<u>43,060</u>
EUR	<u>\$ 8,968</u>	<u>21,046</u>
JPY	<u>\$ 2,145,137</u>	<u>2,075,963</u>

(Continued)

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B. The Group's outstanding standby letters of credit were as follows:

(Unit: currency in thousands)

	December 31, 2018	December 31, 2017
USD	\$ 3,191	\$ 3,353
DKK	\$ 3,750	-

C. As of December 31, 2018 and 2017, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$9,051,153 thousand and \$1,675,992 thousand, respectively.

D. The Group had a long-term sales contract with some customers and received the advance payment. The customer is required to order minimum quantity according to the contract.

(2) Contingent liabilities: None

10. Losses due to major disaster: None

11. Subsequent Events: None

12. Other:

A summary of the employee benefits, depreciation, and amortization expenses, by function is as follows:

By function	For the years ended December 31,					
	2018			2017		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	6,884,428	2,043,993	8,928,421	6,386,627	2,122,706	8,509,333
Labor and health insurance	1,112,581	247,498	1,360,079	982,560	302,618	1,285,178
Pension	362,284	93,027	455,311	359,310	100,345	459,655
Others	581,847	136,883	718,730	482,882	117,285	600,167
Depreciation	4,289,144	171,147	4,460,291	4,460,604	230,299	4,690,903
Amortization	351,353	3,426	354,779	330,796	18,337	349,133

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
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13. Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: Please refer to Table 1.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2.
- (iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): Please refer to Table 3.
- (iv) Individual securities acquired or disposed of with accumulated amounts exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 4.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 5.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock: Please refer to Table 6.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 7.
- (ix) Trading in derivative instruments: Please refer to notes 6(2).
- (x) Business relationships and significant intercompany transactions: Please refer to Table 8.

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 9.

(c) Information on investment in mainland China:

- (i) Information on investment in mainland China: Please refer to Table 10(1).
- (ii) Limitation on investment in Mainland China: Please refer to Table 10(2).
- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of the consolidated financial statements, were disclosed in the “Information on significant transactions”.

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GlobalWafers Co., Ltd. and subsidiaries
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(14) Segment information:

(1) General information and segment information

The Group has one reportable segment, which is mainly engaged in the research, development, design, manufacturing and sales of semiconductor products. The operating segment information is the same as the information presented in the consolidated financial statements. For revenue (from external customers) and income of segment, please refer to the consolidated statements of comprehensive income, and for assets, please refer to the consolidated statements of balance sheets.

(2) Information by product

Revenue from external customers:

	For the years ended December 31,	
	2018	2017
Semiconductor wafers	\$ 58,447,151	45,540,327
Semiconductor ingot	492,114	496,690
Others	124,245	175,584
	\$ 59,063,510	46,212,601

(3) Geographical information

Segment revenue is presented by the geographical location of customers and non-current assets are presented by the geographical location of the assets as follows:

A. Revenue from external customers:

Area	For the years ended December 31,	
	2018	2017
Taiwan	\$ 13,449,010	9,789,976
Korea	9,647,694	7,022,898
United States	8,340,541	6,319,293
Japan	7,616,281	6,828,847
China	6,002,196	3,850,360
Germany	3,038,700	2,293,123
Other countries	10,969,088	10,108,104
	\$ 59,063,510	46,212,601

GlobalWafers Co., Ltd. and subsidiaries
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B. Non-current assets:

<u>Area</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Korea	\$ 8,398,373	6,278,920
United States	6,548,067	6,613,880
Japan	6,333,308	5,998,380
Taiwan	6,280,867	6,667,572
Italy	3,555,632	3,560,684
Others	<u>3,453,880</u>	<u>3,148,696</u>
	<u><u>\$ 34,570,127</u></u>	<u><u>32,268,132</u></u>

(4) Major customers information

Sales to individual customers representing greater than 10% of net sales of the Group:

	<u>For the years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Customer C group	<u><u>\$ 9,494,244</u></u>	<u><u>6,503,622</u></u>

GlobalWafers Co., Ltd. and Subsidiaries
Loans to other parties
For the year ended December 31, 2018

Table 1

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 2)	Maximum limit of fund financing (Note 3)
													Item	Value		
0	The Company	Taisil	Intercompany Loan	Yes	2,500,000	-	-	1.5%	2	-	Operating capital	-	-	-	17,255,782	17,255,782
1	GWJ	The Company	Intercompany Loan	Yes	4,173,000	4,173,000	4,173,000	0.47091%~0.53091%	1	6,564,463	Business between two parties	-	-	-	6,564,463	5,430,209
1	GWJ	MEMC Japan	Intercompany Loan	Yes	278,200	278,200	-	0.56091%	2	-	Operating capital	-	-	-	2,715,105	5,430,209
2	MEMC SpA	GWS	Intercompany Loan	Yes	2,826,720	2,745,600	2,145,431	3.559%	2	-	Operating capital	-	-	-	11,348,657	11,348,657
3	Taisil	The Company	Intercompany Loan	Yes	5,700,000	5,700,000	5,700,000	1.5%	2	-	Operating capital	-	-	-	6,434,620	6,434,620
4	GTI	Topsil A/S	Intercompany Loan	Yes	87,585	-	-	6%	2	-	Operating capital	-	-	-	3,492,437	3,492,437
4	GTI	MEMC LLC	Intercompany Loan	Yes	671,485	-	-	3.62%	2	-	Operating capital	-	-	-	3,492,437	3,492,437

Note 1: The method of filling in financing purposes:

(1) Represents entities with business transaction with the Group.

(2) Represents where an inter-company or inter-firm short-term financing facility is necessary.

Note 2: For entities who have business transactions with the Company, the amount of endorsements offered to a single company and to an Investee whose voting shares, directly or indirectly, owned by the Company shall not exceed 40 percent of the lender's net worth.

Note 3: The total amount available for financing purposes shall not exceed 40 percent of the lender's net worth. Investee whose voting shares, directly or indirectly, owned by the Company shall not exceed double of the Company's net worth.

Note 4: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Guarantees and endorsements for other parties
For the year ended December 31, 2018

Table 2

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3, 4)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company (Note 2)										
0	The Company	Topsil A/S	2	43,139,455	120,250	117,500	17,625	-	0.27 %	129,418,365	Y	N	N
0	The Company	GWJ	2	43,139,455	275,400	-	-	-	- %	129,418,365	Y	N	N
0	The Company	MEMC LLC	2	43,139,455	464,325	-	-	-	- %	129,418,365	Y	N	N
0	The Company	MEMC Korea	2	43,139,455	773,875	-	-	-	- %	129,418,365	Y	N	N
0	The Company	GWS	2	43,139,455	1,857,300	1,842,900	614,300	-	4.27 %	129,418,365	Y	N	N
0	The Company	Taisil	2	43,139,455	200,000	-	-	-	- %	129,418,365	Y	N	N
0	The Company	Taisil	2	43,139,455	1,857,300	-	-	-	- %	129,418,365	Y	N	N
1	GTI	MEMC LLC	2	43,655,460	462,450	460,725	98,013	-	5.28 %	43,655,460	N	N	N

Note 1: The character of guarantees and endorsements are coded as follows:

- (1) The issuers are coded "0".
- (2) The investee are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The relation between guarantor and guarantee and their endorsement should be disclosed as one of the following:

- (1) Ordinary business relationship.
- (2) Subsidiary which owned more than 50 percent by the guarantor.
- (3) An investee owned more than 50 percent in total by both the guarantor and its subsidiary.
- (4) An investee owned more than 90 percent by the guarantor or its subsidiary.
- (5) Fulfillment of contractual obligations by providing mutual endorsements and guarantor for peer or joint builders in order to undertake a construction project.
- (6) An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
- (7) The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for per-construction homes pursuant to the Consumer Protection Act for each other.

Note 3: The total amount of external endorsements and/or guarantees shall worth no more than triple of the Company's net worth.

Note 4: The total amount of external endorsements and/or guarantees for any single company shall not exceed 10 percent of the Company's net worth. However, for subsidiaries shall not exceed 100 percent of the Company's net worth.

Note 5: Taisil made a guarantee payment for its import VAT amounting to \$5,000 thousand.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures)
December 31, 2018

Table 3

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with the Company	Account title	Ending balance				Highest Percentage of ownership (%) during the year	Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	CDIB Capital Growth Partners L.P.	None	Financial assets at fair value through profit or loss	-	64,697	3.85 %	64,697	3.85 %	
The Company	Taiwan Styrene Monomer Corporation	None	Financial assets at fair value through profit or loss	4,000	90,000	0.76 %	90,000	0.76 %	
The Company	The stock of Phoenix Silicon International Corporation	None	Financial asset at FVTOCI	1,324	51,636	1.00 %	51,636	1.00 %	

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Acquisition of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock
For the year ended December 31, 2018

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Property, plant and equipment	January, 2018 and May, 2018	625,136	The amount had been fully paid	SAS	Parent Company	-	-	-	-	Fair value	For operating purpose	None

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Disposal of individual real estate with amount exceeding the lower than NT\$300 million or 20% of the capital stock
For the year ended December 31, 2018

Table 5

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
MEMC Ipoh	Factory	February, 2018	February, 2008	158,283	309,009	The amount had been received	150,726	Kamaya Electric(M) Sdn. Bhd.	None	Production purpose	Fair value	None

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries

Related-party transactions for purchases and sales with amounts exceeding the lower than NT\$300 million or 20% of the capital stock

For the year ended December 31, 2018

Table 6

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	SAS	Parent Company	Purchase	669,431	4 %	Net 55 days from the end of the month upon issuance of invoice	-	-	(161,758)	(5)%	
The Company	GTI	Indirectly subsidiaries	Purchase	1,944,060	12 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(313,206)	(9)%	
The Company	SST	Indirectly subsidiaries	Purchase	2,661,905	16 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(547,518)	(16)%	
The Company	GWJ	Directly subsidiaries	Purchase	6,564,463	40 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(1,714,488)	(51)%	
The Company	Topsil A/S	Directly subsidiaries	Purchase	528,318	3 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(45,031)	(1)%	
The Company	GWS	Indirectly subsidiaries	Purchase	372,841	2 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(70,979)	(2)%	
The Company	Taisil	Directly subsidiaries	Purchase	125,611	1 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(46,433)	(1)%	
Taisil	The Company	Directly subsidiaries	Purchase	451,866	3 %	Net 45 to 60 days from the end of the month upon issuance of invoice	-	-	(72,564)	(2)%	
GWS	The Company	Indirectly subsidiaries	Purchase	1,456,325	11 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(215,973)	(6)%	
MEMC Korea	The Company	Indirectly subsidiaries	Purchase	825,874	6 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(315,552)	(8)%	
MEMC SpA	The Company	Indirectly subsidiaries	Purchase	644,521	5 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(184,188)	(5)%	
GTI	The Company	Directly subsidiaries	Purchase	3,539,263	26 %	Net 45 days from the end of the month upon issuance of invoice	-	-	(325,569)	(9)%	
SST	The Company	Indirectly subsidiaries	Purchase	1,197,780	9 %	Net 30 to 135 days from the end of the month upon issuance of invoice	-	-	(101,895)	(3)%	
GWJ	The Company	Directly subsidiaries	Purchase	1,610,451	12 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(457,509)	(12)%	
Sunshine PV Corp	The Company	Same chairman with the parent Company	Purchase	244,481	2 %	Net 85 days from the end of the month upon issuance of invoice	-	-	(64,950)	(2)%	
Topsil A/S	The Company	Indirectly subsidiaries	Purchase	348,946	3 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(88,894)	(2)%	

(Continued)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
GWS	MEMC LLC	Indirectly subsidiaries	Sale	(754,906)	(3) %	Net 60 days from the end of the month upon issuance of invoice	-	-	110,273	3%	
GWS	MEMC LLC	Indirectly subsidiaries	Purchase	840,682	4 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(187,532)	(5)%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Purchase	1,894,541	10 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(309,612)	(9)%	
GWS	MEMC Sdn Bhd	Indirectly Subsidiaries	Sale	(789,994)	(3) %	Net 60 days from the end of the month upon issuance of invoice	-	-	120,333	3%	
GWS	MEMC SpA	Indirectly subsidiaries	Purchase	3,344,615	18 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(861,178)	(25)%	
GWS	MEMC SpA	Indirectly subsidiaries	Sale	(3,211,255)	(14) %	Net 60 days from the end of the month upon issuance of invoice	-	-	578,286	16%	
GWS	MEMC Korea	Indirectly subsidiaries	Purchase	1,924,133	10 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(309,702)	(9)%	
GWS	MEMC Korea	Indirectly subsidiaries	Sale	(148,090)	(1) %	Net 60 days from the end of the month upon issuance of invoice	-	-	3,940	0%	
GWS	MEMC Japan	Indirectly subsidiaries	Purchase	4,093,919	22 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(728,119)	(21)%	
GWS	MEMC Japan	Indirectly subsidiaries	Sale	(1,414,201)	(6) %	Net 60 days from the end of the month upon issuance of invoice	-	-	252,803	7%	
GWS	Taisil	Indirectly subsidiaries	Purchase	5,147,816	28 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(861,178)	(25)%	
GWS	Taisil	Indirectly subsidiaries	Sale	(1,381,626)	(6) %	Net 60 days from the end of the month upon issuance of invoice	-	-	228,430	6%	

Note: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Receivables from related parties with amounts exceeding the lower than NT\$100 million or 20% of the capital stock
December 31, 2018

Table 7

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	GTI	Indirectly subsidiaries	325,569	10.53	-		325,569	-
The Company	GWJ	Directly subsidiaries	457,509	3.86	-		310,014	-
The Company	Taisil	Directly subsidiaries	101,895	12.79	-		101,895	-
The Company	GWS	Indirectly subsidiaries	215,973	13.49	-		215,973	-
The Company	MEMC Korea	Indirectly subsidiaries	315,552	5.23	-		-	-
The Company	MEMC SpA	Indirectly subsidiaries	184,188	7.00	-		167,207	-
Taisil	The Company	Directly subsidiaries	5,700,000	- (Note 3)	-		-	-
SAS	The Company	Parent Company	161,758	6.40	-		-	-
GTI	The Company	Indirectly subsidiaries	313,206	7.05	-		313,206	-
SST	The Company	Indirectly subsidiaries	547,518	5.52	-		316,460	-
GWJ	The Company	Directly subsidiaries	1,714,488	4.09	-		972,326	-
GWJ	The Company	Directly subsidiaries	4,173,000	- (Note 3)	-		-	-
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	309,612	6.12	-		309,612	-
GWS	MEMC Japan	Indirectly subsidiaries	728,119	5.99	-		726,851	-
GWS	MEMC SpA	Indirectly subsidiaries	578,286	6.83	-		578,286	-
GWS	MEMC LLC	Indirectly subsidiaries	110,273	2.31	-		110,273	-
GWS	Taisil	Indirectly and directly subsidiaries	228,430	12.04	-		228,430	-
MEMC Sdn Bhd	GWS	Indirectly subsidiaries	120,333	6.16	-		120,333	-
MEMC SpA	GWS	Indirectly subsidiaries	2,145,431	- (Note 3)	-		-	-
MEMC SpA	GWS	Indirectly subsidiaries	861,178	5.72	-		722,673	-
MEMC Korea	GWS	Indirectly subsidiaries	309,702	8.74	-		309,702	-
MEMC Japan	GWS	Indirectly subsidiaries	252,803	5.96	-		252,803	-
Taisil	GWS	Indirectly and directly subsidiaries	861,178	7.26	-		-	-
MEMC LLC	GWS	Indirectly subsidiaries	187,532	5.26	-		187,532	-

Note 1: As of February 26, 2018, the amount had been received.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Note 3: Account receivable from related-party of financing.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Business relationships and significant intercompany transactions
For the year ended December 31, 2018

Table 8

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	GTI	1	Purchase	1,944,060	Net 60 days from the end of the month upon issuance of invoice	3.29%
0	The Company	SST	1	Purchase	2,661,905	Net 60 days from the end of the month upon issuance of invoice	4.51%
0	The Company	GWJ	1	Purchase	6,564,463	Net 60 to 90 days from the end of the month upon issuance of invoice	11.11%
0	The Company	GWJ	1	Account payable	1,714,488	Net 60 to 90 days from the end of the month upon issuance of invoice	1.91%
0	The Company	GTI	1	Sale	3,539,263	Net 45 days from the end of the month upon issuance of invoice	5.99%
0	The Company	SST	1	Sale	1,197,780	Net 30 to 135 days from the end of the month upon issuance of invoice	2.03%
0	The Company	GWJ	1	Sale	1,610,451	Net 60 to 90 days from the end of the month upon issuance of invoice	2.73%
0	The Company	GWS	1	Sale	1,456,325	Net 60 days from the end of the month upon issuance of invoice	2.47%
0	The Company	MEMC Korea	1	Sale	825,874	Net 60 days from the end of the month upon issuance of invoice	1.40%
0	The Company	MEMC SpA	1	Sale	644,521	Net 60 days from the end of the month upon issuance of invoice	1.09%
1	GWS	MEMC LLC	3	Sale	754,906	Net 60 days from the end of the month upon issuance of invoice	1.28%
1	GWS	MEMC LLC	3	Purchase	840,682	Net 60 days from the end of the month upon issuance of invoice	1.42%
1	GWS	MEMC Sdn Bhd	3	Sale	789,994	Net 60 days from the end of the month upon issuance of invoice	1.34%
1	GWS	MEMC Sdn Bhd	3	Purchase	1,894,541	Net 60 days from the end of the month upon issuance of invoice	3.21%
1	GWS	MEMC SpA	3	Purchase	3,344,615	Net 60 days from the end of the month upon issuance of invoice	5.66%
1	GWS	MEMC SpA	3	Sale	3,211,255	Net 60 days from the end of the month upon issuance of invoice	5.44%
1	GWS	MEMC Korea	3	Purchase	1,924,133	Net 60 days from the end of the month upon issuance of invoice	3.26%
1	GWS	MEMC Japan	3	Sale	1,414,201	Net 60 days from the end of the month upon issuance of invoice	2.39%
1	GWS	MEMC Japan	3	Purchase	4,093,919	Net 60 days from the end of the month upon issuance of invoice	6.93%
1	GWS	Taisil	3	Purchase	5,147,816	Net 60 days from the end of the month upon issuance of invoice	8.72%
1	GWS	Taisil	3	Sale	1,381,626	Net 60 days from the end of the month upon issuance of invoice	2.34%
2	GWJ	The Company	2	Intercompany Loan	4,173,000	-	4.65%
3	Taisil	The Company	2	Intercompany Loan	5,700,000	-	6.35%
4	MEMC SpA	GWS	3	Intercompany Loan	2,145,431	-	2.39%

Note 1: The character for code of business transactions between parent company and its subsidiaries are coded as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

(Continued)

Note 2: The relationships with transactions are as follows:

- (1) Parent company to its subsidiaries.
- (2) Subsidiaries to the parent company.
- (3) Transactions between subsidiaries.

Note 3: The ratio of the transaction amount of the consolidated total sales revenue and consolidated total assets are calculated as follows:

- (1) For transaction amount accounted for as asset or liability, the ratio is calculated based on the closing balance amount of the consolidated total assets.
- (2) For transaction amount accounted for as profit or loss, the ratio is calculated based on the accumulated amount at the end of the financial period of the consolidated total sales revenue.

Note 4: The amount of significant transaction should exceed 1 percent of the consolidated operating revenue or total assets.

GlobalWafers Co., Ltd. and Subsidiaries
Information on investees (excluding information on investees in Mainland China)
For the year ended December 31, 2018

Table 9

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GW1	Cayman	Investment activities	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00 %	5,677,436	100.00 %	1,903,803	1,903,803	Subsidiary
The Company	GSI	Cayman	Investment in various businesses and triangular trade centers with subsidiaries in Mainland China	756,809 (USD26,555)	756,809 (USD26,555)	25,000	100.00 %	1,376,601	100.00 %	341,260	341,260	Subsidiary
The Company	GWafers	Japan	Investment activities	Note 4	5,448,015 (JPY13,827,513)	-	- %	-	100.00 %	-	-	Subsidiary Note 1
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00 %	13,558,073	100.00 %	2,107,707	2,098,458	Subsidiary Note 4
The Company	GWafers Singapore	Singapore	Investment activities	11,966,930	11,966,930	364,000	67.20 %	19,959,635	100.00 %	7,395,394	5,914,715	Subsidiary
The Company	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers	Note 2	Note 2	1,000	100.00 %	1,687,613	100.00 %	(40,596)	(50,650)	Subsidiary
The Company	HONG-WANG Investment Co.,Ltd.	Taiwan	Investment activities	200,000	200,000	312	24.39 %	178,442	24.39 %	59,258	14,439	Affiliated Companies
The Company	Taisil	Taiwan	Manufacturing and trading of silicon wafers	14,504,663	14,502,885	9,999	99.99 %	16,071,561	99.99 %	1,889,479	1,902,311	Subsidiary
GW1	GTI	Texas	Manufacturing of epitaxial wafers and silicon wafers	-	2,241,668	-	- %	-	100.00 %	418,874	-	None 3 and 5
GW1	GWafers Singapore	Singapore	Investment activities	5,411,947	-	177,674	32.80 %	5,677,436	32.80 %	7,395,394	-	None 3 and 5
GWafers	GWJ	Japan	Manufacturing and trading of silicon wafers	Note 4	5,484,300 (JPY13,142,798)	-	- %	-	100.00 %	-	-	None 3 and 5
GWJ	MEMC Japan	Japan	Manufacturing and trading of silicon wafers	373,413 (JPY 100,000)	373,413 (JPY 100,000)	-	100.00 %	1,448,078	100.00 %	157,805	-	None 3 and 5
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	Note 2	Note2	1	100.00 %	(123,976)	100.00 %	(70,472)	-	None 3 and 5
GWafers Singapore	GWS	Singapore	Investment, marketing and trading activities	17,846,803 (USD540,649)	12,434,855 (USD362,975)	177,674	100.00 %	27,037,489	100.00 %	7,362,796	-	None 3 and 5
GWS	GWBV	Netherlands	Investment activities	9,589,374 (USD266,974)	4,177,427 (USD89,300)	0.1	100.00 %	29,179,287	100.00 %	3,589,426	-	None 3 and 5
GWS	SSTPL	Singapore	Investment activities	-	-	0.001	100.00 %	-	100.00 %	-	-	None 3 and 5
GWBV	MEMC SpA	Italy	Manufacturing and trading of silicon wafers	6,732,641 (USD201,788)	6,732,641 (USD201,788)	65,000	100.00 %	11,348,657	100.00 %	1,680,298	-	None 3 and 5
MEMC SpA	MEMC SarL	France	Engaged in the trading of substrates	1,316 (USD40)	1,316 (USD40)	0.5	100.00 %	82	100.00 %	689	-	None 3 and 5
MEMC SpA	MEMC GmbH	Germany	Engaged in the trading of substrates	4,622 (USD141)	4,622 (USD141)	0.002	100.00 %	5,677	100.00 %	556	-	None 3 and 5
MEMC SpA	MEMC BV	Netherlands	Investment activities	2,430,141 (USD73,918)	2,430,141 (USD73,918)	0.2	100.00 %	3,422,692	100.00 %	691,209	-	None 3 and 5
MEMC BV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	2,427,650 (USD73,842)	2,427,650 (USD73,842)	6,880	40.00 %	3,415,898	40.00 %	1,726,189	-	None 3 and 5

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of Ownership	Carrying value				
GWBV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	3,641,474 (USD110,763)	3,641,474 (USD110,763)	10,320	60.00 %	5,123,846	60.00 %	1,726,189	-	None 3 and 5
GWBV	MEMC LLC	United states	Research and development, manufacturing and trading of silicon wafers	-	5,289,887 (USD173,839)	-	- %	-	- %	193,960	-	None 3 and 5
GWBV	GTI	United states	Manufacturing of epitaxial wafers and silicon wafers	8,776,143 (USD288,120)	-	0.001	100.00 %	8,731,092	100.00 %	803,066	-	None 3 and 5
GWBV	MEMC Sdn Bhd	Malaysia	Manufacturing and trading of silicon wafers and sale	898,016 (USD27,315)	898,016 (USD27,315)	1,036	100.00 %	919,602	100.00 %	99,469	-	None 3 and 5
GWBV	MEMC Ipoh	Malaysia	Manufacturing and trading of silicon wafers and sale	146,624 (USD3,020)	743,440 (USD22,613)	669,374	100.00 %	55,797	100.00 %	143,384	-	None 3 and 5
GTI	MEMC LLC	United states	Manufacturing and trading of silicon wafers and sale	3,364,196 (USD110,446)	-	1	100.00 %	4,092,008	100.00 %	193,960	-	None 3 and 5

Note 1: The item is a Limited Company.

Note 2: Topsil A/S and Topsil PL were acquired by the Company, with an investment amount of \$1,964,069 thousand (DKK 407,600 thousand).

Note 3: The investees are indirect subsidiaries for the Company. GWafer Singapore had been restructured for the Company and GWI to hold 67.2 percent and 32.8 percent, respectively, of its shares on July 1, 2018. In addition, GTI was transferred to GWBV; and MEMC LLC was transferred to GTI.

Note 4: GWafers and GWJ merged in January 2018, wherein GWafers as the surviving company, and GWJ as the subsequent name used.

Note 5: The investor disclosed the profits and losses of the investment, which include the profits and losses of the investee; therefore, no disclosure is needed from the Company.

Note 6: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

GlobalWafers Co., Ltd. and Subsidiaries
Information on investment in mainland China
For the year ended December 31, 2018

Table 10

(In Thousands of New Taiwan Dollars)

(1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership during the year	Investment income (losses) (Note 4)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
SST	Processing and trading of ingots and wafers	769,177 (Note 7)	Note 1	713,300 (USD21,729)	-	-	713,300 (USD21,729)	321,712	100%	100%	321,712	1,313,144	-
SunEdison Shanghai	Trading business	7,527 (CNY1,500)	Note 2	Note 2	-	-	Note 2	706	100%	100%	706	9,849	-
GF	Sale and marketing	9,756 (CNY2,000)	Note 3	-	-	-	-	6,946	60%	60%	4,168	20,840	-

(2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300 (USD21,729)	818,233 (USD25,000) (Note 5)	25,893,667 (Note 6)

Note 1: Investments through GSI registered in mainland China.

Note 2: Investments through GWBV registered in mainland China which is acquired from the acquisition of GWS (SSL).

Note 3: GF was invested by SST in mainland China, without limit on investment, due to not having any investment from Taiwan.

Note 4: The basis for investment income (loss) recognition is from the financial statements audited.

Note 5: Initial investment amounts denominated in foreign currencies are translated into New Taiwan Dollars using the Historical Foreign Exchange Rate.

Note 6: Pursuant to the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated on August 29, 2008, the total amount of investment shall not exceed 60% of the Company's net worth on December 31, 2018.

Note 7: Retained earnings Transferred to Capital was included.

(Continued)

Attachment 3. 2018 Affiliation Report

Statement

It is hereby declared that the 2018 Affiliation (from January 1, 2018 to December 31, 2018) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises”, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared above.

GlobalWafers Co., Ltd.



Chairperson: Hsiu-Lan Hsu



March 19, 2019

Independent Auditors' Report on the Affiliation Report

To the Board of Directors of GlobalWafers Co., Ltd.:

We have conducted the review on the 2018 Affiliation Report of GlobalWafers Co., Ltd. in accordance with the letter of Securities and Futures Bureau, Financial Supervisory Commission (formerly known as Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan) under Tai-Cai-Cheng(6)-Zi No. 04448 dated November 30, 1999. The review is conducted in order to provide our comments on whether the 2018 Affiliation Report of GlobalWafers Co., Ltd. was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and whether there are any significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to the 2018 financial statements.

Our review result shows that no violation of said Affiliation Report of the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" or no significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to financial statements for the above period were found.

KPMG CPA

Accountants :

Securities authority : Financial supervision
approved and certified certificate Six No.
document No. 0940129108
Financial supervision
audit No. 1060005191

March 19, 2019

GlobalWafers Co., Ltd.

Affiliation Report

2018

I. Relationship between the controlling company and its subordinates

Unit: Shares

Name of controlling company	Cause of control	Shareholding and pledges by the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managerial officers	
		Number of shares held	Shareholding ratio	Number of shares pledged	Job title	Name
Sino-American Silicon Products Inc.	Holding a majority of the total number of shares with voting power issued by the subordinate				Director Director	Ming-Kuang Lu Tang-Liang Yao

II. Transaction situation

The transaction situation between the Company and the controlling company, Sino-American Silicon Products Inc., is stated as following:

(1) Purchase/Sales:

Unit: NTD thousand

Status of transactions with the controlling company				Terms of transactions with the controlling company		General terms and conditions for transactions		Cause of variance	Accounts/notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase (sales)	Amount	Ratio in total purchase (sales)	Gross profit for sales	Unit price (NT\$)	Credit term	Unit price (NT\$)	Credit term		Balance	% of total accounts /notes receivable (payable)	Amount	Manner of Handling	Allowance for bad debt	
Sales				Note 1	O/A 30 days~ O/A 60 days	Per the contract	O/A 0 day~ O/A 120 days							
Purchase				Note 2	O/A 30 days EOM	Per the contract	O/A 0 day~ O/A 120 days EOM							

Note 1: The sales primarily refer to the sales for semiconductor chips and ingots. Therefore, there was no significant difference from the general sales price and terms & conditions.

Note 2: The purchase primarily refers to the purchase of production materials. Therefore, there was no significant difference from the general purchase price and terms & conditions.

(2) Status of transaction of property:

Unit: NTD thousand

Type of transaction (Acquisition or disposition)	Property name	Transaction date or the date when the event occurred	Trade amount	Delivery or payment terms	Status of payment collection	Gain or loss on disposition (Note 1)	The reasons why trading counterpart s are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	Price references	Purpose of acquisition or disposition, and status of utilization thereof	Other matters agreed
								Owner	Affiliation with the Company	Transfer date	Amount				
Acquisition of	plant & equipment	January 2018~ October 2018		O/A 30 days EOM	Already paid in full amount	-	Transfer of assets	-	-	-	-	Inter-affiliate transfer	Fair value	For business	-
Disposition of	instruments & equipment	March 2018		O/A 60 days	Already collected in full amount	-	Transfer of assets	-	-	-	-	Inter-affiliate transfer	Fair value	For business	-

Note 1: Not required, in the case of acquisition of property.

Note 2: (1)The controlling company's original acquisition data should be disclosed if it is acquisition; the subsidiary's original acquisition data should be disclosed if it is disposal.

(2) The relationship between the owner and the controlling company and the subsidiary should be specified.

(3)Previous transaction information of the related party should be listed in the same column if the transaction party is also related party in the previous transaction.

Note 3: The preparer should explain the decision making level of the transaction.

(3) Capital financing: None.

(4) Assets leasing: None.

Unit: NTD thousand

Type of transaction (rent or lease)	Property		Duration of lease	Nature of lease (Note 1)	Basis for determination of the rent	Method of collection (payment)	Comparison with regular rent levels	Current total rent	Status of current collection/payment	Other matters agreed (Note 2)
	Name	Location								
Leased	Plant	Science Based Industrial Park 5F, No. 21, Kezhong Rd., Chunan Township, Miaoli County, Science Based Industrial Park No. 8, Kebei 5th Rd., Chunan Township, Miaoli County	February 2016~ January 2018, July 2017~ June 2018	Operating lease	Regular rent level	Paid on a monthly basis	No significant difference	944	Normal	None.
Rented out	Plant	2F and 4F, No. 8. Industrial East Road 2, Science Based Industrial Park, Science-Based Industrial Park B1~4F, No. 21, Kezhong Rd., Zhunan Township, Miaoli County	January 2018~ December 2018 February 2018~ January 2020	Operating lease	Regular rent level	Collected on a monthly basis	No significant difference	8,775	Normal	None.

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and easement, the preparer should disclose such conditions.

(5) Status of other important transactions:

Unit: NTD thousand

Status of transactions with the controlling company			Comparison between the terms and conditions for the general transactions and transactions with the controlling company
Title	Amount	Unpaid accounts stated as accounts receivable (payable)-related party	
Payment on behalf of others	-	98	No significant difference
Receipts under custody	-	(367)	No significant difference
Other revenue	47,546	3,876	No significant difference
Other expenditure	28,501	(5,464)	No significant difference

III. Endorsements/guarantees: None.