Stock Code:6488

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.

Doris Hsu

Company name: GlobalWafers Co., Ltd.
Chairman: Doris Hsu
Date: March 19, 2019

安侯建業聯合會計師事務所
KPMG
新竹市科學工業園區30078展業一路11號
No. 11, Prosperity Road I, Hsinchu Science Park,
Hsinchu, 30078, Taiwan, R.O.C.
Telephone 電話 + 886 (3) 579 9955
Fax 傳真 + 886 (3) 563 2277
Internet 網址 kpmg.com/tw

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

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 Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(1))	$ 35,214,323	39	18,794,362	27
1110	Financial assets at fair value through profit or loss－current (note 6(2))	236,495	-	21,546	-
1170	Notes and accounts receivable, net (note 6(5))	9,155,024	10	7,796,017	11
1180	Accounts receivable due from related parties, net (note 7)	71,299	-	73,415	-
130X	Inventories (note 6(6))	7,039,817	8	7,346,671	10
1476	Other financial assets－current (note 8)	769,898	1	173,632	-
1479	Other current assets (note 6(10))	713,659	2	905,230	1
		53,200,515	60	35,110,873	49
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income－non-current (note 6(3))	51,636	-	-	-
1543	Financial assets measured at cost, net－non-current (note 6(4))	-	-	49,896	-
1550	Investments accounted for using equity method (note 6(7))	178,442	-	318,622	-
1600	Property, plant and equipment (notes 6(8), 7 and 8)	30,887,035	34	28,202,304	40
1780	Intangible assets (note 6(9))	3,649,397	4	3,939,134	6
1840	Deferred tax assets (note 6(7))	1,386,577	2	1,837,127	3
1980	Other financial assets－non-current (note 8)	268,598	-	383,074	1
1990	Other non-current assets (note 6(10))	199,921	-	391,307	1
		36,621,606	40	35,121,464	51
	Total assets	**$ 89,822,121**	**100**	**70,232,337**	**100**

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(11))	$ 5,042,000	6	10,124,326	15
2120	Financial liabilities at fair value through profit or loss－current (note 6(2))	119	-	5,152	-
2130	Contract liabilities－current (note 6(21))	4,498,487	5	-	-
2170	Notes and accounts payable	4,699,304	5	4,208,854	6
2180	Accounts payable to related parties (note 7)	171,141	-	60,638	-
2201	Payroll and bonus payable	2,123,838	2	1,681,221	2
2230	Current tax liabilities	2,127,809	2	956,709	1
2310	Advance sales receipts－current	-	-	2,059,632	3
2322	Long-term borrowings－current portion (note 6(12))	-	-	613,333	1
2399	Other current liabilities (notes 6(13) and (14))	5,759,743	7	2,541,408	4
		24,422,441	27	22,251,273	32
	Non-Current liabilities:				
2527	Contract liabilities－non-current (note 6(21))	14,609,104	16	-	-
2540	Long-term borrowings (note 6(12))	430,000	-	3,663,000	5
2570	Deferred tax liabilities (note 6(17))	3,664,011	5	2,066,271	3
2600	Other non-current liabilities (notes 6(13) and (14))	367,423	-	636,344	1
2640	Net defined benefit liabilities (note 6(16))	3,173,029	4	2,884,063	4
2670	Advance sales receipts－non-current	-	-	4,676,980	7
		22,243,567	25	13,926,658	20
	Total liabilities	46,666,008	52	36,177,931	52
	Equity (note 6(18))**:**				
	Equity attributable to shareholders of GlobalWafers Co., Ltd.**:**				
3110	Ordinary shares	4,372,500	5	4,372,500	6
3200	Capital surplus	24,772,608	28	24,772,805	35
	Retained earnings:				
3310	Legal reserve	1,341,111	2	813,639	1
3320	Special reserve	1,133,596	1	350,635	-
3350	Unappropriated retained earnings	13,457,718	15	5,693,255	9
		15,932,425	18	6,857,529	10
3400	Other equity interest	(1,361,299)	(2)	(1,956,906)	(3)
3500	Treasury shares	(576,779)	(1)	-	-
	Total equity attributable to shareholders of GlobalWafers Co., Ltd.	43,139,455	48	34,045,928	48
36XX	Non-controlling interests	16,658	-	8,478	-
	Total equity	43,156,113	48	34,054,406	48
	Total liabilities and equity	**$ 89,822,121**	**100**	**70,232,337**	**100**

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 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)	36,764,666	62	34,404,835	74
	Gross profit from operations	22,298,844	38	11,807,766	26
	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))	265	-	-	-
	Total operating expenses	4,720,793	8	4,394,224	10
	Net operating income	17,578,051	30	7,413,542	16
	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	(108,013)	-	(398,185)	(1)
		675,316	1	(538,843)	(2)
7900	**Income before income tax**	18,253,367	31	6,874,699	14
7950	Income tax expense (note 6(17))	4,619,596	8	1,596,492	3
	Net income	13,633,771	23	5,278,207	11
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))	68,152	-	(88,347)	-
		(166,842)	-	418,516	1
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))	(107,421)	-	97,718	-
		598,090	1	(400,242)	(1)
8300	**Other comprehensive income (after tax)**	431,248	1	18,274	-
	Total comprehensive income	**$ 14,065,019**	**24**	**5,296,481**	**11**
	Net income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	$ 13,630,673	23	5,274,723	11
	Non-controlling interests	3,098	-	3,484	-
		$ 13,633,771	**23**	**5,278,207**	**11**
	Total comprehensive income attributable to:				
	Shareholders of GlobalWafers Co., Ltd	$ 14,055,257	24	5,328,810	11
	Non-controlling interests	9,762	-	(32,329)	-
		$ 14,065,019	**24**	**5,296,481**	**11**
	Basic earnings per share (NT dollars) (note 6(20))				
	Basic earnings per share	**$ 31.18**		**12.68**	
	Diluted earnings per share	**$ 31.04**		**12.66**	

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							
	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	Total	Non-controlling interests	Total equity
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)

		2018	2017
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		4,201,160	5,156,815
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		(1,450,264)	591,819
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		16,337,728	4,798,859
Total changes in operating assets and liabilities		14,887,464	5,390,678
Total adjustments		19,088,624	10,547,493
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		36,178,722	16,276,374

(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)

	2018	2017
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	(6,368,165)	(2,651,022)
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	(13,767,728)	(754,734)
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	18,794,362	5,627,979
Cash and cash equivalents at end of period	$ **35,214,323**	**18,794,362**

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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.

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.

(Continued)

- 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.

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	**$ 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.

(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:

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 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”.

GlobalWafers Co., Ltd. and subsidiaries
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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.

(Continued)

- 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:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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.

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

Expect 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 shared-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.

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

			Percentage of Ownership		
Name of Investor	**Name of Subsidiary**	**Business**	**December 31, 2018**	**December 31, 2017**	**Note**
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)

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
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)

(Continued)

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership December 31, 2018	Percentage of Ownership December 31, 2017	Note
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 Bnd (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.

(Continued)

(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.

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.

(Continued)

(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.

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.

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

Financial assets are classified as held for trading if it 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.

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.

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.

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.

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.

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.

(Continued)

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.

(Continued)

(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.

(Continued)

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.

(Continued)

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.

(Continued)

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.

(Continued)

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.

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.

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	74,472	-
Cash and cash equivalents in the consolidated statement of cash flows	**$ 35,214,323**	**18,794,362**

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

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

	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)
	$ 9,155,024	7,796,017

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	$ 11,198	36,149

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
	$ 9,166,222		11,198

(Continued)

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.

(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	3,297,169	3,724,651
	$ 7,039,817	**7,346,671**

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	29,526	34,313
	$ 36,764,666	**34,404,835**

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	**$ 178,442**	**318,622**

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	**$ 178,442**	**318,622**

	2018	2017
Attributable to the Group:		
Net income	$ 14,439	5,959
Other comprehensive income (loss)	(149,269)	112,663
Total	**$ (134,830)**	**118,622**

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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:

	Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
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	103,440	582,110	1,342,359	76,102	1,926	2,105,937
Balance at December 31, 2018	**$ 2,895,527**	**16,304,829**	**49,256,978**	**2,983,431**	**3,210,212**	**74,650,977**
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	(195,147)	(867,133)	(780,896)	76,811	79,704	(1,686,661)
Balance at December 31, 2017	**$ 2,841,992**	**14,824,909**	**45,590,942**	**2,767,642**	**1,836,277**	**67,861,762**
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	-	331,096	1,283,527	36,893	-	1,651,516
Balance at December 31, 2018	**$ -**	**7,673,088**	**34,511,907**	**1,578,947**	**-**	**43,763,942**
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	-	(300,210)	(512,113)	(106,465)	-	(918,788)
Balance at December 31, 2017	**$ -**	**6,699,911**	**31,302,259**	**1,657,288**	**-**	**39,659,458**

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		Land	Buildings	Machinery and equipment	Other equipment	Construction in progress and equipment awaiting inspection	Total
Carrying amounts:							
Balance at December 31, 2018	$	2,895,527	8,631,741	14,745,071	1,404,484	3,210,212	30,887,035
Balance at January 1, 2017	$	3,037,139	9,309,230	16,783,367	778,225	1,127,579	31,035,540
Balance at December 31, 2017	$	2,841,992	8,124,998	14,288,683	1,110,354	1,836,277	28,202,304

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:

		Goodwill	Patents and trademarks	Development costs	Total
Cost:					
Balance as of January 1, 2018	$	2,429,026	1,702,225	164,472	4,295,723
Effect of changes in exchange rates		59,291	2,258	(3,957)	57,592
Balance as of December 31, 2018	$	2,488,317	1,704,483	160,515	4,353,315
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		(156,595)	(5,888)	8,651	(153,832)
Balance as of December 31, 2017	$	2,429,026	1,702,225	164,472	4,295,723
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		-	765	(1,775)	(1,010)
Balance as of December 31, 2018	$	-	666,222	37,696	703,918
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		-	(485)	2,818	2,333
Balance as of December 31, 2017	$	-	333,694	22,895	356,589

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	Goodwill	Patents and trademarks	Development costs	Total
Carrying amounts:				
Balance as of December 31, 2018	$ 2,488,317	1,038,261	122,819	3,649,397
Balance as of January 1, 2017	$ 2,585,621	1,705,827	144,625	4,436,073
Balance as of December 31, 2017	$ 2,429,026	1,368,531	141,577	3,939,134

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

	December 31, 2018	December 31, 2017
Prepayment for materials	$ 158,800	497,811
Refundable tax and overpaid tax	338,927	318,963
Assets held for sale	-	160,767
Others	415,853	318,996
	$ 913,580	1,296,537

(11) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured borrowings	$ 5,042,000	10,124,326
Unused credit lines	$ 17,939,562	11,089,443
Range of interest rates at year end	0.76%~ 0.89%	0.83%~ 2.84%

For assets pledged as collateral for borrowings, please refer to note 8.

(Continued)

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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	$ **430,000**

	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				(613,333)
Total				$ **3,663,000**

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	21,995	(1,390)	20,605	31,455	(2,737)	28,718
	$ **31,097**	**(2,705)**	**28,392**	**44,121**	**(4,472)**	**39,649**

(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	2,391	2,877	5,268
Balance at December 31, 2018	$ **64,651**	**-**	**64,651**

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		Site restoration	Onerous contracts	Total
Current	$	10,074	-	10,074
Non-current		54,577	-	54,577
Total	$	**64,651**	**-**	**64,651**
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		(7,767)	(9,883)	(17,650)
Balance at December 31, 2017	$	**62,895**	**86,376**	**149,271**
Current	$	9,984	60,879	70,863
Non-current		52,911	25,497	78,408
Total	$	**62,895**	**86,376**	**149,271**

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:

		December 31, 2018	December 31, 2017
Less than one year	$	165,420	154,787
Between one and five years		557,574	390,276
More than five years		441,658	509,934
	$	**1,164,652**	**1,054,997**

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	**$**	**(3,173,029)**	**(2,884,063)**

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:

	2018	2017
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	224,463	(518,211)
Defined benefit obligation at December 31	**$ 8,137,636**	**8,129,147**

(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:

	2018	2017
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	130,528	(366,091)
Fair value of plan assets at December 31	**$ 4,964,607**	**5,245,084**

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:

	2018	**2017**
Current service costs	$ 445,314	456,747
Net interest of net liabilities for defined benefit obligation	(127,255)	(124,980)
	$ 318,059	**331,767**
Operating cost	$ 269,889	274,028
Selling expenses	13,621	37,983
Administration expenses	19,209	11,147
Research and development expenses	15,340	8,609
	$ 318,059	**331,767**

(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:

		2018	2017
Accumulated amount at January 1	$	397,627	(97,521)
Recognized during the period		(251,429)	506,863
Effect of changes in exchange rates		8,489	(11,715)
Accumulated amount at December 31	$	**154,687**	**397,627**

(e) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2018	December 31, 2017
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:

		Influences to defined benefit obligations	
Actuarial assumptions		**Increased 0.25%**	**Decreased 0.25%**
December 31, 2018			
Discount rate	$	**(182,883)**	**191,790**
Future salary increase rate	$	**80,114**	**(76,135)**
December 31, 2017			
Discount rate	$	**(202,194)**	**213,667**
Future salary increase rate	$	**80,629**	**(74,470)**

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:

	2018	2017
Current tax expense	$ 2,632,784	1,055,618
Deferred tax expense	1,986,812	540,874
	$ 4,619,596	**1,596,492**

The amounts of income tax (benefit) recognized in other comprehensive income in 2018 and 2017 were as follows:

	2018	2017
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	**$ (68,152)**	**88,347**

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	2018	2017
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	$ 107,421	(97,718)

Reconciliations of income tax and income before income tax for 2018 and 2017 are as follows:

	2018	2017
Income before income tax	$ 18,253,367	6,874,699
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	(1,237,147)	(355,575)
	$ 4,619,596	1,596,492

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	$ 528,642	2,264,871

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	$ (673,788)	(128,340)

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

	January 1, 2018	Recognized in profit or loss	Recognized in other comprehen -sive income	Effect of changes in exchange rates	December 31, 2018
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	302,468	99,777	-	6,646	408,891
	$ 1,837,127	(160,594)	(300,831)	10,875	1,386,577
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	(9,059)	(1,746)	-	(246)	(11,051)
	$ (2,066,271)	(1,826,218)	261,562	(33,084)	(3,664,011)

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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	264,771	25,593	-	12,104	302,468
	$ 1,847,184	(142,358)	110,852	21,449	1,837,127
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	(128,333)	112,557	-	6,717	(9,059)
	$ (1,622,629)	(398,516)	(101,481)	56,355	(2,066,271)

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.

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
	$ 24,772,608	**24,772,805**

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;

(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)	$ 4,372,500	768,992

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 earrings 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	$ **(1,328,874)**	**(32,425)**	**-**	**(1,361,299)**

(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
December 31, 2017	**$ (2,069,569)**	**112,663**	**(1,956,906)**

(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:

	2017	
Employee stock options	**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)	**23.36**	

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

	2018	2017
Net income attributable to the shareholders of the Company	$ **13,630,673**	**5,274,723**
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	**437,183**	**415,826**
Basic earnings per share (dollars)	$ **31.18**	**12.68**

B. Diluted earnings per share

	2018	2017
Net income attributable to the shareholders of the Company	$ **13,630,673**	**5,274,723**
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)	1,937	775
	439,120	**416,601**
Diluted earnings per share (dollars)	$ **31.04**	**12.66**

(21) Revenue from contracts with customers

A. Details of revenues

	2018
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	10,969,088
	$ **59,063,510**

(Continued)

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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.

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

		2018	2017
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		66,234	72,117
	$	**319,317**	**(232,808)**

(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.

(Continued)

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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.

	Carrying amount	Contractual cash flows	Within 6 months	6 to 12 months	1-2 years	2-5 years
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	-	-	-
	$ 10,452,516	**(10,343,006)**	**(9,844,034)**	**(7,303)**	**(14,606)**	**(477,063)**
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	-	-	-
	$ 18,726,194	**(19,015,354)**	**(14,745,910)**	**(361,994)**	**(1,281,957)**	**(2,625,507)**

(Continued)

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**
Financial assets			
Monetary Items			
USD	$ 356,191	30.715	10,940,407
JPY	946,270	0.2782	263,252
EUR	17,064	35.20	600,653
Non-Monetary Items			
USD	24,747	30.715	Note
JPY	17,150,412	0.2782	Note
Financial liabilities			
Monetary Items			
USD	35,022	30.715	1,075,701
JPY	1,027,562	0.2782	285,868
Non-Monetary Items			
USD	3,300	30.715	Note
EUR	18	35.2	Note

	December 31, 2017		
	Foreign currency	**Exchange rate**	**NTD**
Financial assets			
Monetary Items			
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

(Continued)

	December 31, 2017		
	Foreign currency	**Exchange rate**	**NTD**
Non-Monetary Items			
USD	20,700	29.76	Note
KRW	74,506,300	0.0281	Note
Financial liabilities			
Monetary Items			
USD	15,107	29.76	449,584
JPY	922,719	0.2642	243,782
Non-Monetary Items			
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 Level 1	Level 2	Level 3	Total
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
	$ 236,495	**90,000**	**81,798**	**64,697**	**236,495**
Financial assets at fair value through other comprehensive income					
Stock listed on domestic market	**$ 51,636**	**51,636**	**-**	**-**	**51,636**
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	-	-	-	-
	$ 45,479,142	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 119**	**-**	**119**	**-**	**119**
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	-	-	-	-
	$ 10,370,837	**-**	**28,392**	**-**	**28,392**

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	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	**$ 21,546**	**-**	**21,546**	**-**	**21,546**
Financial assets at amortized cost －non-current	**$ 49,896**	**-**	**-**	**-**	**-**
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	556,706	-	-	-	-
	$ 27,220,500	**-**	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss	**$ 5,152**	**-**	**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)	4,276,333	-	-	-	-
	$ 18,709,800	**-**	**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.

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	**$ -**	**64,697**

(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

(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.

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:

	2018		2017	
Securities price on the reporting date	**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)	-

(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	(35,214,323)	(18,794,362)
Net debt	**$ 11,451,685**	**17,383,569**
Total equity	**$ 43,156,113**	**34,054,406**
Debt-to-equity ratio	**26.54 %**	**51.05 %**

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	-	-	(602,980)	(602,980)
Balance at December 31, 2018	**$ 5,042,000**	**430,000**	**342,861**	**5,814,861**

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

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.

Name of related party	Relationship with the Group
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:

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	$ 232,442	182,213
Post-employment benefits	707	540
Share-based payments	14,732	-
	$ **247,881**	**182,753**

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.

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

(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	244,580	267,973
	$ 263,996	**373,657**

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	163	-
	$ 677,260	**181,952**

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:

Items	Categories	December 31, 2018	December 31, 2017
Receivable from related parties	Parent company	$ 972	783
Receivable from related parties	Other related parties	64,950	71,578
		$ 65,922	**72,361**

D. Payables to related parties

The payables to related parties were as follows:

Items	Categories	December 31, 2018	December 31, 2017
Payable to related parties	Parent company	$ 161,758	47,911

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:

	December 31, 2018	December 31, 2017
Parent company	$ 98	129
Parent company	(572)	(2,425)
Other related parties	(74)	-
	$ (548)	(2,296)

F. Transactions of property, plant and equipment

(a) Purchase amounts of property, plant and equipment from related parties were summarized as follows:

	For the years ended December 31, 2018	2017
Parent company	$ 628,158	2,318
Other related parties	5,092	17,445
	$ 633,250	19,763

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:

	For the years ended December 31, 2018	2017
Parent company	$ 50	-

GlobalWafers Co., Ltd. and subsidiaries

Notes to the Consolidated Financial Statements

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:

	For the years ended December 31, 2018	2017
Parent company	$ 52,683	1,956
Other related parties	422	1,350
	$ 53,105	**3,306**

Items	Categories	December 31, 2018	December 31, 2017
Receivable from related parties	Parent company	$ 5,016	275
Receivable from related parties	Other related parties	263	650
		$ 5,279	**925**

(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:

	For the years ended December 31, 2018	2017
Parent company	$ 44,035	45,505
Other related parties	-	2
	$ 44,035	**45,507**

Items	Categories	December 31, 2018	December 31, 2017
Payables to related parties	Parent company	**$ 8,737**	**10,302**

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

8. Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Purpose of pledge	December 31, 2018	December 31, 2017
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	-
		$ 3,168,313	3,324,688

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)

	December 31, 2018	December 31, 2017
USD	$ 30,856	43,060
EUR	$ 8,968	21,046
JPY	$ 2,145,137	2,075,963

GlobalWafers Co., Ltd. and subsidiaries
Notes to the Consolidated Financial Statements

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 / By item	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)

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".

(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:

	For the years ended December 31,	
Area	**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**

B. Non-current assets:

Area	December 31, 2018	December 31, 2017
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	3,453,880	3,148,696
	$ 34,570,127	**32,268,132**

(4) Major customers information

Sales to individual customers representing greater than 10% of net sales of the Group:

	For the years ended December 31,	
	2018	**2017**
Customer C group	**$ 9,494,244**	**6,503,622**

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.

(Continued)

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	GWI	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
GWI	GTI	Texas	Manufacturing of epitaxial wafers and silicon wafers	-	2,241,668	-	- %	-	100.00 %	418,874	-	None 3 and 5
GWI	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)