



Stock Symbol : 6488

# GlobalWafers Co., Ltd.

## 2019 Annual Report

The annual report may be accessed on the website at:

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

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

Prepared by GlobalWafers Co., Ltd.

Issue Date: May 20, 2020

Translation - In case of any discrepancy between Chinese and English versions, the Chinese version shall prevail.

1. **Company Spokesman:**

Name of spokesman: Wei-wen Chen

Job title: Vice President of Logistics and Administration Dept.

Tel.: (+886) 3- 577-2255

Email: GWCIR@sas-globalwafers.com

Name of deputy spokesman: Pao-chuan Chen

Job title: Senior Manager of Financial and Accounting Dept. in Taisil branch

Tel.: (+886) 3- 578-3131

Email: GWCIR@sas-globalwafers.com

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

**Headquarter**

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

Tel: (+886)-3-577-2255

**Chunan Plant**

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

Tel: (+886)-37-582533

**Taisil Branch**

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

Tel: (+886)-3-5783131

**Japan Subsidiary**

**Niigata**

Address: 6-861-5 Higashiko, Seiro, Kitakanbara District, Niigata Prefecture, Japan

Tel: (+81) 25-256-3200

**Tokuyama**

Address: 2-1-32 Eguchi, Shunan, Yamaguchi Prefecture, Japan

Tel: (+81) 834-41-3001

**Sekikawa**

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

Tel: (+81) 254-64-0254

**Oguni Silicon Crystal Center**

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

Tel: (+81) 238-62-5926

**Utsunomiya**

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

Tel: (+81) 28 667 6333

#### Korea Subsidiary

##### Cheonan Plant

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

Tel: (+82) 41 550 4114

#### China Subsidiary

##### Kunshan Plant

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

TEL:(+86) 512-5778-1262

#### Malaysia Subsidiary

##### Kuala Lumpur Plant

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

Tel: (+603) 7877 3277

#### Singapore Subsidiary

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

Tel: (+65) 6361 9720

#### US Subsidiary

##### Texas Plant

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

Tel: (+1) 903 957 1999

##### Missouri Plant

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

Tel: (+1) 636 474 5000

#### Italy Subsidiary

##### Merano Plant

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

Tel: (+39) 0473 333.333

##### Novera Plant

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

Tel: (+39) 0321 33.4444

#### Denmark Subsidiary

##### Copenhagen Plant

Address: Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark

Tel: (+45) 47 36 56 00

**3. Stock Transfer Agency**

Agency name: Stock Agency Department, Yuanta Securities

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

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

Tel: +886-2-2586-5859

**4. External Auditor**

Name of Accounting Firm: KPMG Taiwan

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

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

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

Tel: +886-2-8101-6666

**5. Global Depositary Receipt (GDR) Agency**

Luxembourg Stock Exchange

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

**6. Company Website**

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

## Table of Contents

<b>I. Letter to Shareholders</b> .....	4
<b>II. Company Profile</b> .....	10
I. Date of incorporation .....	10
II. Corporate Milestones.....	10
<b>III. Corporate Governance</b> .....	12
I. Organization Structure .....	12
II. Information on the Company’s Directors, Supervisors, President, Vice President, Assistant Vice President, and The Supervisors of All the Company’s Divisions and Branch Units.....	15
III. Implementation of Corporate Governance .....	27
IV. Information Regarding Audit Fees.....	84
V. Information on Replacement of Independent Auditors in the Last Two Years and Thereafter.....	85
VI. The Company has replaced its CPA in cooperation with KPMG’s internal rotation in the last two fiscal years .....	85
VII.Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders in Last Year and as of the Date of this Annual Report.....	86
VIII. Relationship Information of the Top 10 Shareholders among who are Related Parties ....	88
IX. Total Numbers and Equity of Shares Held In any Single Enterprise by the Company, Directors, Supervisors, Managers and Any Companies Controlled Either Directly or Indirectly by the Company .....	89
<b>IV. Capital Overview</b> .....	90
I. Capital and Shares .....	90
II. Status of Corporate Bonds .....	96
III. Status of Preferred Stocks .....	96

IV. GDR Issuance .....	97
V. Employee Stock Options.....	98
VI. Status of New Shares Issuance of Limited Stocks for Employees. ....	98
VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	98
VIII. Financing Plans and Implementation .....	98
<b>V. Operational Highlights.....</b>	<b>99</b>
I. Business Activities .....	99
II. Market and Sales Overview.....	111
III. Human Resources.....	120
IV. Environmental Protection Expenditures .....	120
V. Labor Relations.....	121
VI. Important Contracts .....	125
<b>VI. Financial Information .....</b>	<b>126</b>
I. Five-Year Financial Summary.....	126
II. Five-Year Financial Analysis .....	131
III. Audit Committee’s Report in the Most Recent Year .....	135
IV. Financial Statements for the Latest Year .....	136
V. Standalone Financial Statements Review by CPA for the Latest Year.....	136
VI. Specify impact to the Company if any financial difficulty happens to the Company and its subsidiaries in the most recent year and as of the printing day of this annual report ..	136
<b>VII. Review of Financial Conditions, Operating Results, and Risk Management .....</b>	<b>137</b>
I. Analysis of Financial Status .....	137
II. Analysis of Operating Results .....	138
III. Analysis of Cash Flow: .....	139
IV. Major Capital Expenditure Items influence on Financial Business. ....	139

V. Recent Reinvestment Policy, Major Reasons for Profits or Losses, Improvement Plan and Investment Plan for the Following Year.....	140
VI. Analysis of Risk Management.....	142
VII. Other Major Events.....	148
<b>VIII. Special Disclosure</b> .....	<b>149</b>
I. Affiliated Businesses.....	149
II. Private Placement Securities in the Most Recent Years.....	157
III. The Shares in the Company Held or Disposed of By Subsidiaries in the Most Recent Years .....	157
IV. Other Necessary Supplement .....	157
V. Any Events And as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Rights or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan. ....	158

**Attachment 1. 2019 Consolidated Financial Statements with Independent Auditors' Report**

**Attachment 2. 2019 Standalone Financial Statements with Independent Auditors' Report**

**Attachment 3. 2019 Affiliation Report**

## I. Letter to Shareholders

Dear shareholders,

Thank you for sparing time in attending the Company's 2020 general shareholders' meeting. We also appreciate the care and support extended by you to the Company.

The semiconductor market was impacted by weak demand and falling ASP of memory, also accompanied by trade tension and geopolitical instability, resulting in the declining global economy and semiconductor scale. With contribution of all colleagues, GlobalWafers managed to perform pretty well regardless of the headwind with second-best annual revenue in 2019! The consolidated revenue for 2019 is NT\$ 58.094 billion, slightly down by 1.64% from last year, and it was the second highest revenue since establishment! Through aggressive cost control, gross achieved 39.33%, amounting to NT\$ 22.847 billion; operating profit achieved NT\$17.897 billion; net profit was NT\$13.636 billion, after-tax earnings per share is NT\$ 31.35, all record-high! Please see below summary on 2019 operation performance, 2020 business plan, future strategy, influence of competition, regulations and macro economics:

### I. Operation Performance in 2019

#### (I) Operation Performance

Unit: NT\$ 1,000

Item \ Year	2019 (IFRSs)	2018 (IFRSs)	Increase/decrease percentage (%)
Revenue	58,094,331	59,063,510	-1.64%
Cost of Goods	35,247,610	36,764,666	-4.13%
Gross Profit	22,846,721	22,298,844	2.46%
Operating Expenses	4,949,500	4,720,793	4.84%
Operating Income	17,897,221	17,578,051	1.82%
Profit Before Tax	18,553,865	18,253,367	1.65%
Net Profit	13,635,656	13,633,771	0.01%

Though the macro economy was full of uncertainties, GlobalWafers maintained strong stance and profit by means of long-term agreement, flexibility production and aggressive cost control.

(II) Budget Implementation: No financial forecast for 2019.

### (III) Profitability Analysis

	Item	2019	2018
Financial structure	Debt ratio (%)	53.33%	51.95%
	Long-term funds to PPE (%) (PPE-plant, property, equipment)	200.81%	211.74%
Profitability	ROA (%) (return on assets)	14.69%	17.14%
	ROE (%) (return on equity)	30.91%	35.32%
	Operating Income to Capital Stock (%)	409.31%	402.01%
	Profit Before Tax to Capital Stock (%)	424.33%	417.46%
	Net Profit Margin (%)	23.47%	23.08%
	EPS (NT\$)	31.35	31.18

### (IV) Financial Structure

Unit: NT\$ 1,000

2019 revenue was NT\$58,094,331; cost of goods was NT\$35,247,610. Operating expense was NT\$4,949,500. Net non-operating income was NT\$656,644. Net profit before tax was NT\$18,553,865. Net profit after tax was NT\$13,635,656. The financial structure was healthy.

### (V) Research & Development

#### 1. 2019 Research & Development Expenditure

Unit: NT\$ 1,000

Item / Year	2019	2018
Research and Development Expenses	1,710,801	1,650,559
Sales Revenue	58,094,331	59,063,510
%	2.94%	2.79%

## 2. 2019 Achievement

### Technology/Product

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

## 3. Future Plan:

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

## II. Future Business Plan

### (I) Business Guideline

- (1) Flexible production arrangement to achieve economies-of-scale competitiveness; synchronize with end market and strengthen R&D bonding with customers; expand market share and profitability.
- (2) Use current customer networking to expand FZ/SOI sales territory, increasing utilization rate and profitability.
- (3) Aggressively develop on GaN/Si/SiC and process so as to facilitate new technology and product development; strengthen patent strategy.
- (4) Extensive cooperation on academy, government and Industry, active deployment on niche products

### (II) Sales Forecast and the basis:

World Semiconductor Trade Statistics (WSTS) announced the global semiconductor industry posted sales of \$412.1 billion in 2019, a decrease of 12.1% resulting from trade tension and sluggish Smartphone demand.

Among major semiconductor product categories, WSTS recorded growth in 2019 for discrete (-0.6%/ \$ 23.96 billion), optoelectronics (7.9%/ \$41.056 billion), sensors (2.0%/ \$13.623 billion), IC (-16%/ \$330.35 billion). When break down to details, Memory (-33%/ \$105.907 billion), Logic (-4.3%/ \$104.617 billion), Micro (-2.3%/ \$65.674 billion) and Analog (-7.9%/ \$54.151 billion).

WSTS originally predicts 2020 global semiconductor market will hit \$433 billion with mild growth rate of 5.9%. However the outspread of coronavirus is ongoing and may impact the worldwide semiconductor industry, it is uncertain if the sales revenue will reach WSTS' forecast.

### (III) Production & Marketing Strategy:

- (1) Integrate technology and resources among group, debottleneck to maximize capacity. Speed up in R&D consolidation of newly acquired business entities and set up international platform for further technology discussion in pursuit of better quality and customer satisfaction.
- (2) Stabilize supply of key raw materials and parts to ensure superior production quality and on-time delivery in order to secure smooth production.
- (3) Focus on development of high-efficiency niche products with core technology for more value.
- (4) Sign long-term agreement with key partners to solidify cooperation.
- (5) Maximize sales of 12" wafers and special products.

#### (IV) Future Strategy

- (1) Develop next-generation wafers with our advancing technology; explore large size heavy-dopant & high-power epitaxial technology to become the biggest wafer maker with most complete product portfolio in the world.
- (2) Expedite GaN and SiC and explore the sales territory.
- (3) Extensive cooperation on academy, government and Industry, maintain innovation dynamic and speed up R&D to be ahead of international peers.
- (4) Closely grasp market and industry trends as well as fine tune business strategies simultaneously; restlessly develop potential products in various applications; carry out patent protection measures to strengthen our own competitiveness.
- (5) Synchronize with markets and strengthen R&D bonding with customers; focus on development of high-efficiency niche products with core technology for more value; aggressively control manufacturing cost so as to maximize profits,
- (6) Search for technology and sales strategic alliance to meet our needs for R&D new materials as well as fast product introduction into end market so as to enlarge market share.
- (7) Stably extend operation scale via strategic alliance or M&A on the current superior operational foundation.

#### (V) Influences from External Competition, Regulations and Economy

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

to macro economy. With extensive global footprint in US and worldwide, GlobalWafers will flexibly arrange production to cope with relevant regulations and reduce the impact of trade tariffs on operating costs.

In 2020, it was forecasted that global semiconductor market will resume growing with stimulation of 5G, AI, and HPC. However, with the COVID-19 contagion impacts the global economy and end demands become soft, the depth and length of the pandemic is unclear. Semiconductors are broadly applied in consumer electronics, telecom, energy, finance, transportation and medical equipments, keeping the society and the infrastructure functioning. Once the containment efforts are effective, the supply and demand in global industry will be back to normal, and the AI, IoT, 5G and memory markets will become robust again. GlobalWafers will combine both domestic and oversea innovation energy to synchronize with the market and industry trends, collaborate closely with customers and customers. Not only dedicates in the existing market, GlobalWafers also grasps opportunities for further development, explore next-generation niche product areas, aiming to create more values for employees, customers and shareholders.

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



## II. Company Profile

I. Date of incorporation: October 18, 2011

II. Corporate Milestones

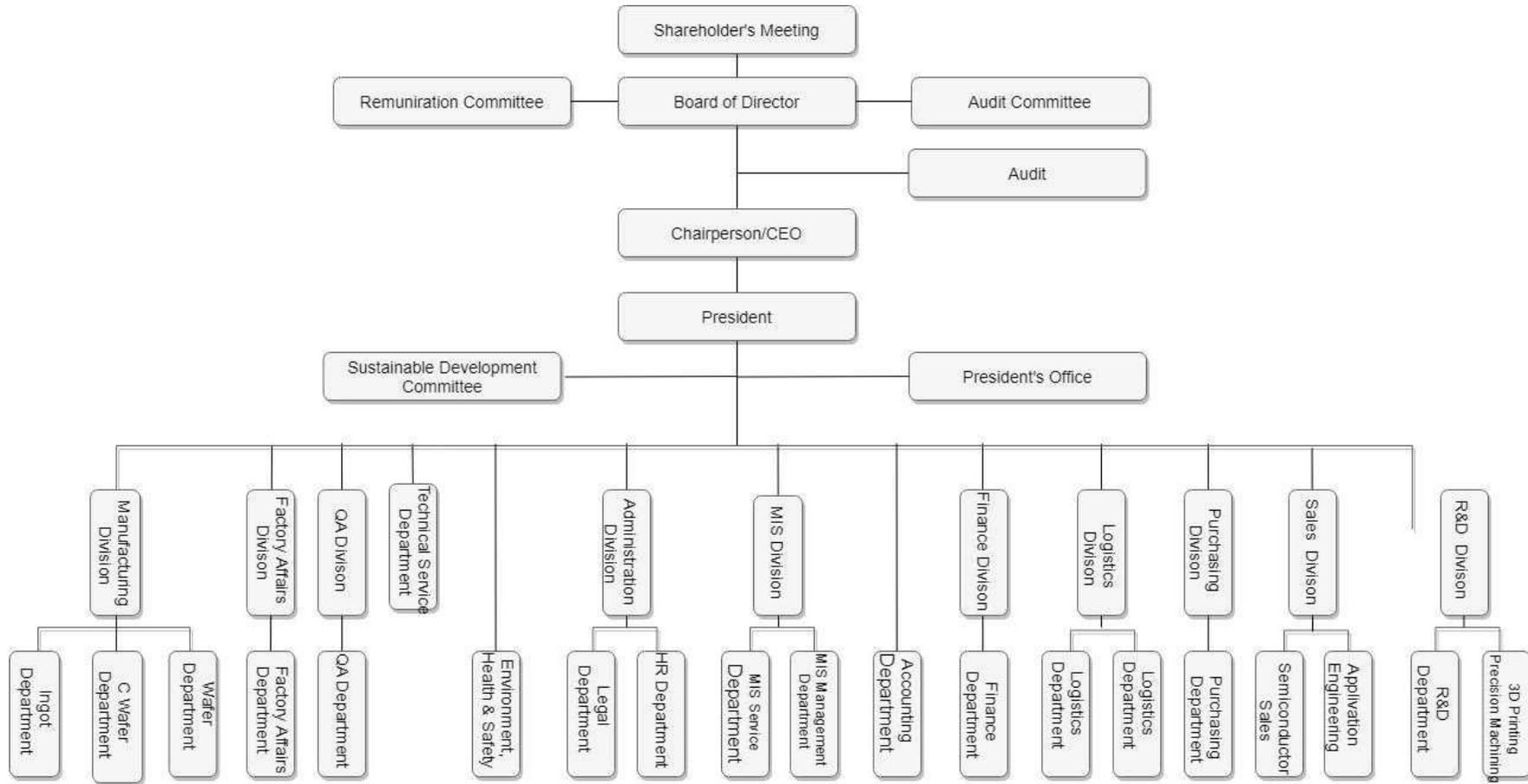
October 2011	Formal establishment of GlobalWafers Co., Ltd. (carved out from SAS semiconductor business unit) Paid-in capital-NTD 1,800,000,000.
April 2012	GlobalWafers acquired all the semiconductor silicon wafer related business in the subsidiaries of the Japanese Covalent Materials Corp. Paid-in capital-NTD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

	and Futures Institute
June 2018	Passed the Cleaner Production Assessment System of the Green Factory Label certification.
November 2018	Received the Golden Tower Award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by Corporate Synergy Development Center.
November 2018	The subsidiary, Taisil Electronic, received two silver top awards and one bronze top award of the “QCC Taiwan Continuous Improvement Award of 31st term” organized by Corporate Synergy Development Center.
December 2018	President of the subsidiary, Taisil Electronic, Yin-sheng Hsueh received the “National Manager Excellence Award-Excellent President” of 36th term organized by Chinese Professional Management Association.
January 2019	GWC Hsinchu Plant certified with the golden award for Green Building (renovation).
April 2019	Ranking at Top 5% among TPEX-listed companies in the Corporate Governance Evaluation of 5th term organized by Securities and Futures Bureau.
May 2019	2019 Happy Technology Company
July 2019	Best Quality Award From HHGrace
October 2019	Certified with Green Factory by the Industrial Development Bureau
November 2019	SGS ISO 45001 Plus Award
December 2019	Golden Tower of 2019 Taiwan Continuous Improvement Award (GWC)
December 2019	Golden Tower of 2019 Taiwan Continuous Improvement Award (Taisil, GWD' subsidiary)
April 2020	Ranking at Top 5% among TPEX-listed companies in the Corporate Governance Evaluation of 6th term organized by Securities and Futures Bureau.

### III. Corporate Governance

#### I. Organization Structure

##### (I) Organization Chart



(II) Responsibilities of Major Departments

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

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

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

### (1) Directors' and Supervisors' Information

April 27, 2019      Unit: shares; %

Title	Nationality	Name	Gender	Date Elected	Duration	Date First Elected	Shareholding When Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	June 25, 2018	3 years	October 1, 2011	847,879	0.19%	847,879	0.19%	—	—	—	—	- M.S. in computer science from University of Illinois - Executive vice president of Sino-American Silicon Products Inc.	Note 1	RD Vice President	Wen-Ching Hsu	Sibling
Director	Taiwan R.O.C.	SAS Representative: Ming-Kuang Lu	Male	June 25, 2018 June 25, 2018	3 years 3 years	October 1, 2011 October 1, 2011	222,293,000 1,002,560	50.84% 0.23%	222,727,000 1,000,000	51.17% 0.23%	— 300,000	— 0.07%	— —	— —	Honorary doctorate of Science in National Chiao Tung University President of Lite-On Semiconductor Corp. President of Vishay Lite-On Power Semiconductor Corp., Vice President of Silitek Corp	Note 2	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	SAS Representative: Tan-Liang Yao	Male	June 25, 2018 June 25, 2018	3 years 3 years	October 1, 2011 October 1, 2011	222,293,000 200,293	50.84% 0.05%	222,727,000 200,293	51.17% 0.05%	— 674	— 0.00%	— —	— —	- MBA from Tamkang University - Assistant vice president at Lite-On Semiconductor Corp. - President of Sino American Silicon Products Inc.	Note 3	N/A N/A	N/A N/A	N/A N/A
Director	Taiwan R.O.C.	Kuo-Chow Chen	Male	June 25, 2018	3 years	May 26, 2014	665,773	0.15%	665,773	0.15%	—	—	—	—	- Nan Ying Vocation High School - Chairman of Nan-hai photoelectric Co., Ltd. - Director of COTA Commercial Bank.	Note 4	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Chi-Hsiung Cheng	Male	June 25, 2018	3 years	January 19, 2015	5	0.00%	1,005	0.00%	—	—	—	—	Bachelor degree in business administration from Chinese Culture University - Vice section manager of Yulon Motors - Audit manager at Yue Sheng Industrial Co., Ltd. - Cost manager at Yueki Industrial Co., Ltd - Administration manager at Rica Auto Parts Co., Ltd. - Financing manager at Wafer Works Corporation.	Note 5	N/A	N/A	N/A
Independent Director	Taiwan R.O.C.	Cheng-Yuan Cheng	Male	June 25, 2018	3 years	June 25, 2018	—	—	—	—	—	—	—	—	Doctor of Mechanical Engineering, University of Liverpool/ Distinguished Professor, Department of Mechanical Engineering, National Taiwan University of Science and Technology (NTUST)/Dean and R&D Officer, NTUST College of Engineer/Team Head, Science and Technology Division in Moscow, TMECCC/Director & Consultant, TECO Group Research Institute	Note 6	N/A	N/A	N/A

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

**Note 2:** Chairperson & CEO of Sino-American Silicon (concurrent), Chairperson & CEO of Actron Technology Corporation, The legal board of director representative of Formerica Optoelectronics Inc., Chairperson of Rec Technology Corporation, The legal chairperson representative of Sino Silicon Technology, The legal board of director representative of SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte., The legal chairperson representative of Sunrise PV World Co., Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Director of GWafers Singapore Pte. Ltd.

**Note 3:** Vice Chairperson & Vice CEO of Sino-American Silicon (concurrent), Vice chairman and vice CEO of Actron Technology Corporation, Chairperson & CEO of Crystalwise, Director of Songlong Electronics Co., Ltd., Director of Yuan Hong Technical Materials Ltd., Director of Director of Shanghai Sawyer Shenkai Technology Material Co., Director of SY Company LLC, The legal board of director representative of SAS Sunrise Pte. Ltd., The legal board of director representative of Sunrise PV Three Co., Ltd., the legal representative of Taiwan Speciality Chemicals Corporation, Director of GlobiTech Incorporated, Director of GlobalWafers Japan Co., Ltd., Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of GWafers Singapore Pte. Ltd.

**Note 4:** Concurrently chairperson of the board of director of Nan-hai Optoelectronics Co., Ltd.

**Note 5:** Concurrently a member of remuneration committee of the board of director of Kenly Precision Industrial Co., Ltd.

**Note 6:** Independent Director of ANT Precision Industry Co., Ltd., Independent Director of Actron Technology Corporation, Director of Taiwan 3D Tech, International Journal of Automation and Smart Technology Managing Editor, Screening committee of Board of Ministry of Science and Technology, Screening committee of the Department of Industrial Technology / Industrial Development Bureau in Ministry of Economic Affairs ,

**Note 7:** If the chairman and the general manager or the equivalent (the top manager) is the same person, relatives such as spouse or first-degree relatives, please specify the reason, rationality, necessity and countermeasures:

The chairperson of the company also holds CEO position is under the consideration of the company's operating scale and the overall operating efficiency improvement. The company also has a president position whose duties and responsibilities are different from CEO's. CEO focuses on the planning ( defining the company's business strategy, annual budget, maintain partnership with important customer, strategic alliance planning, reinvesting deployment, and tracking achievements of annual plans, etc.), President is responsible for the implementation (execution and coordination of company business and supervise the subordinates to achieve operational objectives, and at the same time implement the company 's policies and the management strategy and related operational matters planned by CEO), these two positions support and complete each other.

By one person holding the positions of chairperson and CEO at the same time, the future blueprint designed by the board could be effectively realized, it also enhances board's understanding of the company's operations. More than half of the board directors are not employees or managers in the company, and there are three independent directors in the board, the functional committee members are also independent directors, who could submit their professional devices to the board after thorough discussion, strengthening the supervisory over the board and implementing corporate governance.

Note 8: The Company reelected 7 directors, including 3 independent directors, at the 2018 general shareholders' meeting (June 25, 2018). Notwithstanding, Independent Director Chun-Yen Chang was discharged from the position after being deceased on October 12, 2018, and the vacancy was fulfilled by Kwan-Leei Young approved by the shareholders' meeting (June 24, 2019). However, Independent Director, Kwan-Leei Young, resigned due to personal reasons on October 25, 2019. Therefore, one vacant position for the independent director will be reelected at the 2020 general shareholders' meeting. (June 23, 2020))

Note 9: The shareholding is calculated based on the quantity of shares less the treasury stock.

1. Major Shareholder of Institutional Shareholders:

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Sino-American Silicon Products Inc.	Hong-Wang Investment Company (4.27%), Fubon Life Insurance Co., Ltd. (4.14%), United Renewable Energy Co., Ltd. (3.73%), Capital Investment in custody for Low Labor Pension fund (2018. II) (2.51%), Wei-Lian Technology Co., Ltd. (2.24%), Lu, Ming-Kwang (1.94%), Cathay Life Insurance (1.85%), Hong-Mao Investment Co., Ltd. (1.78%), PJ Asset Management Co., Ltd.(1.71%), Mercuries Life Insurance (1.63%)

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

Name of Institutional Shareholders	Major Shareholders of Institutional Shareholders
Hong-Wang Investment Company	Wei-Lian Technology Co., Ltd. (39.02%), GlobalWafers (30.98%), Actron Technology Corporation (30.00%)
United Renewable Energy Co., Ltd.	National Development Fund (6.57%), Yaohua Glass Co., Ltd. Management Committee (6.27%), Delta Electronics Inc. (3.44%), JPMorgan Chase Bank N.A. Taipei Branch in Custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.27%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank Investment Account (1.21%), Sheng Ching-Shuang (1.18%), JPMorgan Chase Bank N.A. Taipei Branch in custody for Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds (1.08%), Citibank in custody for DFA Emerging Market Core Securities Investment Account (0.09%). Standard Chartered in custody for iShares Emerging Markets ETF(0.75%), Citi bank in custody for Dimensional Emerging Markets Value Fund(0.66%)
Wei Lian Technology Co., Ltd.	Hong- Mao Investment Co., Ltd. (35.40 %)
Hong Mao Investment Co., Ltd.	Chinese Christian Faith and Love Foundation (19.09%), Cross-Strait Taiwan Faith Hope & Love Foundation for Education (19.09%), Charitable Trust Social Welfare Fund (19.09%), VIA Faith and Love Charity Foundation (19.09%)

### (3) Director and supervisor information

Name	Meet one of the following professional qualification requirements, together with at least five years work experience			Compliance with independence criteria (Note 2)												Selected current positions/number of other public companies concurrently serving as an independent director
	Condition (Note 1)	A judge, public prosecutor, attorney, certified public accountant or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company	Work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the company	1	2	3	4	5	6	7	8	9	10	11	12	
Directors																
Hsiu-Lan Hsu			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sino-American Silicon Products Inc Representative: Ming-Kuang Lu			✓				✓	✓		✓	✓	✓	✓	✓	✓	✓
Sino-American Silicon Products Inc Representative: Tan-Liang Yao			✓				✓	✓		✓	✓	✓	✓	✓	✓	✓
Kuo-Chow Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director																
Chi-Hsiung Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Yuan Cheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings, or a director, supervisor or a legal person shareholder who appoints a representative to act as a director or supervisor of the company in accordance with paragraph 1 or 2 of Article 27 of the Company Act. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (6) Not a director, supervisor or employee of a company that a majority of its director seats or voting shares and those of any other company are controlled by the same person. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (7) Not a director (or governor), supervisor, or employee of that other company or institution whose chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified Company or institution that has a financial or business relationship with the Company. The same does not apply, however, in cases where it holds 20% or more and no more than 50% of the total number of issued shares of a specific company or institution, and where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship of any other director of the Company.
- (11) Not a person of any conditions defined in Article 30 of the Company Act.
- (12) Not elected with the conditions of government, juristic person or its representative defined in Article 27 of the Company Act.

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

April 25, 2020 Unit: share; %

Title (Note 1)	Nationality	Name	Gender	Date Elected	Current Shareholding		Spouse & Minor Shareholding		Shareholding in Other Persons' Names		Principal Work Experiences and Academic Qualifications (Note 2)	Positions Held Concurrently in The Company and/or in Any Other Company	Other executives, Directors and supervisors who are spouses or within second-degree relative of consanguinity			Title (Note 1)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
CEO	Taiwan R.O.C.	Hsiu-Lan Hsu	Female	Oct. 1, 2011	847,879	0.19%	—	—	—	—	- M.S. in computer science from University of Illinois - Vice president of Sino-American Silicon Products Inc	Note 1	RD VP	Wen-Ching Hsu	Sibling	Note 7
President	USA	Mark Lynn England	Male	Oct. 1, 2014	—	—	—	—	—	—	- University of Texas, Austin, Texas, BBA, Engineering Management - GlobalWafers Co., Ltd. V.P., Sales & Marketing - Texas Instruments Manager, Product Engineering	Note 2	N/A	N/A	N/A	—
R&D Vice President Manufacturing Vice President	Taiwan R.O.C.	Wen-Ching Hsu	Male	Sep. 2, 2014	17,778	0.00%	—	—	—	—	- Ph. D, Institute of NanoEngineering and MicroSystems of National Tsing Hua University - Researcher of Industrial Technology Research Institute of Taiwan - R&D vice president of Sino-American Silicon Products Inc.	N/A	CEO	Hsiu-Lan Hsu	Sibling	—
Logistics Vice President	Taiwan R.O.C.	Wei-Wen Chen	Male	Sep. 2, 2014	20,700	0.00%	132,000	0.03%	—	—	- Master in finance and economics from National Taiwan University - Master in finance and economics in engineering from Cornell University. - Assistant vice president at the Asia-pacific Logistics Chain Department of NXP Semiconductors	Note 3	N/A	N/A	N/A	—
Sales & Marketing Vice President	Taiwan R.O.C.	Sheng-Hsiung Hung	Male	Mar. 19, 2015	—	—	—	—	—	—	- Master in engineering from Boston University. - Vice president of Sales & RD in Kunshan Sino Silicon Technology Co., Ltd.	Note 4	N/A	N/A	N/A	—
Procurement Vice President	Taiwan R.O.C.	Ching-Wen Chou	Female	Jul. 1, 2016	8,150	0.00%	—	—	—	—	- Master degree in Business Administration, University of Long Island, USA - Procurement manager of Wistron NeWeb Corp - Project manager of Symbol Technologies	N/A	N/A	N/A	N/A	—
Corporate Development Vice President	Taiwan R.O.C.	Chung-Wei Lee	Male	Mar. 21, 2017	—	—	—	—	—	—	- Bachelor in Business Management, Master Business Administration, Meiji University - Vice CEO/President of Covalent Materials Taiwan - Assistant Director, Mitsui & Co. (Taiwan), Ltd.	Note 5	N/A	N/A	N/A	—
Sales & Marketing Assistant Director	Taiwan R.O.C.	Tien-Wen Yu	Male	Mar. 20, 2018	8,510	0.00%	—	—	—	—	- Bachelor in Business Administration, National Taipei University of Business - Vice director of Sales & Marketing in Sino-American Silicon Products Inc.	N/A	N/A	N/A	N/A	—
CFO	Taiwan R.O.C.	Ming-Hui Chien	Male	Sep. 2, 2014	19,730	0.00%	—	—	—	—	- Master in Business Administration from National Taipei University - Manager at Administration Department of JihSun International Commercial Bank - Manager of finance at Sunrise Global Solar Energy Co., Ltd.	Note 6	N/A	N/A	N/A	—
Accounting Manager	Taiwan R.O.C.	Yu-Ting Lo	Female	Mar. 23, 2018	—	—	—	—	—	—	- Department of Accountancy, National Cheng Kung University - Audit Manager, KPMG - Assistant Manager of Accounting in LITE-ON Technology Corporation - Assistant Manager of Accounting in Sunplus Technology Co., Ltd.	N/A	N/A	N/A	N/A	—
President of Taisil Branch	Taiwan R.O.C.	Yin-Sheng Hsueh	Male	Jan. 2, 2020	—	—	—	—	—	—	- Ph. D, Department of Materials Science and Engineering, Ohio State University - President of Taisil Electronic Materials Corp.	N/A	N/A	N/A	N/A	—
R&D Vice President of Taisil Branch	Taiwan R.O.C.	Liang-Chin Chen	Male	Feb. 1, 2020	—	—	—	—	—	—	- Ph. D, Department of Chemical Engineering and Materials Science, University of Minnesota - Taiwan Technical Director at Siltronic AG - R&D and Industrial Engineering Vice President, Taisil Electronic Materials Corp.	N/A	N/A	N/A	N/A	—
QA/Product Integration Vice President of Taisil Branch	Taiwan R.O.C.	Yao-Yi Huang	Male	Feb. 1, 2020	—	—	—	—	—	—	- Department of Electrical and Computer Engineering, Tamkang University - QA/Product Integration Vice President, Taisil Electronic Materials Corp.	N/A	N/A	N/A	N/A	—
Production Vice President of Taisil Branch	Taiwan R.O.C.	Chun-Jung Huang	Male	Feb. 1, 2020	—	—	—	—	—	—	- Department of Mechanical Engineering, National Cheng Kung University - Production Vice President, Taisil Electronic Materials Corp.	N/A	N/A	N/A	N/A	—
Projects Vice President of Taisil Branch	Taiwan R.O.C.	Chun-Wei Huang	Male	Feb. 1, 2020	—	—	—	—	—	—	- Department of Power Mechanical Engineering, National Tsing Hua University - Assistant Director of Project Department, Taisil Electronic Materials Corp.	N/A	N/A	N/A	N/A	—

- Note 1: CEO of GlobalWafers (concurrent), Director & President of Sino-American Silicon, Representative of Juristic person Director of Actron Technology Corporation, Director of Crystalwise, Director of GlobalWafers Inc., Director of GlobalSemiconductor Inc., Chairperson & CEO of GlobiTech Incorporated, Chairperson of GlobalWafers Japan Co., Ltd., Chairperson of MEMC Japan Limited, Vice Chairperson of Kunshan Sino Silicon Technology Co., Ltd., Director of Shanghai Growfast, Chairperson of Topsil GlobalWafers A/S, Director of GWafers Singapore Pte. Ltd., Director of GlobalWafers Singapore Pte. Ltd., Director of GlobalWafers B.V., Director of MEMC Korea Company, The legal board of director representative SAS Sunrise Inc., The legal board of director representative of SAS Sunrise Pte. Ltd., The legal supervisor representative of Sunrise PV Electric Power Three, The legal supervisor representative of Sunrise PV Electric Power Four, The legal chairperson representative of Taiwan Speciality Chemicals Corporation
- Note 2: Concurrently Director and President of GlobiTech Incorporated, Director and President of MEMC LLC, Director of GlobalWafers Singapore Pte. Ltd., Director of Taisil Electronic Materials Corp., Director of MEMC Korea Company.
- Note 3: Concurrently Supervisor of GlobalWafers Japan Co., Ltd., Supervisor of MEMC Japan Limited, Supervisor of Kunshan Sino Silicon Technology Co., Ltd., Supervisor of Shanghai GrowFast, Director of Topsil GlobalWafers A/S, Independent Director of High Power Lighting Corp.
- Note 4: Concurrently Director of Kunshan Sino Silicon Technology Co., Ltd., President of Shanghai GrowFast, Director and President of SunEdison Semiconductor Technology (Shanghai) Ltd.
- Note 5: Vice President of Corporate Development of Sino-American Silicon (concurrent), Legal supervisor representative of Sunrise PV Electric Power Two.
- Note 6: Director of Kunshan Sino Silicon Technology Co., Ltd. (concurrent), Director of MEMC Electronic Materials S.p.A., Director of GlobalWafers GmbH, the legal board of director representative of Hon-Wan Investment, Supervisor of Cathy Sunrise Corporation, the legal supervisor representative of Sunrise PV of Sunrise PV One Co., Ltd., the legal supervisor representative of Sunrise PV Seven Co., Ltd., the legal supervisor representative of Sunrise PV Electric Power Three, the legal supervisor representative of Sunrise PV Electric Power Four, the legal supervisor representative of Sunrise PV Five Co., Ltd., the legal supervisor representative of Sunrise PV Three Co., Ltd., the legal board of director representative of Sunrise PV Four Co., Ltd. the legal chairperson representative of Sunrise PV Electric Power Five Co. Ltd., Supervisor of Taiwan Speciality Chemicals Corporation, Sunrise PV Electric Power Two
- Note 7: If the chairman and the general manager or the equivalent (the top manager) is the same person, relatives such as spouse or first-degree relatives, please specify the reason, rationality, necessity and countermeasures:  
The chairperson of the company also holds CEO position is under the consideration of the company's operating scale and the overall operating efficiency improvement. The company also has a president position whose duties and responsibilities are different from CEO's. CEO focuses on the planning (defining the company's business strategy, annual budget, maintain partnership with important customer, strategic alliance planning, reinvesting deployment, and tracking achievements of annual plans, etc.), President is responsible for the implementation (execution and coordination of company business and supervise the subordinates to achieve operational objectives, and at the same time implement the company's policies and the management strategy and related operational matters planned by CEO), these two positions support and complete each other.  
By one person holding the positions of chairperson and CEO at the same time, the future blueprint designed by the board could be effectively realized, it also enhances board's understanding of the company's operations. More than half of the board directors are not employees or managers in the company, and there are three independent directors in the board, the functional committee members are also independent directors, who could submit their professional devices to the board after thorough discussion, strengthening the supervisory over the board and implementing corporate governance.
- Note 8: The shareholding is calculated based on the quantity of shares less the treasury stock.

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

1. Remuneration Paid to Directors (Independent Directors included)

Date: December 31, 2019 Unit: NTD\$ 1,000

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's subsidiary or from the Parent Company			
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)		Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note)				The company	All companies in the consolidated financial statements						
		The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	The company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock								
Director	Hsiu-Lan Hsu																								
	Sino-American Silicon Products Inc Representative: Ming-Kuang Lu																								
	Sino-American Silicon Products Inc Representative: Tan-Liang Yao	0	0	0	0	45,200	48,000	135	135	0.33%	0.35%	3,637	3,637	0	0	50,000	0	50,000	0	0.73%	0.75%	43,997			
	Kuo-Chow Chen																								
Independent Director	Chun-Yen Chang																								
	Chi-Hsiung Cheng	1,740	1,740	0	0	4,000	4,000	85	85	0.04%	0.04%	0	0	0	0	0	0	0	0	0.04%	0.04%	0			
	Kwang-Lei Young																								
<p>1. Please state the policy, system, standards and structure of independent directors' remuneration, and describe the relevance to the remuneration regarding the responsibilities, risks, time invested and other factors:                      In addition to the monthly payment to independent directors and board meeting attendance fee, the company may consider independent directors' involvement and contribution to the company's operations with reference of directors' performance evaluation, as well as the available profit of Previous year to determine remuneration of independent directors. The aforementioned remuneration is to be submitted to the board of directors for resolution after deliberation and approval by the remuneration committee.</p> <p>2. Apart from above disclosure, compensation paid to directors who provide service in all companies in the consolidated financial statements (such as being consultant): NA</p>																									

### Remuneration Paid to Directors

Remuneration Paid to Directors	Directors			
	Total Remuneration (A+B+C+D)		Total Compensation (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	Independent Director : Kwang-Lei Young	Independent Director : Kwang-Lei Young	Independent Director : Kwang-Lei Young	Independent Director : Kwang-Lei Young
NT\$ 1,000,000 ~ NT\$ 1,999,999	—	—	—	—
NT\$ 2,000,000 ~ NT\$ 3,499,999	Independent Directors: Chi-Hsiung Cheng Cheng-Yuan Cheng	Independent Directors: Chi-Hsiung Cheng Cheng-Yuan Cheng	Independent Directors: Chi-Hsiung Cheng Cheng-Yuan Cheng	Independent Directors: Chi-Hsiung Cheng Cheng-Yuan Cheng
NT\$ 3,500,000 ~ NT\$ 4,999,999	—	—	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	—	—	—	—
NT\$ 10,000,000 ~ NT\$ 14,999,999	Directors: Hsiu-Lan Hsu, Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao, Kuo-chou Chen	Directors: Hsiu-Lan Hsu, Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao, Kuo-chou Chen	Directors: Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao), Kuo-chou Chen	Sino-American Silicon Products Inc. (Representatives: Ming-Kuang Lu and Tang-Liang Yao), Kuo-chou Chen
NT\$ 15,000,000 ~ NT\$ 29,999,999	—	—	—	—
NT\$ 30,000,000 ~ NT\$ 49,999,999	—	—	—	—
NT\$ 50,000,000 ~ NT\$ 99,999,999	—	—	Director: Hsiu-Lan Hsu	Director: Hsiu-Lan Hsu
Over NT\$ 100,000,000	—	—	—	—
Total	7	7	7	7

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

Date: December 31, 2019 Unit: NT\$1,000

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary or from the Parent Company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
CEO	Hsiu-Lan Hsu	14,949	22,425	432	432	2,342	2,342	85,500	0	85,500	0	0.76%	0.81%	12,745
President	Mark Lynn England													
Vice President	Wen-Ching Hsu													
Vice President	Wei-Wen Chen													
Vice President	Sheng-Hsiung Hung													
Vice President	Ching-Wen Chou													
Vice President	Chung-Wei Lee													

**Remuneration Paid to Directors**

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 1,000,000	—	—
NT\$ 1,000,000 ~ NT\$ 1,999,999	Chung-Wei Lee	Chung-Wei Lee
NT\$ 2,000,000 ~ NT\$ 3,499,999	—	—
NT\$ 3,500,000 ~ NT\$ 4,999,999	—	—
NT\$ 5,000,000 ~ NT\$ 9,999,999	Wei-Wen Chen, Sheng-Hsiung Hong	Wei-wen Chen, Sheng-Hsiung Hong
NT\$ 10,000,000 ~ NT\$ 14,999,999	Mark Lynn England, Wen-Ching Hsu, Ching-Wen Chou	Wen-Ching Hsu, Ching-Wen Chou
NT\$ 15,000,000 ~ NT\$ 29,999,999	—	Mark Lynn England
NT\$ 30,000,000 ~ NT\$ 49,999,999	—	—
NT\$ 50,000,000 ~ NT\$ 99,999,999	Hsiu-Lan Hsu	Hsiu-Lan Hsu
Over NT\$ 100,000,000	—	—
Total	7	7

(3) Employee Profit Sharing Granted to Management Team

Date: December 31, 2019 Unit: NT\$ 1,000

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Management Team	Chairperson	Hsiu-Lan Hsu	—	93,800	93,800	0.69%
	President	Mark Lynn England				
	Vice President	Wen-Ching Hsu				
	Vice President	Wei-Wen Chen				
	Vice President	Sheng-Hsiung Hung				
	Vice President	Ching-Wen Chou				
	Vice President	Chung-Wei Lee				
	Sales Assistant VP	Tien-wen Yu				
	Finance Manager	Ming-Hui Chien				
	Accounting Manager	Yu-Ting Lo				

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

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

Unit: NT\$ 1,000; %

Title	2019 Proportion of remuneration to income after tax (%)		2018 Proportion of remuneration to income after tax (%)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Directors	0.37%	0.40%	0.38%	0.41%
President and Vice President	0.76%	0.81%	0.77%	0.83%

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

(1) The remuneration of directors of the company includes director remuneration, director payment, and execution fees, which are in accordance with the company's Articles of Incorporation and related regulations. Remuneration of president and vice presidents including salary, bonus and profit sharing plan stipulated pursuant to Articles of Incorporation and Power of Authorization.

(2) Procedures of Remuneration

The Articles of Incorporation stipulates as below:

If the Company has surplus at the end of each fiscal year, 3~15% of the profit shall be appropriated for the employees' remuneration and no more than 3% shall be appropriated for directors' remuneration. Directors' remuneration is determined on the degree and contribution of directors' participation in the company's operations with reference of the directors' performance evaluation and proceeded in accordance with the company's Articles of Incorporation and the "Procedure of Distributing Directors' Remuneration." Remuneration to presidents and vice president are in accordance with the company's Articles of Incorporation and the operation performance set in forth in Year Plan, with consideration of their position, duty and contribution to the company and reference of peer average. Its distribution is proceeded according to Procedure of Performance Evaluation and Procedure of Employee Stock Option.

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

(3) Connection between operation performance and future risk

Performance evaluation and remuneration of directors and managers are measured based on their position, participation of company operation, personal performance (including financial indexes like revenue and profit targets, or non-financial indexes like legal and internal compliance or special contribution...etc) and market average, as well as monetary amount, distribution method and future risk of the company. It has a positive correlation with the performance and responsibility of the company's business.

### III. Implementation of Corporate Governance

#### (I) Attendance of Directors for Board Meetings

The tenure of this term is June 25, 2018~June 24, 2021. The Board held 8 meetings in 2019. The attendance is summarized as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Chairperson	Hsiu-Lan Hsu	8	0	100%	The 4 <sup>th</sup> term (Reelected on June 25, 2018)
Director	Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	8	0	100%	
Director	Sino-American Silicon Products Inc. Representative: Tan-Liang Yao	7	1	88%	
Director	Kuo-Chow Chen	8	0	100%	
Independent Director	Chi-Hsiung Cheng	8	0	100%	
Independent Director	Cheng-Yuan Cheng	7	1	88%	
Independent Director	Kwang-Lei Young	1	0	100%	Newly elected on June 25, 2019 Resigned on October 25, 2019

Note: Independent Director, Kwang-Lei Young, assumed office on June 25, 2019, resigned on October 25, 2019 for personal reasons.

Other items to be stated:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors and the Company's resolution of said opinions:
  - (1) The circumstances referred to in Article 14-3 of the Securities and Exchange Act: Not applicable, as the Company has established the Audit Committee.
  - (2) Any documented objections or qualified opinions raised by independent directors against the Board's resolutions in relation to matters other than those described above: None.
- II. In instances where an independent director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts:
  1. **4th term, 9th meeting, May 7, 2019**
    - Agenda: 2018 remuneration distribution to managers and employee
    - Director recused: Hsiu-Lan Hsu
    - Reason for recusal and voting process : Hsiu-Lan Hsu served as both chairperson and CEO, and was an interested party because of being the manager of the company. Hsiu-Lan Hsu did neither involved in discussion nor voting. The proposal was approved as proposed by all directors.
  2. **4th term, 11th meeting, November 7, 2019**
    - Agenda: The Company proposed to sell Danish subsidiary, Topsil GlobalWafers A/S, to the Netherlandish subsidiary, GlobalWafers B.V.
    - Director recused: Hsiu-Lan Hsu
    - Reason for recusal and voting process: Chairperson, Hsiu-Lan Hsu, also served as director of GlobalWafers B.V. and was an interested party in this proposal. Hsiu-Lan Hsu did neither involved in discussion nor voting. The proposal was approved as proposed by all directors.

**3. 4th term, 12nd meeting, December 10, 2019**

- Agenda: The Company proposed to purchase GWafers Singapore Pte. Ltd. from GlobalWafers Inc.
- Director recused: Hsiu-Lan Hsu
- Reason for recusal and voting process: Chairperson, Hsiu-Lan Hsu, served as director of GlobalWafers Inc. and was an interested party in this proposal. Hsiu-Lan Hsu did neither involved in discussion nor voting. The proposal was approved as proposed by all directors.

**4. 4th term, 13rd meeting, December 27, 2019**

- Agenda: The Company proposed to purchase Sunrise PV Four Co., Ltd. from its affiliate company, Sunrise PV World Co.
- Director recused: Hsiu-Lan Hsu, Ming-Kuang Lu, Tan-Liang Yao
- Reason for recusal and voting process: Hsiu-Lan Hsu (Chairperson), Ming-Kuang Lu (Director), Tan-Liang Yao (Director) served as directors and supervisors of Sunrise PV World Co., and was interested parties in this proposal. Hsiu-Lan Hsu did not involved in discussion nor voting. The proposal was approved as proposed by all directors.

III. Board performance evaluation:

Cycle	Period	Scope	Method	Content & Index
Annual	Evaluation on 2019.1.1 ~2019.12.31 performance	Board Individual director Functional committee	Board self-evaluation Individual director self-evaluation Functional committee self-evaluation	<p>Board evaluation:</p> <ol style="list-style-type: none"> <li>1. Involvement in company operation</li> <li>2. Board decision quality</li> <li>3. Board composition and structure</li> <li>4. Director election and continuous education</li> <li>5. Internal control</li> </ol> <p>Individual director evaluation:</p> <ol style="list-style-type: none"> <li>1. Grasp of company goal and mission</li> <li>2. Duty &amp; responsibility</li> <li>3. Involvement in company operation</li> <li>4. Communication of internal relationship</li> <li>5. Director's profession and continuous education</li> <li>6. Internal control</li> </ol> <p>Functional committee evaluation:</p> <ol style="list-style-type: none"> <li>1. Involvement in company operation</li> <li>2. Duty of functional committee</li> <li>3. Functional committee decision quality</li> <li>4. Functional committee composition and appointment</li> <li>5. Internal control</li> </ol>

IV. Measures undertaken during the current year and past year in order to strengthen the functions of the Board of Directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

1. Appoint independent directors and establish the Audit Committee to strengthen professional directors' independent functions to supervise the operation of the Board of Directors: The Company held the special shareholders' meeting on January 19, 2015 to reelect directors and also elect 3 independent directors. At the same time, the Company established the Audit Committee to replace supervisors.
2. The Company established the Remuneration Committee to assist the Board of Directors in executing and evaluating the

Company's entire remuneration and welfare systems, and reviewing whether the remuneration to directors and managerial officers is adequate periodically.

3. Continue to upgrade the information transparency: The Company designates dedicated personnel to handle the disclosure of the Company's information and update the information on the Company's website, and sets up the investors section to provide business information, and the stakeholders section to provide the stakeholders with multiple unblocked and valid communication channels.
4. Upgrade the competence and professional knowledge of Board of Directors: The Company has established the "Parliamentary Rules for Board of Directors Meetings" to strengthen the competence of the Board of Directors. Meanwhile, the Company encourages the Board members to attend various professional courses and promotes related laws & regulations at the Board meetings to upgrade the Board's ability to make decision and satisfy related laws and regulations.
5. Appoint the Corporate Governance Officer to help directors perform duties and upgrade the performance of the Board of Directors: The Company passed the motion for appointment of Corporate Governance Officer at the Board Meeting on May 7, 2019. The corporate governance officer shall be responsible for dealing with the requirements by directors in a manner which may help the directors perform their duties timely and effectively, so as to enhance the Company's support to directors sand also strengthen the Company's compliance with corporate governance-related laws and regulations.

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

### 1. Operations of Audit Committee:

The Company established the Audit Committee to replace supervisors on January 19, 2015. The Audit Committee held 8 meetings in 2019. The attendance of independent directors is summarized as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Notes
Independent Director	Chi-Hsiung Cheng	8	0	100%	2 <sup>nd</sup> term (Reelected on June 25, 2018)
Independent Director	Cheng-Yuan Cheng	8	0	100%	
Independent Director	Kwang-Lei Young	1	0	100%	Newly elected on June 25, 2019 Resigned on October 25, 2019

Note: Independent Director, Kwang-Lei Young, assumed office on June 25, 2019, resigned on October 25, 2019 for personal reasons.

Formation and operations of Audit Committee:

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

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

Other items to be stated:

- I. Where the operation of the Audit Committee meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, resolution of the Audit Committee and the Company's handling of said resolution:
  - (1) Circumstances referred to in Article 14-5 of the Securities and Exchange Act:
 

All of the motions have been approved by all members present at the Committee meetings and then by all directors present at the Board meetings in 2018. The motions are stated as following (annual operations of the Audit Committee).
  - (2) Aside from said circumstances, resolution(s) not passed by the Audit Committee but receiving the consent of two-thirds of the whole directors: None.
- II. In instances where a director recuses himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of motions, reason for not voting and actual voting counts: None.
- III. Communication between independent directors and internal auditing officers as well as external auditors (such as items discussed, means of communication and results on the Company's finance and business, etc.):
  - (I) Communication between independent directors and internal auditing officers, as well as external auditors
    1. The Company's internal auditing officers communicate with the Audit Committee members for the audit report result and their follow-up report periodically.
    2. The Company's external auditors report to independent directors the result of their audit or review on the financial statements of the Company and its subsidiaries, as well as other matters to be communicated as required by laws, at the Audit Committee meetings each quarter.
  - (II) The summary of the communication between independent directors and internal auditing officers in 2019

Date	Focus of communication	Suggestions & results
March 14, 2019 Audit Committee	2018 Internal audit report 2018 Statement of Declaration on Internal Control System	No objection.
May 7, 2019 Audit Committee	Internal audit report of Q1 2019	No objection.
August 6, 2019 Audit Committee	Internal audit report of Q2 2019	No objection.
November 7, 2019 Audit Committee	Internal audit report of Q3 2019 2020 Internal audit plan	No objection.

(III) The summary of the communication between independent directors and external auditors in 2019

Date	Focus of communication	Suggestions & results
March 14, 2019 Audit Committee	Report on the result of audit on 2018 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.
May 7, 2019 Audit Committee	Report on the result of audit on Q1 2019 consolidated and standalone financial statements, and review; communication about the effects of applying	No objection.

	accounting principles and amendments of laws & regulations.	
August 6, 2019 Audit Committee	Report on the result of audit on Q2 2019 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.
November 7, 2019 Audit Committee	Report on the result of audit on Q3 2019 consolidated and standalone financial statements, and review; communication about the effects of applying accounting principles and amendments of laws & regulations.	No objection.

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

The Audit Committee held a total of 8 meetings in 2019 to review the following motions:

1. Review on financial statements and accounting policies & procedures:  
Review on 2018 financial statements and financial statements of Q1~Q3 2019; review on the plan for implementation of IFRS No. 16 "Lease".
2. Appraisal on internal control system and validity thereof:  
Review on internal audit report and validity of 2018 internal control system;
3. Amendments to the procedures for acquisition or disposition of assets, derivatives trading, fund lending to others, endorsements or guarantees for others;
4. Transactions of substantial assets, derivatives, fund lending and endorsements or guarantees;
5. Appointment (dismissal), remuneration, competence, independence and performance of external auditors:  
Review on the competence, independence and performance of external auditors in 2018;
6. Appointment/dismissal of financial, accounting or internal audit managers;
7. Review on short-form merger with subsidiary, Taisil Electronic Materials Corp.

V. Annual operations of Audit Committee:

Board of Directors Term/Date	Contents of Motion	Circumstances referred to in Article 14-5 of the Securities and Exchange Act.	Resolution of the Audit Committee and the Company's handling of said resolution
4th term 6th January 11, 2019	1. Motion for report on undertaking of derivatives trading	V	Approved by all members present at the Audit Committee meeting and passed by all directors present at the Board meeting.
	2. Report on 1 <sup>st</sup> buyback of treasury stock implementation	V	
	3. Motion for 2018 CPA professional fees	V	
	4. Motion for full redemption of investment on funds	V	
4th term 7th February 12, 2019	1. Capital increase on the reinvestment	V	
4th term 8th March 19, 2019	1. Motion for report on undertaking of derivatives trading	V	
	2. Motion for report on internal audit report.	V	
	3. Motion of evaluation on CPA's independence and performance	V	
	4. Motion for report on the Company's "Plan for Implementation of IFRS No. 16 "Lease"	V	
	5. Motion for the Company's 2018 business report and financial statements.	V	
	6. Motion for the Company's 2018 distribution of earnings.	V	
	7. Motion for 2018 "Statement of Declaration on Internal Control System"	V	
	8. Motion for amendments to the Company's "Acquisition or Disposal of Assets Procedure".	V	
	9. Motion for amendments to the Company's "Policies and Procedures for Financial Derivatives Transactions".	V	
	10. Motion for amendment to the accounting system.	V	
4th term 9th	1. Motion for the Company's consolidated financial statements of Q1 2019.	V	

May 7, 2019	2. Motion for report on internal audit report.	V
	3. Motion for report on undertaking of derivatives trading.	V
	4. Motion for selling the investing shares	V
	5. Motion for amendments to the Company's "Procedures for Lending Funds to Other Parties"	V
	6. Motion for amendments to the Company's "Procedures for Endorsement and Guarantee"	V
4th term 10th August 6, 2019	1. Motion for the Company's consolidated financial statements of Q2 2019	V
	2. Motion for report on internal audit report.	V
	3. Motion for report on undertaking of derivatives trading.	V
	4. Motion for selling the investing shares	V
	5. Motion for the Company's issuance of LOS intended to apply for credit facility with the bank for the subsidiary.	V
	6. Motion for the Company's issuance of LOS intended to apply for credit facility with the bank for the subsidiary.	V
	7. . Motion for the Company's acting as a guarantor in the application of the subsidiary, Topsil GlobalWafers A/S, for credit facility with the bank.	V
	8. Motion for equity investment	
	9. Motion for signing LTA with suppliers	V
4th term 11th November 7, 2019	1. Motion for the Company's consolidated financial statements of Q3 2019	V
	2. Motion for report on internal audit report.	V
	3. Motion for report on undertaking of derivatives trading.	V
	4. Motion for group restructure	V
	5. Motion for 2020 internal audit plan	V
	6. Motion for selling Danish subsidiary, Topsil GlobalWafers A/S, to Netherlandish subsidiary, GlobalWafers B.V.	V
4th term 12nd December 10, 2019	1. Motion for cash increase to Korean subsidiary, MEMC Korea Company	V
	2. Motion for 2020 year plan	V
	3. Motion for repatriation of overseas funds	V
	4. Motion for buying GWafers Singapore Pte. Ltd. from Netherlandish subsidiary, GlobalWafers Inc.	V
4th term 13rd December 27, 2019	1. Motion for purchasing Sunrise PV Four Co., Ltd. from GWC's affiliate company, Sunrise PV World Co.	V
	2. Motion for short-form merger with 99.9% shareholding subsidiary, Taisil Electronic Materials Corp.	V

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

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

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			trading securities based on non-public information.	
<p>III. Formation and responsibilities of Board of Directors</p> <p>(I) Whether the Board of Directors has diversified policies regulated and implemented substantively according to the composition of the members?</p> <p>(II) Whether the Company, in addition to establishing the Remuneration Committee and Audit Committee, pursuant to laws, is willing to establish any other functional committees voluntarily?</p> <p>(II) Whether the Company has defined the regulations governing appraisal on performance of the Board of Directors and the approach to conduct the appraisal, whether it conducts the performance appraisal periodically each year, submit the results to BoD and apply as reference for remuneration evaluation of each director and nomination for term renewal?</p> <p>(IV) Whether the Company assesses the independence of the external auditor periodically?</p>	<p>V</p> <p>V</p> <p>V</p> <p>V</p>		<p>(1) The Company's "Corporate Governance Best-Practice Principles" has expressly defined the formation of the Board members and ability to be held by the members. The Company has also established the diversified policy for the Board members. The Company's 4th-term Board of Directors consists of 7 directors, including 3 independent directors. Apparently, the formation thereof has taken the diversification into consideration. They include one female director, and also hold abundant educational backgrounds and experience in business administration, professional technology, business and finance, namely the knowledge, skills and literacy required by their job duties. Among the Company's existing 6 directors, the directors who are also employees account for 17%, independent directors 33%, and female directors 17%. 2 independent directors shall hold the position for less than 3 years and 3~6 years, respectively. The Company values the Board members' industrial experiences. One director who has the experience and technical ability in the semiconductor industry is expected to be elected through by-election at the 2020 general shareholders' meeting, in response to the need for the Company's development. Further, the Company also values the proportion of the Board members' genders. The Company aims to elect at least one female director, and for the time being, the Company has one female director, accounting for 17% of the whole directors. In the future, the Company will strive to increase female directors. The diversified policies applicable to the Company's Board members and status of diversification of the individual Board member are disclosed on the Company's website.</p> <p>(II) The Articles of Incorporation expressly state that the</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>Company may establish functional committees subordinated to the Board of Directors. Establishment and functions of the related committees shall comply with the regulations established by the competent authority. The functional committees which the Company has established are stated as following: The Remuneration Committee established in 2014 consists of 3 independent directors. The Audit Committee established in 2015 consists of 3 independent directors. The Corporate Sustainability Committee established in 2017 consists of the management team, and Chairperson acts as the Committee Chairperson responsible for reporting the status and results to the Board of Directors periodically.</p> <p>(III) The Company has established the "Regulations Governing Performance Appraisal on Board of Directors and Functional Committees". At the end of each year, according to the overall planning of President's Office, the performance appraisal on the Board of directors, individual Board member and functional committees (including Audit Committee and Remuneration Committee) will be carried out in the form of the internal self-appraisal questionnaire. The appraisal result will be reported to the Board of Directors and served as the reference for remuneration evaluation of individual director, election or nomination of directors and also the suggestions about improvement on the operations and functions of the Board of Directors and functional committees. The scope of appraisal covers the level of participation in the Company's operations, decision making of meetings, formation and structure of the Board of Directors and functional committees, election of directors and committee members, continuing education and internal control, et al.. The Company has completed the 2019 performance appraisal on the Board of Directors and functional committees. The appraisal report was already reported to the Board meeting on March 17, 2020 and disclosed on the Company's website.</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>(IV) The Company has established the “Regulations Governing Appraisal on Independence and Performance External Auditors”. The Company will assess the external auditors’ independence, competence and performance each year, and submit the assessment report to the Audit Committee and Board of Directors for approval. The Company has completed the 2019 appraisal on independence and performance of external auditors. The appraisal report was already reported to the Audit Committee meeting and approved by the Board meeting on March 17, 2020.</p> <p>The scope of appraisal on independence covers the 15 indicators, including whether the external auditors hold the position as directors/supervisor or managerial officers of customers, or any other positions which may render material effect to the audited cases, whether the external auditors have direct or indirect material financial interest with the Company, whether the external auditors have significant business relations and employment relations with the Company, and whether the external auditors promote, or act as the broker for, the stock or other securities issued by the Company. The performance indicators include service quality, level of profession and timeliness.</p>	
IV. Where the Company is a TWSE/TPEX listed company, has the Company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholders’ meetings under laws, company registration and registration of changes, preparation of board meeting and shareholders’ meeting minutes, etc)?	V		<p>The Company resolved at the Board meeting on May 7, 2019 that the Company’s financial manager, Director Ming-Hui Chien, should hold the position as the Company’s corporate governance officer concurrently (who has the experience in the management of finance, shareholders’ service and parliamentary procedures for TWSE/TPEX-listed companies for more than three years), responsible for leading and guiding the President’s Office to process corporate governance-related affairs and provide directors with support. The functions to be performed by him include:</p> <p>1. Convention of the Board meetings and shareholders’ meetings under laws.</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>2. Preparation of the Board meeting and shareholders' meeting minutes.</p> <p>3. Helping directors with their duties and continuing education.</p> <p>4. Providing directors with the information needed to perform their duties.</p> <p>5. Helping directors comply with laws.</p> <p>6. Other requirements under the Articles of Incorporation.</p> <p>The status of business executed by the corporate governance officer this year:</p> <p>1. Set and plan the review on the corporate governance-related regulations, and add and amend the same to fulfill the compliance.</p> <p>2. Provide the directors with the information needed to perform their duties, and help the directors with their compliance.</p> <p>3. Help the new directors with their duties and provide related support.</p> <p>4. Arrange the continuing education courses for individual directors (each director shall attend the training for at least 6 hours each year, provided that each new director shall attend the training for at least 12 years in the year).</p> <p>5. Plan each Board meetings, notify all directors at least within 7 days prior to the meetings, provide sufficient parliamentary information, and send the Board meeting minutes within 20 days after the meetings.</p> <p>6. Pre-register the shareholders' meetings pursuant to laws, produce the meeting notices, parliamentary handbook, annual reports and meeting minutes, and complete registration of changes (amendments to the Articles of Incorporation, and election of directors).</p> <p>Since the corporate governance officer refers to a new position, the officer shall complete the continuing education courses for at least 18 hours within one year after he holds the position, and at least 12 hours each year additionally pursuant to laws. Status of the continuing education courses attended</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof																												
	Yes	No	Abstract Explanation																													
			<p>by the corporate governance officer until the date of publication of the annual report:</p> <table border="1"> <thead> <tr> <th>Training Date</th> <th>Organizer</th> <th>Name of Course</th> <th>Training Hours</th> </tr> </thead> <tbody> <tr> <td>2019/05/09</td> <td>Taiwan Corporation Governance Association</td> <td>The impact of recent regulation amendments on decisions of the board.</td> <td>3.0</td> </tr> <tr> <td>2019/07/26</td> <td>Governance Professionals Association</td> <td>Board function and remuneration seminar</td> <td>3.0</td> </tr> <tr> <td>2019/07/31</td> <td>Taipei Exchange</td> <td>Advocate on insider shareholding of TPEX-listed and emerging stock company</td> <td>3.0</td> </tr> <tr> <td>2019/11/12</td> <td>Taiwan Corporation Governance Association</td> <td>Analyses on repatriation of offshore funds under global anti-Tax avoidance</td> <td>3.0</td> </tr> <tr> <td>2020/04/17</td> <td>Taiwan Corporation Governance Association</td> <td>Examples of corporate governance and legal compliance</td> <td>3.0</td> </tr> <tr> <td>2020/04/24</td> <td>Taiwan Corporation Governance Association</td> <td>Board operation and decision effectiveness</td> <td>3.0</td> </tr> </tbody> </table>	Training Date	Organizer	Name of Course	Training Hours	2019/05/09	Taiwan Corporation Governance Association	The impact of recent regulation amendments on decisions of the board.	3.0	2019/07/26	Governance Professionals Association	Board function and remuneration seminar	3.0	2019/07/31	Taipei Exchange	Advocate on insider shareholding of TPEX-listed and emerging stock company	3.0	2019/11/12	Taiwan Corporation Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3.0	2020/04/17	Taiwan Corporation Governance Association	Examples of corporate governance and legal compliance	3.0	2020/04/24	Taiwan Corporation Governance Association	Board operation and decision effectiveness	3.0	
Training Date	Organizer	Name of Course	Training Hours																													
2019/05/09	Taiwan Corporation Governance Association	The impact of recent regulation amendments on decisions of the board.	3.0																													
2019/07/26	Governance Professionals Association	Board function and remuneration seminar	3.0																													
2019/07/31	Taipei Exchange	Advocate on insider shareholding of TPEX-listed and emerging stock company	3.0																													
2019/11/12	Taiwan Corporation Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3.0																													
2020/04/17	Taiwan Corporation Governance Association	Examples of corporate governance and legal compliance	3.0																													
2020/04/24	Taiwan Corporation Governance Association	Board operation and decision effectiveness	3.0																													
V. Whether the Company has established a communication channel for the stakeholders	V		The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the	No significant difference																												

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(including but not limited to shareholders, employees, customers and suppliers), set up the stakeholder section on the Company's website, and responded to the stakeholders regarding their concerns over corporate social responsibilities?			Company's website as the contact for various stakeholders. The dedicated personnel will be responsible for answering related questions. The Company also disclosed in its CSR report how to identify various stakeholders (including employees, customers, investors, suppliers, government entities and media, et al.), and the communication channels between the Company and various stakeholders, method of response, frequency of communication, and their concerns. The above information are disclosed in the related party section on the official website, and reported in the annual report of the "Corporate Sustainability Committee" to be submitted to the Board of Directors each year.	
VI. Whether the Company has commissioned a professional shareholders service agent to handle shareholders service affairs?	V		The Company entrusts Yuanta Securities Co., Ltd. to act as the Company's shareholders service agent to handle shareholders service affairs on behalf of the Company.	No significant difference
VII. Information disclosure				
(I) Whether the Company has established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company has set up the website dedicated to providing financial, business, and corporate governance-related information.	No significant difference
(II) Whether there are other means for disclosure adopted by the Company (e.g. set up an English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website, et al.)?	V		(II) The Company has set up an English website and designated dedicated personnel to collect and disclose the Company's information. Since the Company was listed on TWSE, it has completed the publication and regulatory filing of the relevant information pursuant to the requirements by the competent authority and related laws. The shareholders may access and learn the Company's information and important messages (including the information about meetings with institutional investors) on the MOPS or the Company's website. The Company does practice the spokesman and deputy spokesman systems.	No significant difference
(II) Whether the Company announces and declares the annual financial statements within two months after the end of the fiscal year, and announces and declares the first, second, and third quarter financial statements and the monthly revenue ahead of the prescribed period?		V	(iii) Due to the numerous overseas subsidiaries result in complexity of transnational financial statements consolidation, the Company announces and declares its annual financial statements within the legal period of three months after the end of the fiscal year. The Company arranges early	Partial difference : Due to the numerous overseas subsidiaries result in complexity of transnational financial statements

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			announcements and declares the first, second, and third quarter financial reports and monthly revenue before the prescribed deadline to enhance the transparency and timeliness of company information disclosure.	consolidation, the Company announces and declares its annual financial statements within the legal period of three months after the end of the fiscal year.
VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to, employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and maintenance of liability insurance for the Company's directors and supervisors)?	V		<p>(I) Employee rights and employee care: The Company is used to valuing the labor-management relationship and treating the employees in good faith, and also protect the employees' legal interests and rights pursuant to the Labor Standards Act. Meanwhile, the Company builds the fair relationship of mutual trust and reliance with the employees via various employee welfare policies and excellent educational training systems.</p> <p>(II) Investor relations: Disclose the information sufficiently via the MOPS and the Company's website to enable the investors to understand the Company's overview of operation, and communicate with investors via the shareholders' meeting and spokesman.</p> <p>(III) Supplier relations: The Company maintains fair interactive relations with the suppliers, and conducts audits from time to time to ensure the suppliers' quality.</p> <p>(IV) Stakeholders' interests: The Company has appointed the spokesman and deputy spokesman, and also set up the stakeholder section on the Company's website to help the stakeholders communicate with the Company and provide suggestions to the Company to maintain the legal interests and rights deserved by them.</p> <p>(V) Continuing education of directors: All of the Company's directors shall hold the related professional knowledge, attend the related courses pursuant to laws and satisfy the continuing education hours as required.</p> <p>(VI) Implementation of risk management policies and risk measurements: The Company is used to managing the risk</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>stably, and establishes the related internal regulations and internal control system to prevent various risks. Meanwhile, the internal audit unit will audit the status of the internal control system, periodically or from time to time.</p> <p>(VII) Implementation of customer policy: The Company maintains the fair and stable relations with customers and adopts the policy taking customers as the priority, in order to create profit for the Company.</p> <p>(VIII) Maintenance of liability insurance for directors: The Company has taken out the liability insurance for its directors to enhance the protection on shareholders' equity, and disclosed the relevant information in the corporate governance section on the MOPS.</p>	
<p>IX. Please specify the status of correction based on the corporate governance assessment report released by the Corporate Governance Center of TWSE in the most recent year, and the priority corrective actions and measures against the remaining deficiencies:  According to the 2019 Corporate Governance Evaluation, the Company ranked at Top 5% among TPEX-listed companies. The corrections and remaining deficiencies are stated as following:</p> <p>(I) Corrections</p> <ol style="list-style-type: none"> <li>1. Disclose the annual reports in English language prior to a shareholders' meeting.</li> <li>2. Disclose the annual financial reports (including financial statements and notes thereto) in English prior to a shareholders' meeting.</li> </ol> <p>(II) Remaining deficiencies</p> <ol style="list-style-type: none"> <li>1. At least two independent directors attend board meeting in person.</li> <li>2. Upload English consolidated and standalone annual financial statements 7 days before the annual shareholders meeting</li> </ol>				

#### (4) Operation of Remuneration Committee

##### 1. Member Information

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

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (3) The director, or his or her spouse or minor child, does not hold, in his or her own name or in another name, more than 1% of the company's total issued shares, nor is one of the company's top ten natural-person shareholders.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding 1 subparagraph, or of any of the above persons in the preceding subparagraphs 2 and 3;
- (5) Not a director, supervisor, or employee of a institutional shareholder that directly holds 5% or more of the total number of issued shares of the Company or that holds shares ranking in the top five in holdings, or a director, supervisor or a legal person shareholder who appoints a representative to act as a director or supervisor of the company in accordance with paragraph 1 or 2 of Article 27 of the Company Act. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (6) Not a director, supervisor or employee of a company that a majority of its director seats or voting shares and those of any other company are controlled by the same person. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (7) Not a director (or governor), supervisor, or employee of that other company or institution whose chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses. The same does not apply, however, in cases where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (8) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution that has a financial or business relationship with the Company. The same does not apply, however, in cases where it holds 20% or more and no more than 50% of the total number of issued shares of a specific company or institution, and where the person is an independent director of the Company, its parent Company, or any subsidiary in which the Company holds Pursuant to Taiwan or local regulations.
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a person of any conditions defined in Article 30 of the Company Act.

2. Duties of Remuneration Committee:

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

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

Date	Term	Agenda
March 14, 2019	3rd term 2 <sup>nd</sup> meeting	1. Motion for annual salary adjustment of managers
		2. Motion for 2018 remuneration to employees and directors
May 7, 2019	3rd term 3 <sup>rd</sup> meeting	1. Motion for amendment to “Procedure of director remuneration distribution”
		2. Motion for 2018 director remuneration
		3. Motion for 2018 director remuneration

3. Operations of Remuneration Committee

- (1) Term of office: From June 25, 2018 to June 24, 2021; the Committee has held 2 meetings in 2019, and the Committee members’ qualification and attendance of the members are summarized as follows:

Title	Name	Attendance in Person	Attendance In Proxy	Attendance Rate in Person (%)	Remark
Convener	Chi-Hsiung Cheng	2	0	100%	3 <sup>rd</sup> term Reelected on June 25, 2018
Committee member	Cheng-Yuan Cheng	2	0	100%	
Committee member	Kwang-Leei Young	2	0	100%	Newly elected on December 25, 2018 Resigned on October 25, 2019
Committee member	Hsien-Chin Chiu	-	-	-	Newly elected on November 7, 2019

Note 1:Independent Director, Kwang-Lei Young, assumed office on June 25, 2019, resigned on October 25, 2019 for personal reasons.

Note 2: Committee member, Hsien-Chin Chiu was entrusted by the board on November 7, 2019, however the company did not convene remuneration committee meeting by end of 2019, therefore no attendance in 2019.

Other items to be stated:

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

### 3. Operations of Remuneration Committee:

Remuneration Committee:  Term/Date	Contents of Motion	Resolution	The Company's resolution of the Remuneration Committee's opinions
3rd term 2nd March 14, 2019	1. Motion for annual salary adjustment of managers	Passed upon approval by the whole present directors unanimously.	Submitted to the Board meeting and passed upon approval of the whole present directors unanimously.
	2. Motion for 2018 remuneration to employees and directors		
3rd term 3rd May 7, 2019	1. Motion for amendment to "Procedure of director remuneration distribution"	Passed upon approval by the whole present directors unanimously.	
	2. Motion for 2018 director remuneration		
	3. Motion for 2018 director remuneration		

(V) Corporate Social Responsibility and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”:

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
I. Whether the company conducts business operations in accordance with the principle of materiality risk assessment of environmental, social and corporate governance issues, and formulate relevant risk management policies or strategies?	V		<p>The company legislates "Risk Management Policy" and "Risk Management Measures" and approved by the Board of Directors.</p> <p>The President’s office coordinates the advocacy and implementation of the risk management plan, and has designated departments responsible for advocating the risk management of its subordinate business. It assesses risks regularly and reports the implementation to the board of directors once a year. The scope of risk management includes hazard risk, operational risk, financial risk, strategic risk, compliance risk/contract risk, other risks, etc. Through the risk management process (including risk identification, risk measurement, risk monitoring, risk reporting and disclosure, risk response), GWC effectively implements the company's risk management strategy.</p> <p>In response to international trends, the Company’s “Corporate Sustainable Development Committee” also</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			conducts risk assessments on environmental, social, corporate governance, and climate change issues related to the company's operations and formulate corresponding risk management strategies based on materiality principles. For detailed risk assessment and management strategy information, please refer to the "Chapter Two, Governance and Operations" of the company's CSR report.	
II. Whether the Company establishes a unit dedicated to (concurrently engaged in) promoting corporate social responsibility under supervision by the high-rank management authorized by the Board of Directors who shall be responsible for reporting the status thereof to the Board of Directors?	V		The Company has established the "Corporate Sustainable Development Committee". The Chairperson acts as the Committee chairperson and various functional organizations delegate their representatives to act as the Committee members. The Company also establishes the ESG (environment, society and corporate governance)-related policies and development strategies and review the effect of implementation thereof to pursue improvement continuously. The Committee chairperson will report the status and performance of the implementation to the Board of Directors each year to pursue corporate sustainability and fulfill corporate social responsibility.	No significant difference
III. Environmental issues				No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(i) Whether the Company establishes an appropriate environmental management system which suits its industrial characteristics?	V		(I) The company upholds the corporate social responsibility and aims to take care of environmental protection while serving customers, and provide a better and safer working environment. The implementation of ESH through the "compliance with laws and regulations, environmental protection, hazard prevention, continuous improvement, all staff awareness" policy. The company has obtained environmental management system (ISO 14001: 2015), energy management system (ISO 50001: 2011), and occupational safety and health management system (ISO 45001: 2018) certifications, meanwhile, the company is responsible for boosting and execution of environmental protection problems, safety and health affairs for environmental management by promoting the environmental protection concept, strengthening the educational training, saving energy and reducing carbon internally, fulfilling the environmental management policies and establishing the unit dedicated to managing labor safety and health affairs.	
(ii) Whether the Company is committed to	V	V	(II) Through the promotion of ISO 14001 environmental	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
<p>improving the utilization efficiency of various resources and using recycled materials with low impact on environmental?</p> <p>(iii) Whether the Company assesses the potential risks and opportunities of climate change to the company now and in the future, and take measures to deal with climate-related issues?</p>	V		<p>management system, the company introduces the concept of product life cycle to reduce the consumption of raw materials and waste output. Each plant uses different recycled raw materials as many as possible according to the process characteristics. By recycle or reuse of polysilicon, slurry(carrier), product packaging cartons and crystal boat we effectively reduce the new purchase quantity, waste output, and improve the efficiency of various resources. Please refer to "Chapter 4, Sustainable Environment" of the company's corporate social responsibility report for information on the reuse of various resources.</p> <p>(III) The company follows the framework recommended by The Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB) to expose information related to climate change and identify climate change to the company Potential risks and opportunities, as well as related countermeasures and objectives. For related information, please refer to the company's corporate social responsibility report</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(iv) Whether the company counts greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulate policies for energy, carbon, greenhouse gas and water use reduction, or other waste management?	V		<p>"Chapter 2, Governance and Operations"</p> <p>(IV) The company promotes various energy-saving measures to minimize operating activities side effects, and reduces the operational impact on the natural environment. The company has established an energy management system (ISO 50001: 2011) for energy saving and carbon reduction projects, a greenhouse gas inventory (ISO 14064: 2006) for greenhouse gas reduction projects, and a product water footprint verification (ISO 14046: 2014) for water reduction projects, all these projects, together with the clean production assessment, have been verified by an independent third-party unit. The company passed the "Green Building" certification by the Ministry of the Interior in January, 2019, and was awarded the "Golden medal of Green Building" in March of the same year, and certified with the "Green Factory" issued by the Bureau of Industry in October 2019.</p> <p>The company conducts annual tracking of greenhouse gas emissions, total water consumption, recycle and reuse of water, waste disposal, and the use of recycled</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>raw materials. For relevant information, please refer to the company's corporate social responsibility report-Chapter 4, Continued environment "</p> <p>The company's policies and annual goals for energy saving and carbon reduction, greenhouse gas reduction, water consumption or other waste management are as follows:</p> <p>(1) Energy resource consumption and reduction of greenhouse gas emissions: The Company's main source of greenhouse gas emissions is electricity. Therefore, the reduction of electricity use and the improvement of energy efficiency are the company's top priorities. In Taiwan, the company introduces the ISO 50001 energy management system to monitor and measure major energy-using equipment, and proposes action improvement plans, regularly tracks the performance of improvement measures, and internally promotes energy reduction to achieve continuous improvement to achieve energy saving</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>and carbon reduction.  →2020 annual goal:  annual power saving rate of each plant &gt; 1%;  reduction of greenhouse gas emissions &gt; 1%</p> <p>(2) Reducing water consumption: The Company's Taiwan water-saving measures management process is mainly divided into factory management systems and process equipment for sub-item management, continuously improving the efficiency of the process wastewater recovery system, and regularly holds internal water-saving discussion and improvement meetings and promotes water conservation.  →2020 annual goal: to improve water recycle</p> <p>(3) Waste management: The company focuses on waste management, from process improvement and source reduction, to reduce the output of waste (including air pollution emissions), and to recycle, and reuse to reduce new purchases as well as waste.</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>→ 2020 Annual goal: waste output reduction &gt; 2%</p> <p>(4) Pollution prevention and control: The Company promotes green products and green production. From process design and technology upgrade the Company reduces the consumption of raw materials, which not only reduces pollution emissions from the beginning, but also reduces operating costs and resource consumption, as well as impact to the environment.</p> <p>→2020 Annual goal: Abnormal events that need to notify the competent authority <math>\leq 1</math></p>	
<p>IV. Society issues</p> <p>(i) Whether the Company establishes the related management policies and procedures in accordance with the relevant laws and international human rights conventions?</p>	V		<p>(I) The Company follows the United Nations conventions such as “the Universal Declaration of Human Rights”, “the International Covenant on Economic, Social and Cultural Rights”, “the Global Covenant”, “the International Labour Organization Convention”, “the Convention on the Elimination of All Forms of Discrimination against Women”, and other human rights safeguards, and “Employment Service Act” to</p>	No significant difference

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			<p>establish the "Personnel Appointment Method", which expressly prohibits child labor and related remedies; any illegal discrimination is strictly prohibited, including race, class, language, thought, religion, partisanship, birthplace, place of birth, color, age, gender, sexual orientation, marriage, appearance, facial features, nationality, disability, pregnancy, union membership, masked veteran status, etc. discriminate against employees in recruitment and actual work.</p> <p>The Company operates in various countries and complies with all local labor laws and regulations, including anti-human trafficking and anti-slavery laws. The Company implements safe working conditions and will never tolerate any modern slavery behavior; insists that all business transactions, business relations, supply chain activities, personnel recruitment and appointment are in line with ethical standards, and integrity is the priority, and implement relevant training courses for all employees to strengthen employees' human rights awareness.</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(II) Whether the Company legislates and implement reasonable employee welfare measures (including compensation, vacations and other benefits), and appropriately reflect operating performance or results in employee compensation?	V		<p>The basic wages, working hours, vacations, pension benefits, labor and health insurance benefits, and occupational disaster compensation of the company's employees are in compliance with the relevant provisions of the Labor Standards Act. Employee Welfare Committee was established and operates to handle various welfare matters through committee members elected by employees. Regularly hold labor-management meetings to understand the ideas of both parties to achieve a win-win situation for labor and management.</p> <p>(II) The company formulates attendance measures in accordance with the Labor Standards Act, which sets out the employees 'right to leave. In addition to the general benefits such as labor insurance, health insurance, group insurance, and pension benefits, the Company's benefits include the annual bonus, birthday and festival gifts, hosting year-end parties, wedding and funeral celebrations, domestic and foreign tourism,</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	V		<p>emergency relief, scholarship subsidies, maternity subsidies, group meals, and complete education and training seminars. According to the company's Articles of Association, the company makes annual compensation for employee compensation, and according to the company's "Employee Compensation Distribution Method" procedure, according to employee performance and fair distribution, the operating performance or results will be appropriately reflected in employee compensation.</p> <p>(III) The Company provides a comfortable, safe and healthy working environment. It also conducts inspections on the working environment on a regular basis, and annually organizes employee health checks as well as training on health and safety for its employees. In addition, the Company has acquired certifications including the ISO 14001:2015 and ISO 45001 : 2018 for occupational safety and health management systems.</p>	
(IV) Whether the Company establishes some effective career development training plan for	V		<p>(IV) The Company has provided employees with diversified career development and training sessions, in order to</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
<p>employees?</p> <p>(V) With regard to customer health and safety, customer privacy, marketing and labeling of products and services, has the company followed relevant regulations and international standards, and formulated relevant consumer protection policies and appeal procedures?</p>	V		<p>improve their professional skills and competitiveness. The Company's training unit has set up an annual training plan at the beginning of the year according to vocational training needs proposed by each unit, which shall be implemented with follow-up review on the implementation status in each quarter, and the manager shall conduct a training evaluation of the employee at the end of the year. Each employee of the Company shall have at least 24 hours of training hours per year.</p> <p>(V) The company follows the relevant laws and regulations of the industry on customer health and safety, customer privacy, marketing and labeling of products and services, and has Legal Compliance department to ensure compliance with relevant laws and regulations. There is a confidentiality agreement between the company and major customers to protect the privacy and confidential information of both parties. At the same time, the Company also signs and abides by the factory operation specifications required by customers</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
(VI) Whether the company formulates supplier management policies that require suppliers to follow relevant regulations on environmental protection, occupational safety and health or labor human rights, and their implementation?	V		<p>to maintain health and safety. The Company has customer complaint handling procedures, maintains good communication channels with customers, and provides transparent and effective customer complaint handling procedures for products and services.</p> <p>(VI) The Company has a "supplier evaluation management process", including written evaluation, on-site evaluation, monthly evaluation, process monitoring, qualification evaluation, continuous evaluation and counseling, etc., and regularly or irregularly audit suppliers, and conducts an annual evaluation mechanism as a performance evaluation. The Company requires suppliers to sign the "Supplier Code of Conduct and Supplier Commitment", requiring suppliers to abide by relevant regulations in terms of anti-bribery and corruption, social and environmental responsibility, conflict-free minerals, compliance with trade laws, and no infringement. The "Purchase Order" also requires suppliers to comply with relevant policies and regulations on environmental protection and</p>	

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
			occupational safety and health, intellectual property rights, and labor human rights.	
V. Whether the Company refers to internationally accepted report preparation standards or guidelines to prepare corporate social responsibility reports that disclose the Company's non-financial information? Does the referred report is verified or certified by the third-party verification unit?	V		The Company refers to Global Reporting Initiative (GRI) issued by the "sustainability reporting standards" and "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies " for the preparation of corporate social responsibility report. The Company's 2019 corporate social responsibility report was inspected by DNV-GL in accordance with the GRI Standards. The 2019 corporate social responsibility report and the verification statement of the certification body were disclosed on the company's "Interested Party Section" and MOPS.	No significant difference
<p>VI. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company has established the "Corporate Social Responsibility Best-Practice Principles" and devoted to promote the corporate social responsibilities, which has no significant difference with the Rules.</p>				
<p>VII. Other important information to facilitate better understanding of the company's corporate social responsibility practices: 1. Environmental protection: It is everyone's responsibility to promote environmentally friendly and low-carbon activities. Therefore, in addition to improving the process of energy conservation and control, the Company actively implements waste separation and resource recycling, promotes energy</p>				

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
conservation and carbon reduction, and invests in equipment related to energy conservation and emissions reduction.				
2. Social welfare: Social welfare activities participated by the Company in 2019 include :				
(1) Autumn Festival donation to Hsinchu Good Life Nursery School , Hsinchu Hsiangyuan Education Center, Hsinchu Xiangyuan Education Center and Huakuang Intelligent Development Center for a total of NT \$ 58,000.				
(2) Participate in the 2019 Food Drive event and donate Xiuluan Elementary School in Hsinchu and Chiayi Elementary School for a total of NTD 275,550.				
(3) To send warmth to the winter in the rural areas, donate a batch of materials to Shi Lei Elementary School, totaling about NT \$ 57,600				
(4) Sponsoring theTaiwan Fund for Children and Families-2019 Winter Kindness garden party, NT \$ 20,000, purchase of garden party coupons and donation of second-hand materials.				
(5) Participate in the subscription of the New Year dishes of the Huashan Social Welfare Foundation in Hsinchu, totaling NT \$ 123,300				
(6) Regular blood donation activities, totaling 139,750cc.				
3. Consumer rights: For customers, the Company has internally established the “Customer Complaint Management Procedure” to provide customers with a channel to express their complaints, and externally signed contracts such as supply contracts and quality contracts with its customers, in order to fully ensure customer's rights and interests.				
4. Human rights: : The Company was awarded the "Excellent Award for Promoting Workplace Equalization in the Workplace" by the Hsinchu Science Park in 2019. The Company has been dedicated to promote equality in the workplace, regardless of race, gender, and age, everyone has the same right to work. The Company provides individuals with free expression and development opportunities to achieve respect for personal dignity.				
5. Safety and health: The Company devoted its efforts to promote safety and health policy, continuously improve the production process and working environment in the aim of achieving zero disasters, and continue to improve occupational safety and health performance through joint efforts of all its employees.				
6. Employee Health Care: The Company conducts health checkups on a regular basis for employees to understand their health status in order to protect				

Evaluation Item	Implementation Status			Deviation from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and causes thereof
	Yes	No	Abstract Explanation	
<p>and improve their health. In addition to setting up detection and alarm equipment at appropriate locations, the Company also regularly conducts operating environment testing as a basis for improving the workplace environment, in order to control the physical working environment of employees and evaluate the exposure of hazardous factors.</p>				

(VI) Ethical Corporate Management and Deviations from “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”:

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Has the Company formulated the ethical corporate management approved by the board of directors, and stated in the regulations and external documents the policies and practices of ethical corporate management, as well as the board and senior management's commitment to actively implement the management policy?</p>	V		<p>(I) The Company has the “Ethical Corporate Management Best-Practice Principles,” “the Code of Ethical Conduct”, as the guidelines adopted by the board of directors and “the Operational Procedures and Guidelines for Ethical Corporate Management” approved by the chairperson and “Reporting Illegal and Handling Measures for Cases of Unethical or Dishonest Conduct” to pursue ethical operation. The Company's standard contracts and external documents have informed the transaction counterparts to abide by the integrity management policy; the board of directors and senior management have signed a written statement to actively implement the commitment of the integrity management policy, and the Company has indeed implemented in internal management and business activities, including employment by specifying conditions to require employees to abide by the</p>	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from "the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(II) Whether the Company has established an assessment mechanism for the risk of dishonesty, regularly analyzes and evaluates business activities with a high risk of dishonesty in the business scope, and accordingly formulates a plan to prevent dishonesty, and at least covers the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies " Article 7, paragraph 2 of the prevention measures?	V		<p>integrity management policy.</p> <p>(II) The Company has listed the dishonesty behavior in the second section of Article 7 of "the Ethical Corporate Management Best-Practice Principle" in "the Operational Procedures and Guidelines for Ethical Corporate Management", and has established a risk assessment mechanism, including follow the self-assessment form and quality Interviews, e-mail tracking of MIS units ... and other control methods to collect data, regularly analyze and evaluate, identify those with higher risks, and supplement the internal audit unit's inspection mechanism to formulate prevention of bribery, and provide illegal political contributions or improper interests, infringement of intellectual property rights, unfair competition, etc.. Within the scope of business activities, the personnel of each unit of the Company have the obligation to cooperate with legal compliance department regarding the investigation of the aforementioned dishonesty. .</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(III) Whether the Company specifies the operating procedures, behavior guidelines, disciplinary penalties and grievance system in the plan to prevent dishonesty, and implement it, and regularly review and revise the pre-disclosure plan?	V		(III) The Company's plan for preventing dishonesty in accordance with "the Ethical Corporate Management Best-Practice Principle" includes “Procedures for Ethical Management and Guidelines for Conduct”, “Codes of Ethical Conduct”, and "Reporting Illegal and Handling Measures for Cases of Unethical or Dishonest Conduct" which clearly regulate no acceptance to any unrightfully benefits, or to commit behaviors that violate integrity, and to encourage the reporting of any illegal or ethical conduct violations, the Company also stipulates the importance of integrity should be regularly announced to directors and employees. The above plan regularly reviews the appropriateness and effectiveness of the prevention plan according to the method set by the risk assessment mechanism of dishonesty behavior, and makes appropriate adjustments or amendments.	
II. Fulfill operations integrity policy (I) Does the Company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		(I) The Company's “Ethical Corporate Management Best-Practice Principles” has clearly stated that before business transactions, the legality of business	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(II) Does the Company set up a special unit for promoting corporate integrity management under the board of directors, and regularly (at least once a year) report to the board of directors on its integrity management	V		<p>transactions and whether there is dishonesty should be considered, and transactions with persons involved in dishonesty should be avoided. In addition, according to the Company's "Procedures for Ethical Management and Guidelines for Conducts", it is necessary to undergo an integrity operation evaluation before establishing a business relationship with others. The customers' evaluation (and its distributors / agents) is conducted by sales department; The suppliers' evaluation (and its distributors / agents) is conducted by purchase department. The integrity management evaluation form is written and quantified; the contract signed with the business transaction partners should specify the integrity management clauses to ensure that the counterparty abides by the company's integrity management policy.</p> <p>(II) The company has established its own Legal Compliance unit in the Legal Department, which is responsible for coordinating the development and supervision of the implementation of the integrity management policy and the prevention of dishonesty behaviors, and</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>policies and plans to prevent dishonesty, and monitor implementation?</p> <p>(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(IV) Whether the Company has established an effective accounting system and internal control system for the implementation of integrity management, and the internal audit unit has formulated relevant audit plans based on the results of the assessment of the risk of dishonesty, and checked the compliance with the plan to prevent dishonesty, or entrust an accountant to perform the audit?</p> <p>(V) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	V		<p>supervises the implementation. The Legal Compliance manager reports their finding to the board of directors once a year. If any abnormalities are found, they may also report to the board of directors at any time.</p> <p>Implementation Status of Current Year</p> <p>(1) Establishing and reviewing policies related to ethical corporate management</p> <p>The Company has set up the "Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct" and "Reporting Illegal and Handling Measures for Cases of Unethical or Dishonest Conduct", which clearly stipulates no acceptance to unrightful benefit, or violate integrity or dishonesty; the above internal regulations are examined by the legal compliance department with reference of changes in external regulations and the internal implementation, and are adjusted and revised from time to time.</p> <p>(2) Internal and external advocacy of Company policies</p> <p>Relevant important internal regulations such as the</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>"Ethical Corporate Management Best-Practice Principles", "Code of Ethical Conduct" and "Reporting Illegal and Handling Measures for Cases of Unethical or Dishonest Conduct" have been announced on the Company's official website and internal websites for inquiries from external and parties. In addition, the company requires suppliers to sign the "Supplier Code of Conduct and Supplier Commitment" which request suppliers to act in compliance with legal, ethical, environmental and quality standards, and the content of the standard contract signed with business partners also includes the relevant provisions for compliance with honest business practices.</p> <p>(3) Reporting channel and whistleblower protection The company has set up the “Reporting Illegal and Handling Measures for Cases of Unethical or Dishonest Conduct”, established a disciplinary and appeal system for violations of the integrity management regulations, and set up and announced employee suggestion boxes, electronic mailboxes and complaint hotline to encourage internal and external personnel to report</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>dishonesty or misconduct. The company allows anonymous reports. The identity and content of the reporter will be kept confidential, and the human resource department will be responsible for verification and handling. Anyone who violates the integrity management regulations will be punished based on the seriousness of the circumstances, and if necessary, the matter shall be reported to the competent authority or transferred to the judicial bureaus for investigation.</p> <p>(4) Education and training The Company regularly holds education and training, and the targets and duration of courses in 2019 are as follows:</p> <ol style="list-style-type: none"> <li>1. "Education and training of new staffs" for new employees, 14 hours;</li> <li>2. Supervisors at the ministerial level and above, staff of procurement and marketing units "understand the laws related to integrity management" for 8 hours;</li> <li>3. "Overview of Insider Transactions and Insider Equity Transaction Laws" for levels above directors and the</li> </ol>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>staff in the President's office for 3 hours;</p> <p>4. "Practice of Negotiable Instruments Act" for financial staff, for 2 hours;</p> <p>5. "Overview of China's Personal Data Protection Law and EU GDPR Highlights" for section managers, for 2 hours;</p> <p>6. "Legal Compliance Seminar" for purchase and sales staff, for 3 hours.</p> <p>The above courses accumulated in 2019: the number of courses - 16, attendants- 274, hours- 32 hours.</p> <p>(III) The company stipulates in the "Code of Ethical Conduct" that the personnel of the company should do business in an objective and efficient manner, avoiding the abuse of positions in the company to prevent their own, others or other companies from obtaining improper interests. In addition, the " Procedures for Ethical Management and Guidelines for Conduct" specify how to recuse when there is a conflict of interest in the board. In addition, the conflict of interest channels provided by the company are</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>different according to the subjects as follows: directors or independent directors should do so to the president's office or the chief of corporate governance; managers should do so to the legal compliance department.</p> <p>(IV)The company has established and implemented the accounting system and internal control system which are audited by internal auditors on a regular basis pursuant to the audit plan that includes the subject, scope, item and frequency based on the results of the assessment of the risk of dishonesty to inspect the prevention actions effectiveness. The results shall be notified to the senior management team and the responsible department of ethical operation and be submitted to the board of directors in the form of audit report. In addition, the Company conducts inspections and revisions every year to ensure the effectiveness on the design and implementation of the system, and establish good corporate governance and risk management control mechanisms to serve as the basis on evaluating the overall efficacy of all internal control</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>systems and for producing Internal Control System Statements.</p> <p>(V) The Company has conducted courses related to good faith management, the ethical codes of conduct and business and other related fields for all employees regularly. For the course of "good faith management" and "prevention of insider trading", the current directors, managers and employees who are required or considered necessary to take courses must participate the training program at least every two years; when a new director or manager takes the office, he or she has to complete the training within 3 months; new employees will attend the good faith management course together with other onboard education and training courses organized by HR.</p> <p>In addition, in accordance with the Company's "Procedures for Ethical Management and Guidelines for Conduct", the chairperson or the chief corporate governance is also designated to convey the importance of integrity to directors, managers, supervisors, etc. at the board or manager meetings.</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			In 2019, the Company conducted a total of 16 courses which totaled 274 participants and a total of 32 training hours, including “Orientation for New Employees”, "To Understand Laws Related to Integrity Management", "Overview of Insider Transactions and Insider Equity Transaction Laws", "Practice of Negotiable Instruments Act", and " Taiwan Personal Data Protection Law and Summary of EU GDPR" and "Legal Compliance Introduction.”	
<p>III. Operation of the integrity channel</p> <p>(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(II) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p>	<p>V</p> <p>V</p>		<p>(I) The Company has established the “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct”, set up an employee suggestion box and email, complaint hotline, principles in handling such matter and channel for external whistleblowing in order to fulfill good faith practice. Whistleblower cases are handled by the company ’s spokesperson, HR manager or legal personnel, the case will be transferred to relevant departments for investigation after registration and processed pursuant to "Reporting Illegal and Handling Measures for Cases of Unethical or</p>	No significant difference

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(III) Does the company provide proper whistleblower protection?	V		<p>Dishonest Conduct." Appropriate rewards will be given to whistleblowers depending on the severity of the case.</p> <p>(II) The Company stipulates “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct” and specifies different investigation, procedure based on different cases and the accused. The whistleblowing case will be processed in the principles of confidentiality, full protection of the whistleblower, offering defense chance for the accused, etc to secure the rights of both whistleblowers and the accused. If the whistleblowing case is verified to be true, the whistleblower will be immediately required to stop and impose appropriate countermeasures, and instruct the relevant departments to review and propose improvement measures to prevent the same behavior from happening again; the legal department will separately report the whistleblowing case, handling and follow-up to the board of directors.</p> <p>(III) The company handles whistle-blowing cases in a confidential manner in accordance with the</p>	

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			“Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct”, and offers full protection to the whistleblowers. Their identity will be kept absolutely confidential and will not face mistreatment due to the whistleblowing; The staffs who handle the case will issue a written statement stating that the identity of the whistleblower and the content of the report will be kept confidential.	
IV. Enhanced information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?	V		The Company has an official website that disclose relevant information such as corporate culture, business policies and the “Ethical Corporate Management Best-Practice Principles”, “Procedures for Ethical Management and Guidelines for Conduct”, “Code of Ethical Conduct”, “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct” and the Company’s implementation on good faith management.	No significant difference
V. If the company has established the ethical corporate management policies based on the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the policies and their implementation: The Company has established the “Ethical Corporate Management Best-Practice Principles” which clearly regulates the matters to be followed by the Company's staff. Other accusation cases and penalties are also clearly set out in relevant measures. There is no significant difference between the policies and the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”.				
VI. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (under situations such as				

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>review and revision of regulations):</p> <ol style="list-style-type: none"> <li>1. The Company complies with Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest as well as relevant regulations for the listed companies or other business entities as basic premise for fulfilling good faith management. The Company also fully dedicates in environmental and quality policies by adopting high standards.</li> <li>2. The Company has set up the “Rules of Procedure for Board of Directors Meetings” which stipulated recusal system for directors. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, and the relationship is likely to prejudice the interest of this Corporation, that director may state his/her opinions and answer questions, but may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</li> <li>3. The Company has set up the “Regulations Governing the Prevention of Insider Trading” which stipulates that upon actually knowing of any material information, the insiders, quasi-insiders and tippees shall not purchase or sell shares of the company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the company after the information is precise, and prior to the public disclosure of such information or within 18 hours after its public disclosure in case accidentally violate insider trading because they are not familiar with the regulations.</li> <li>4. The Company stipulates “Procedures for Handling Material Inside Information” to establish sound mechanisms for the handling and disclosure of material inside information in order to prevent improper information disclosures and to ensure the consistency and accuracy of information released by this Corporation to the public. The procedure regulates that no director, supervisor, managerial officer, or employee with knowledge of material inside information of the Company may divulge the information to others, nor inquire about or collect any non-public material inside information of this Company not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of this Corporation of which they become aware for reasons other than the performance of their</li> </ol>				

Evaluation Item	Implementation Status (Note 1)			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
duties.				
5. The company updates, revises and adjusts contexts in “Ethical Corporate Management Best Practice Principles” to be in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” released by TPEX, the second amendment was approved by the board dated 2019.11.7 and submitted to the shareholder meeting.				
6. The company updates, revises and adjusts contexts in “Codes of Ethical Conduct” to be in accordance with “Codes of Ethical Conduct for TWSE/GTSM Listed Companies” released by TPEX, the third amendment was approved by the board dated 2019.11.7 and submitted to the shareholder meeting.				
7. The company updates, revises and adjusts contexts in “Procedures for Ethical Management and Guidelines for Conduct” to be in accordance with “Procedures for Ethical Management and Guidelines for Conduct for TWSE/GTSM Listed Companies” released by TPEX, the second amendment was approved by the chairperson on 2019.11.7 and submitted to the shareholder meeting.				
8. The company updates, revises and adjusts contexts in “Guidelines for Whistleblowing on Illegal, Immoral or Unethical Conduct” to be in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” released by TPEX, the second amendment was approved by the chairperson on 2019.11.7 and submitted to the shareholder meeting.				

(VII) Corporate Governance Guidelines and Regulations:

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

(VIII) Other Important Information Regarding Corporate Governance:

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

2. Directors’ education and training

Name	Training date	Institution	Training course	Training hours
Hsiu-Lan Hsu	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	November 12, 2019	Taiwan Corporate Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3
Ming-Kuang Lu	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	November 12, 2019	Taiwan Corporate Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3
Tang-Liang Yao	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	November 12, 2019	Taiwan Corporate Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3
Chen Kuo-Chou	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	August 2, 2019	Taipei Exchange	The advocacy conference on Insider Shareholdings in TPEX Listed Companies	3
Chi-Hsiung Cheng	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	November 12, 2019	Taiwan Corporate Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3
	November 18, 2019	Corporate Governance	Related party transaction seminar-2019	3

		Professionals Association		
	December 13, 2019	Taiwan Corporate Governance Association	Audit Committee Practice	3
Cheng-Yuan Cheng	May 9, 2019	Taiwan Corporate Governance Association	The impact of recent regulation amendments on decisions of the board.	3
	November 12, 2019	Taiwan Corporate Governance Association	Analyses on repatriation of offshore funds under global anti-Tax avoidance	3

(IX) Internal Control System Execution Status:

1. Statement of Internal Control System

Internal Control System Statement for the public company

Design and implementation are both effective

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

**GlobalWafers Co.,Ltd.**

**Internal Control Disclosure Statement**

Date: 17th. Mar. 2020

Based on the findings of a self-assessment, GlobalWafers Co.,Ltd.(GWC) states the following with regard to its internal control system during the year 2019:

1. GWC's Board of Directors and Management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance, and safeguarding of assets), reliability of our financial reporting, and compliance with applicable laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and GWC takes immediate remedial actions in response to any identified deficiencies.
3. GWC evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.
4. GWC has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, GWC believes that on December 31, 2019, we have maintained, in all material respects an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations.
6. This Statement will be an integral part of GMC's Annual Report for the year 2018 and Prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been passed by the Board of Directors in the meeting held on 17th. Mar. 2020, with none of the six attending directors (Total of 0 attendance, including proxies) expressing dissenting opinions, and the remainder all affirming the content of this Statement.

**GlobalWafers Co.,Ltd.**

Chairperson: Hsiu-lan Hsu

President: Mark Lynn England

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

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

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

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

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

1. Important resolutions and its implementation status of the 2019 annual shareholders meeting (June 25, 2019):

Important Resolutions	Implementation Status
1. The revision of the Company's "Articles of Incorporation".	Approved by the Hsinchu Science Park Bureau of the Ministry of Science and Technology on July 5, 2019 after the resolution of the shareholders' meeting, and implemented according to revised provisions.
2. The revision of "Rules for Election of Directors"	Implemented according to revised provisions after the resolution of the shareholders' meeting.
3. The revision of the Company's "Procedures for Acquisition or Disposal of Assets".	Implemented according to revised provisions after the resolution of the shareholders' meeting.
4. The revision of the Company's "Policies and Procedures for Financial Derivatives Transactions"	Implemented according to revised provisions after the resolution of the shareholders' meeting.
5. The revision of the Company's "Procedures for Lending Funds to Other Parties"	Implemented according to revised provisions after the resolution of the shareholders' meeting.
6. The revision of the Company's "Procedures for Endorsement and Guarantee"	Implemented according to revised provisions after the resolution of the shareholders' meeting.
7. Re-election to fulfill vacancy of one independent director	Approved by the Hsinchu Science Park Bureau of the Ministry of Science and Technology on July 5, 2019 after the resolution of the shareholders' meeting
8. Approval of the lifting of non-competition restriction on the newly elected directors.	Approved by the shareholders' meeting to lift the non-competition restriction on the newly elected directors.
9. Approval of the 2018 business report and final statements	Resolved by the Shareholders' meeting
10. Approval of the Company's earnings distribution for 2018.	Distributed cash dividends (NT\$ 25 per share; total amount of NT\$ 10,880,925,000) on August 9, 2019 after the resolution of the shareholders' meeting.

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

Date	Important Resolutions
January 11, 2019	<ul style="list-style-type: none"> <li>(I) Approved the credit lines and foreign exchange quotas provided by the financial institution</li> <li>(II) Approved the 2018 CPA professional fees</li> <li>(III) The proposal of full redemption of the "CDIB Capital Growth Partners L.P."</li> </ul>
February 12, 2019	<ul style="list-style-type: none"> <li>(I) The replacement of the Company's spokesman and deputy spokesman</li> <li>(II) Capital increase of reinvestment</li> <li>(III) Approved the assignment of directors, supervisors and the President of the subsidiary</li> <li>(IV) Revision of the "Regulations Governing the Supervision of GlobalWafers' Subsidiaries"</li> </ul>
March 19, 2019	<ul style="list-style-type: none"> <li>(I) The Company's business report and financial statements for 2018</li> <li>(II) The 2018 compensation distribution plan for employees and directors</li> <li>(III) Approval of the Company's earnings distribution for 2018.</li> <li>(IV) The Company's "Internal Control System Statement" for 2018.</li> <li>(V) Revision of the Company's "Articles of Incorporation".</li> <li>(VI) Amendments to the "Procedures for the Election of Directors"</li> <li>(VII) Revision of the Company's "Procedures for Acquisition or Disposal of Assets"</li> <li>(VIII) Amendments to the Company's "Procedures for Derivatives Trading"</li> <li>(IX) Amendments to the Company's "Accounting System"</li> <li>(X) Amendments to the Company's "Code of Ethical Conduct"</li> <li>(XI) Election of one vacant seat of independent director</li> <li>(XII) Nomination of listed candidates for independent directors</li> <li>(XIII) Approval of the lifting of non-competition restriction on the newly elected directors</li> <li>(XIV) Approved matters relevant to the nomination of listed candidates for independent directors in the 2019 annual shareholders' meeting</li> <li>(XV) Approved the 2019 shareholders' meeting agenda and relevant matters.</li> <li>(XVI) Approved the 2019 shareholders' meeting procedures, written proposals made by shareholders and relevant matters.</li> <li>(XVII) Approved the credit lines and foreign exchange quotas provided</li> </ul>

Date	Important Resolutions
	<p>by the financial institution (XVIII) Approved the salary adjustment for the Company's managers.</p>
May 7, 2019	<p>(I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) The Company's appointment of Corporate Governance Manager (III) Amendment of the "Standard Operating Procedures for Handling Directors' Requirements" (IV) Amendment of the "Procedure for the Distribution of Directors' Compensation" (V) Amendment of the "Procedure for Lending Funds to Others" (VI) Amendment of the "Procedures for Making of Endorsements &amp; Guarantees" (VII) Proposal of the "Self-Discipline Standards for Disclosing Information on M&amp;A" (VIII) The 2018 compensation distribution plan for directors (IX) The 2018 compensation distribution plan for managers</p>
August 6, 2019	<p>(I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) Approval of applying bank loan for the Company's subsidiary, and issuance of a letter of support (LOS). (III) Approval of applying bank loan for the Company's subsidiary, and issuance of a letter of support (LOS). (IV) Apply for a credit line provide a guarantee for the Company's subsidiary Topsil GlobalWafers A/S (V) Approval for no earning distribution in 2018 for the Company's subsidiary MEMC Korea Company (VI) Approval for equity investment (VII) Approval for legislating "Procedure for Legal Compliance" (VIII) Approval for amendment to "Procedure for Transaction among Group Business, Certain Entity And Related Party" (IX) Approval for amendment to "Procedures for Handling Material Inside Information" (X) Approval for amendment to "Self-Regulatory Rules on Disclosure of Merger and Acquisition Information" (XI) Promotion (XII) Approval for signing long term agreement with supplier</p>
November 7, 2019	<p>(I) Approved the credit lines and foreign exchange quotas provided by the financial institution</p>

Date	Important Resolutions
	(II) The 2020 audit plans of the Company (III) Approval for selling Danish subsidiary, Topsil GlobalWafers A/S, to Netherlandish subsidiary, GlobalWafers B.V. (IV) Approval for appointing the 3rd term remuneration committee member to fulfill vacancy (V) Approval for amendment to the Company's "Articles of Incorporation". (VI) Approval for amendment to "Remuneration Committee Charter" (VII) Approval for amendment to "Procedure for Performance Evaluation on Board and Functional Committee" (VIII) Approval for amendments to the "Regulations Governing the Prevention of Insider Trading" (IX) Approval for amendments to the "Ethical Corporate Management Best Practice Principles" (X) Approval for amendments to the "Codes of Ethical Conduct"
December 10, 2019	(I) Approved the credit lines and foreign exchange quotas provided by the financial institution (II) Approval for 2020 year plan (III) Approval for repatriation of overseas funds (IV) Approval for buying GWafers Singapore Pte. Ltd. from Netherlandish subsidiary, GlobalWafers Inc. (V) Approval for using 2018 undistributed earnings to make substantial investment and deduct such items from the undistributed earnings
December 27, 2019	(I) Approval for purchasing Sunrise PV Four Co., Ltd. from its affiliate company, Sunrise PV World Co. (II) Approval for establishing Taisil branch (III) Approval for short-form merger with 99.9% shareholding subsidiary, Taisil Electronic Materials Corp.
March 17, 2020	(I) The Company's business report and financial statements for 2019 (II) The 2019 compensation distribution plan for employees and directors (III) Approval of the Company's earnings distribution for 2019. (IV) Approval for cash distribution from capital reserve (V) The Company's "Internal Control System Statement" for 2019 (VI) Approval for amendment to the "Internal Control System" (VII) Approval for amendment to the "Articles of Incorporation" (VIII) Approval for amendment to the "Procedures for Making of

Date	Important Resolutions
	<p>Endorsements &amp; Guarantees”</p> <p>(IX) Amendments to the “Procedures on Legal Compliance”</p> <p>(X) Election of one vacant seat of independent director</p> <p>(XI) Nomination of listed candidates for independent directors</p> <p>(XII) Approved matters relevant to the nomination of listed candidates for independent directors in the 2020 annual shareholders’ meeting</p> <p>(XIII) Approved the 2020 shareholders’ meeting agenda and relevant matters.</p> <p>(XIV) Approved the 2020 shareholders’ meeting procedures, written proposals made by shareholders and relevant matters.</p> <p>(XV) Approved the credit lines and foreign exchange quotas provided by the financial institution</p> <p>(XVI) Approval for 2019 CPA professional fees</p> <p>(XVII) Improvement plan for fund lending among subsidiaries</p> <p>(XVIII) Address change of Taisil branch</p> <p>(XIX) Approval for Taisil branch managers’ remuneration</p> <p>(XX) Approval for promotion</p> <p>(XXI) Approval for capital injection to subsidiary, Sunrise PV Four Co., Ltd.</p>
May 5, 2020	<p>(I) Approved the credit lines and foreign exchange quotas provided by the financial institution</p> <p>(II) Amendments to the “Procedures of Managers’ Remuneration”</p> <p>(I) Approval on no 2019 earning distribution of the subsidiary, MEMC Korea Company</p> <p>(II) Approval to change internal chief auditor</p> <p>(III) Approval to invest venture capital</p> <p>(IV) The 2019 compensation distribution plan for directors</p> <p>(V) The 2019 compensation distribution plan for managers</p>

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

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

May 20, 2020

Title	Name	Date Assumed	Date of Dismissal	Reason for Resignation or Dismissal
Audit Officer	Chi-Ya Lu	April 1, 2014	June 1, 2020	Transferred to Sino-American Silicon Products Inc.

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

(I) Audit Fees

Accounting Firm	Name of accountant		Period Covered by CPA's Audit	Remarks
KPMG	Cheng-Chien Chen	An-Chih Cheng	January 1, 2019 ~ December 31, 2019	

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

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

Information on CPA professional fees

Unit: NT\$ thousands

Accounting Firm	Name of accountant	Audit fee (Note 1)	Non-Audit fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note 2)	Subtotal		
KPMG	Cheng-Chien Chen	6,400	0	0	0	910	910	January 1, 2019 to December 31, 2019	Other fees include fees for transfer pricing certificates, global archives and country reports
	An-Chih Cheng								

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

Note 2: Non-audit fees shall be listed separately according to the service item. If "other fees" in non-audit fees reaches 25% of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column .

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

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

The Company's 2019 annual audit fees decreased by NT\$ 800,000 (a decrease of 11%) compared with 2018. This was mainly due to the increase in audit fees in 2018, while there were such fees in 2019.

V. Information on Replacement of Independent Auditors in the Last Two Years and Thereafter:

The Company has replaced its CPA in cooperation with KPMG's internal rotation in the last two fiscal years. The Company did not change its accounting firm.

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

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

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

Unit: Shares

Title	Name	2019		Current year to April 25, 2020		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Chairperson	Hsiu-Lan Hsu	—	—	—	—	Took the office on January 19, 2015
Director	Sino-American Silicon Products Inc.	—	—	—	—	
	Representative: Ming-Kuang Lu	—	—	(22,560)	—	Took the office on January 19, 2015
	Representative: Tang-Liang Yao	—	—	—	—	Took the office on January 19, 2015
Director	Chen Kuo-Chou	—	—	—	—	Took the office on January 19, 2015
Independent Director	Chi-Hsiung Cheng	—	—	—	—	Took the office on January 19, 2015
Independent Director	Cheng-Yuan Cheng	—	—	—	—	Took the office on June 25, 2018
President	Mark Lynn England	—	—	—	—	Took the office on October 1, 2014
Manager	Hsu Wen-Ching	—	—	—	—	Took the office on September 2, 2014
Manager	Wei-Wen Chen	(40,000)	—	—	—	Took the office on September 2, 2014
Manager	Sheng-Hsiung Hung	—	—	—	—	Took the office on September 2, 2014
Manager	Chou Jing-Wen	(20,000)	—	—	—	Took the office on July 1, 2016
Manager	Chung-Wei Lee	—	—	—	—	Took the office on March 21, 2017
Manager	Tien-wen Yu	(2,000)	—	—	—	Took the office on March 20, 2018
Financial manager	Ming-Hui Chien	(3,000)	—	—	—	Took the office on September 2, 2014
Accounting Manager	Yu-Ting Lo	—	—	—	—	Took the office on March 23, 2018
President of Taisil branch	Yin-Sheng Hsueh	—	—	—	—	Took the office on January 2, 2020
Manager of Taisil branch	Liang-Chin Chen	—	—	—	—	Took the office on February 1, 2020
Manager of Taisil branch	Yao-Yi Huang	—	—	—	—	Took the office on February 1, 2020

Title	Name	2019		Current year to April 25, 2020		Remarks
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged	
Manager of Taisil branch	Chun-Jung Huang	—	—	—	—	Took the office on February 1, 2020
Manager of Taisil branch	Chun-Wei Huang	—	—	—	—	Took the office on February 1, 2020

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

(II) Shares Trading with Related Parties: None.

(III) Shares Pledge with Related Parties: None.

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

Date: April 25, 2020, Unit: Share; %

Name	Shareholding		Shareholding under spouse or underage children		Shareholding under other		Top 10 shareholders among who are related parties		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relationship	
Sino-American Silicon Products Inc. Representative: Ming-Kuang Lu	222,727,000	51.17%	—	—	—	—	None.	None.	
	1,000,000	0.23%	300,000	0.07%			None.	None.	
Capital Investment In Custody For Low Labor Pension Fund (2018. II)	6,282,000	1.44%	—	—	—	—	None.	None.	
Cathay Life Insurance	6,200,000	1.42%	—	—	—	—	None.	None.	
Rwc Emerging Markets Equity Master Fund Limited	3,771,250	0.87%	—	—	—	—	None.	None.	
Government Of Singapore--GOS-EFM C	3,751,182	0.86%	—	—	—	—	None.	None.	
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Vanguard Total International Stock Index Fund A Series Of Vanguard Star Funds	3,679,436	0.85%	—	—	—	—	None.	None.	
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Jpmorgan Funds	3,523,000	0.81%	—	—	—	—	None.	None.	
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	3,038,810	0.70%	—	—	—	—	None.	None.	
Murray International Trust Plc	3,000,000	0.69%	—	—	—	—	None.	None.	
J.P. Morgan Securities Plc	2,723,300	0.63%	—	—	—	—	None.	None.	

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

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

December 31, 2019

Unit: Thousand shares; %

Reinvested entities (Note 1)	Investment by GWC		Investments directly or indirectly controlled by directors, supervisors and managers		Total investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
GlobalWafers Inc.	90,000	100.00%	-	-	90,000	100.00%
GlobalSemiconductor Inc.	25,000	100.00%	-	-	25,000	100.00%
GlobalWafers Japan Co., Ltd.	128	100.00%	-	-	128	100.00%
GWafers Singapore Pte. Ltd.	364,000	67.20%	177,674	32.80%	541,674	100.00%
Topsil GlobalWafers A/S	1,000	100.00%	-	-	1,000	100.00%
Hong-Wang Investment Company	30,976	30.98%	-	-	30,976	30.98%
Taisil Electronic Materials Corp.	9,999	99.99%	-	-	9,999	99.99%
Kunshan Sino Silicon Technology Co., Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	-	-	(Note 2)	60.00%	(Note 2)	60.00%
MEMC Japan Ltd.	-	-	750	100.00%	750	100.00%
Topsil Semiconductor sp z o.o.	-	-	0.1	100.00%	0.1	100.00%
GlobalWafers Singapore Pte. Ltd.	-	-	299,445	100.00%	299,445	100.00%
GlobalWafers B.V.	-	-	0.1	100.00%	0.1	100.00%
MEMC Electronic Materials S.p.A.	-	-	65,000	100.00%	65,000	100.00%
MEMC Electronic Materials France SarL	-	-	0.5	100.00%	0.5	100.00%
MEMC Electronic Materials GmbH	-	-	0.002	100.00%	0.002	100.00%
GlobiTech Incorporated.	-	-	1	100.00%	1	100.00%
MEMC LLC	-	-	-	100.00%	-	100.00%
MEMC Electronic Materials Sdn. Bhd.	-	-	1,036	100.00%	1,036	100.00%
MEMC Ipoh Sdn. Bhd.	-	-	612,300	100.00%	612,300	100.00%
SunEdison Semiconductor Technology (Shanghai) Ltd.	-	-	(Note 2)	100.00%	(Note 2)	100.00%

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

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

## IV. Capital Overview

### I. Capital and Shares

#### (I) Source of capital

##### 1. Type of stock

December 31, 2019; Units: Shares

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

##### 2. Issued Shares

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

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

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

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

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

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

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

##### 3. Shelf Registration: Not applicable.

(II) Shareholder structure

1. Shareholder Structure

April 25, 2020; Unit: Person; Share; %

Shareholder Structure	Government Institutions	Financial Institutions	Other Juridical Persons	Individuals	Foreign institutions and foreigners	Total
Number of Shareholders	5	96	131	17,912	893	19,037
Number of shares held	9,384,000	18,272,740	228,381,488	46,953,025	132,245,747	435,237,000
Holding Percentage (%)	2.16%	4.20%	52.47%	10.78%	30.39%	100%

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

(III) Diffusion of ownership

April 25, 2020; Unit: Person; Share; %

Shareholder Ownership (Unit: Share)	Number of Shareholders	Ownership (Share)	Ownership (%)
1 ~ 999	4,167	564,645	0.13%
1,000 ~ 5,000	12,670	21,430,165	4.92%
5,001 ~ 10,000	908	7,190,708	1.65%
10,001 ~ 15,000	285	3,685,778	0.85%
15,001 ~ 20,000	179	3,250,949	0.75%
20,001 ~ 30,000	189	4,796,768	1.10%
30,001 ~ 40,000	111	3,922,966	0.90%
40,001 ~ 50,000	59	2,712,568	0.62%
50,001 ~ 100,000	157	11,260,361	2.59%
100,001 ~ 200,000	122	17,482,388	4.02%
200,001 ~ 400,000	99	29,128,619	6.69%
400,001 ~ 600,000	35	17,167,301	3.94%
600,001 ~ 800,000	18	12,115,093	2.78%
800,001 ~ 1,000,000	5	4,675,599	1.07%
Over 1,000,001	33	295,853,092	67.99%
Total	19,037	435,237,000	100%

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

(IV) Major Shareholders

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

Date: Apr 27, 2020 ; Unit: Share; %

Name of Major Shareholders	Number of shares held	Percentage (%)
Sino-American Silicon Products Inc.	222,727,000	51.17%
Nan Shan Life Insurance Company, Ltd.	6,282,000	1.44%
Capital Investment In Custody For Low Labor Pension Fund (2018. II)	6,200,000	1.42%
Cathay Life Insurance	3,771,250	0.87%
RWC Emerging Markets Equity Master Fund Limited	3,751,182	0.86%
Government Of Singapore--GOS-EFM C	3,679,436	0.85%
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Vanguard Total International Stock Index Fund A Series Of Vanguard Star Funds	3,523,000	0.81%
Jpmorgan Chase Bank N.A. Taipei Branch In Custody For Jpmorgan Funds	3,038,810	0.70%
Vanguard Emerging Markets Stock Index Fund A Series Of Vanguard International Equity Index Funds	3,000,000	0.69%
Murray International Trust Plc	2,723,300	0.63%
J.P. Morgan Securities Plc	222,727,000	51.17%

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

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

Unit: NT\$ ; Thousand Shares

Item		Year		Ending until March 31, 2020	
		2018	2019		
Market price per unit	Highest		642.00	394.00	459.50
	Lowest		200.50	238.50	311.50
	Average		378.81	322.21	395.17
Net Worth Per Share	Before distribution		99.12	103.55	84.03
	After distribution		74.12	78.55	—
Earnings per share	Weighted average shares		437,183	435,237	435,237
	Earnings per share	Before adjustment	31.18	31.35	6.62
		After adjustment	31.04	31.21	6.58
Dividends per Share	Cash Dividend		25.0	25.0	—
	Stock Dividends	Retained Earning	—	—	—
		Capital Surplus	—	—	—
	Accumulated Undistributed Dividends		—	—	—
Return on Investment	Price/Earnings Rate		12.15	10.28	—
	Price/Dividend Rate		15.15	12.89	—
	Cash dividend yield		6.60%	7.76%	—

## (VI) Dividend Policy and Execution Status

## 1. Dividend Policy

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

- (1) Compensating losses.
- (2) Contributing 10% as legal reserve. If the legal reserve has reached the amount of the paid-in capital of the Company, no contribution shall be made.
- (3) Appropriating or transferred to special reserve in accordance with applicable laws and regulations or as requested by the competent authority.
- (4) After the above 1~3 are deducted from profit after tax of the fiscal year, the balance

(if any) together with accumulated inappropriate retained earnings of previous years can be distributed after the distribution plan proposed by the Board and approved by the shareholders' meeting.

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

Pursuant to article 241 of Company Act, the Company distributes its legal reserve and the capital reserve, in whole or in part, by issuing new shares which shall be distributable as dividend shares to its original shareholders in proportion to the number of shares being held by each of them or by cash.

If the company distributes surplus earning in the form of cash, it shall be approved by a meeting of the board of directors, which is authorized to make resolution adopted by a majority vote of a meeting of the board of directors attended by two-thirds or more of all the director and report to the shareholder meeting. If such surplus earning is distributed in the form of new shares issued by the company, it shall be approved by the shareholder meeting then distribute.

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

The aforementioned employee remuneration could either be distributed via share or cash, entitled employees include subsidiaries' employees who meet the conditions set by the Board. The Company will distribute cash for directors' remuneration, and share or cash for employee remuneration. The distribution shall be resolved with consent of a majority of the directors present at a meeting attended by more than two thirds of the total directors and reported to the shareholder's meeting by the Board.

## 2. Distribution of stock dividends at the Shareholders' Meeting

The Company's 2019 earnings distribution was resolved by the board of directors on March 17, 2020, and is still pending resolution by the 2020 annual shareholders' meeting.

- i. 2019 net profit is NTD 13,644,095,204; cash dividend to be appropriated to each shareholder is NTD 22 per share, totaled NTD 9,575,214,000.
- ii. The Company plans to appropriate NTD 3 per share to each shareholder from capital reserve derived from the issuance of new shares at a premium, totaled NTD 1,305,711,000.
- iii. Explanation on major changes to dividend policy: Not applicable

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

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

1. Ratio or scope of compensation to employees and directors, as set forth in the Company's Articles of Incorporation:

Please refer to the dividend policy in (VI-1) above.

2. The estimated amount of compensation to employees and directors for the current period shall be calculated based on number of employee shares of stock considering any accounting discrepancy between the actual distributed amount of employee stock dividend and estimated figure:

(1) The basis for estimating the amount of compensation to employees and directors for the current period: The amount is estimated based on the Articles of Incorporation.

(2) The basis for calculating the number of shares to be distributed as employee compensation: If shares are distributed as employee compensation, the number of shares will be calculated based on the net value in the financial statement for the most recent period audited by a CPA. No employee compensation is distributed in the form of stock dividend for the current period.

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

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

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

The distributions of compensation as approved by the Board of Directors on March 17, 2020 are as follows:

Compensation to employees: Distributed NT\$ 622,810,000 in cash.

Remuneration for directors: Distributed NT\$ 49,200,000 in cash.

There was no discrepancy between the actual distributed amount and figures in the 2019 financial statements.

- (2) The amount of stock dividend and ratio of the total net profit after-tax and individual employee compensation or standalone financial report for the current period: None.
4. The actual distribution of employee, director, and supervisor compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distributed amount and amount of compensation for employees, directors, or supervisors, the discrepancy, cause, and response should be stated: The 2018 earnings distribution was proposed by the board of directors meeting on March 19, 2019 as follows:

Unit: NT\$

Item	Shareholder Meeting	Board Meeting	Variation	Explanation
Employee Cash Bonus	504,801,000	504,801,000	None.	N/A.
Director Remuneration	50,060,000	50,060,000	None.	N/A.

(IX) Repurchase of Company Shares (Complete)

March 31, 2020

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

**II. Status of Corporate Bonds: None.**

**III. Status of Preferred Stocks: None.**

IV. GDR Issuance:

March 31, 2020

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

	contract and relevant laws, provide such rights to the GDR holder in accordance with the provisions of the deposit contract, or sell the right on behalf of the GDR holder and distribute the proceeds of sale (after deducting taxes and related expenses) to the GDR holders.		
Trustee	N/A.		
Depository bank	CitiBank, N.A.		
Custodian bank	First Commercial Bank		
GDSs Outstanding	376,604 units		
Apportionment of expenses for the issuance and maintenance	<p>(I) GDR issue cost: Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions, the issuance costs and expenses of all GDRs are borne by the issuing company, including legal expenses, charges and fee for the listing of securities, financial advisory fees and other related expenses.</p> <p>(II) Expenses incurred during the effective period of GDR Unless otherwise specified by relative laws and regulations or otherwise agreed by the issuing company and the foreign lead underwriter and depository institutions. The charges and fee for the listing of securities, information disclosure and other related expenses of each year during the effective period of GDR shall be borne by the issuing company.</p>		
Terms and Conditions in the Deposit Agreement and Custody Agreement	-		
Closing Price per GDS	2019	Highest	USD 12.90
		Lowest	USD 8.15
		Average	USD 10.46
	Current year to March 31, 2020	Highest	USD 15.10
		Lowest	USD 10.20
		Average	USD 13.12

V. Employee Stock Options: None.

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

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

VIII. Financing Plans and Implementation: None.

## V. Operational Highlights

### I. Business Activities

#### (I) Business Scope

##### 1. The Company shall engage in the following business

CC01080 Electronic Parts and Components Manufacturing

C801990 Other Chemical Materials Manufacturing

F119010 Wholesale of Electronic Materials (only in areas outside Hsinchu Science Park)

F219010 Retail Sale of Electronic Materials (only in areas outside Hsinchu Science Park)

F401010 International Trade

Research and development, design, manufacture and sell the following products:

1. Silicon-based semiconductor materials and their components
2. Silicon Compound
3. Silicon Carbide Compound
4. Import-export activities related to the above mentioned business.

Unit: NT\$ 1,000

Item \ Year	2018		2019	
	Net operating revenues	Proportion (%)	Net operating revenues	Proportion (%)
Semiconductor ingot	58,447,151	99.0%	57,721,510	99.3%
Semiconductor wafer	492,114	0.8%	275,284	0.5%
Other	124,245	0.2%	97,537	0.2%
Total	59,063,510	100.00%	58,094,331	100.00%

##### 3. Current Products and Service

- A. Ultra low resistivity ingot with Phosphorus doped
- B. Ultra low resistivity ingot with Arsenic doped
- C. Ultra low resistivity ingot with Boron doped
- D. Ultra low resistivity ingot with Antimony doped
- E. Polished wafer and Epi wafer
- F. Anneal wafer
- G. Unpolished wafer and ultra thin wafer
- H. High reflectivity etching wafer
- I. SOI wafer and bonding wafer for high power electronic device
- J. Diffusion wafer and deep diffusion polished wafer
- K. High strength silicon substrate for GaN\_HEMT application
- L. FZ wafer
- M. NTD wafer

- N. Perfect Silicon
- O. Engineered Customizable Application Specific “ECAS®” wafer
- P. GaN Epi wafer
- Q. SiC wafer

#### 4. Future New Technology and Products

- A. SiC wafer for next generation high power automotive electronic device application
- B. Epi-substrate for GaN\_HEMT application
- C. High strength and ultra thin silicon substrate with nano structure
- D. SOI substrate for next generation RF device application
- E. Silicon substrate for 3nm IC process
- F. “ECAS®” wafer for high-resolution CMOS image sensor(CIS)
- G. 300mm Diamond Wire SAW process development

### (II) Industry Overview

#### 1. Industrial Current Status and Future Development

##### A. Worldwide Semiconductor Market

Global research firm ~~tor~~ MarketFutuasts an expected decline of 0.9% throughout 2020 compared to 2019, this is down from the previous quarter’s forecast of 12.5% growth under the continuous spread of COVID-19. Another semiconductor research firm, IC Insights’ global IC market forecast has turned negative as well, now predicting a loss of 4% for the year. Prior to the industrywide coronavirus-driven shutdowns, the firm previously guided for 3% growth.

The wide spread of COVID-19 across the world and the resulting strong actions by governments to contain the spread will have a far more severe impact on demand than initially predicted. This year’s forecast could have been worse, but growth in memory could prevent a steep decline.

Overall, Gartner predicts that 2020 global semiconductor revenue has been reduced from the previous quarter’s forecast by \$55 billion, to \$415.4 billion. 2020 total market growth has been reduced from 12.5% to a decline of 0.9%, with non-memory expected to decline 6.1%, while memory is forecast to grow 13.9%. Gartner believes that semiconductor memory revenue will account for 30% of the total worldwide semiconductor market in 2020. The memory market is forecast to reach \$124.7 billion in 2020, an increase of 13.9%, while the non-memory revenue market is on pace to total \$290.6 billion, a decline of 6.1% year over year.

**Worldwide Semiconductor Revenue Forecast (Billions of U.S. Dollars)**

	<b>2019</b>	<b>2020</b>
Revenue (\$B)	419.1	415.4
Growth (%)	-12.0	-0.9

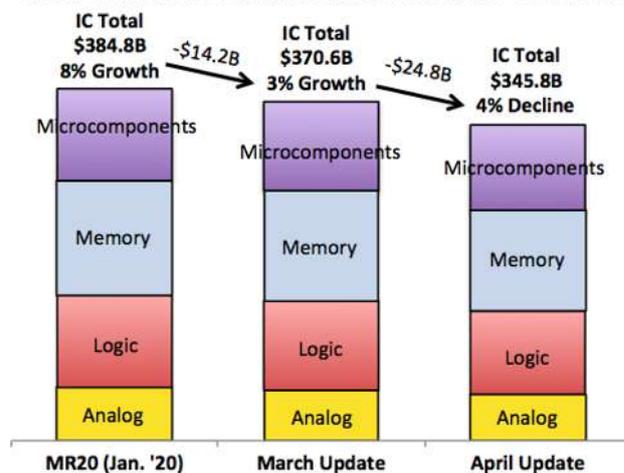
Source: Gartner (April 2020)

NAND flash supply will remain historically low in 2020 due to fab delays and technology transitions, but the demand will diminish later in 2020, initial price increases of 15.7% during the first half of 2020 will reverse to a 9.4% decline during the second half of the year. However, average pricing levels will still enable NAND flash revenue to achieve growth this year.

Strong demand from cloud service providers in the first half of 2020 will push pricing and revenue higher in server DRAM. However, this growth will be more than offset by weak demand and falling prices from the smartphone market. For the DRAM market overall, Gartner analysts estimate DRAM revenue will decline 2.4% in 2020. Non-memory semiconductor markets will experience a significant reduction in smartphone, automobile and consumer electronics production and be heavily impacted across the board. In contrast, the hyperscale data center and communications infrastructure sectors will prove more resilient with continued strategic investment required to support increased remote working and online access.

IC Insights further points out that the majority of the impact on the global economy and IC market from Covid-19 would primarily be from market and production disruptions within China, thus revises IC market growth rate to 3% and IC Insights' current baseline forecast for the IC market in 2020 calls for a 4% drop because global GDP is now expected to post a decline this year, impacting overall IC market.

**How Covid-19 Outbreak Altered 2020 Outlook**



Source: IC Insights

## B. Semiconductor Industry

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

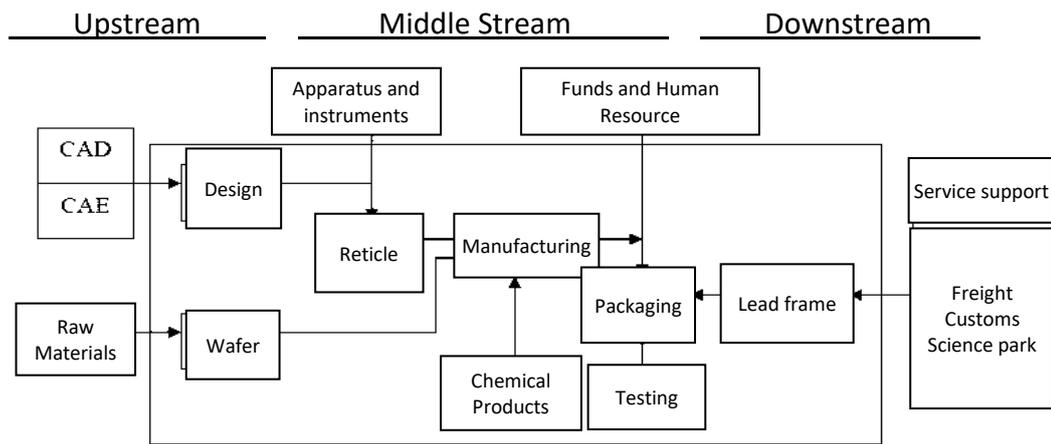
Wafers are used to fabricate integrated circuits. Silicon is made from abundant silicon dioxide inside the earth crust, and goes through the EAF melting process, chlorination and distillation, to form pure (>99.99999999%) polycrystalline silicon, which are melted by wafer makers, incepting silicon seed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

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

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

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

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



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

### 3. Various product development trends

Research institute IDC, expects the overall semiconductor market to decline due to COVID-19 outspread. COVID-19 is affecting China and is spreading within Asia and into Europe and North America. In addition to the human cost of life, the impact of the spread of the virus on the global economy is only beginning to be appreciated and has deep implications for the world's technology supply chain. IDC illustrates 4 scenarios to evaluate the overall impact in 2020 semiconductor market.

Mapping Four Semiconductor Revenue Forecast Scenarios			
2020 Worldwide Semiconductor Revenue Growth Forecast Scenarios	Technology Supply Chain Recovery	Global Disruption to Economy and Technology Demand	Impact on Broader Technology Industry & Initiatives
<b>Scenario 1:</b> Decline -12% or more	1-3 months	9-12+ months	9-12+ months
<b>Scenario 2:</b> Decline -3 to -6%	3-9 months	3-9 months	3-9 months
<b>Scenario 3:</b> Growth +2%	1-3 months	3-9 months	3-9 months
<b>Scenario 4:</b> Growth +6% or more	1-3 months	1-3 months	1-3 months

Source: IDC, March 2020

IDC believes the most likely outcome for this event will be a year-over-year revenue growth rate of -6% for the worldwide semiconductor market in 2020, IDC gives this scenario a 54% probability. Under this scenario, the supply chain will start to recover, and quarantines and travel bans will ease, over the summer. For the worldwide semiconductor market, the impact will be \$25.8 billion. There are 80% Overall, it is estimated that the global semiconductor revenue in 2020 will have an 80% chance of shrinking significantly, rather than the minor growth of 2% previously expected. In addition, there is still a one-fifth chance of a possible rapid rebound from the new coronavirus epidemic. The impact on China's supply chain is huge, and the

timing of recovery is uncertain. IDC further states that the development of emerging technologies such as 5G, Internet of Things, high-performance computing and AI are expected to be the driving forces that bring a comprehensive recovery in the semiconductor industry.

Semiconductor products are closely related to the overall economy, and TIER's (Taiwan Institute of Economic Research) latest report covers the following developments:

A. Global macroeconomic trends

The spread of COVID-19 from Asia to the world has caused economic slowdown in Asia, and the recent oil price collapse has brought volatility to global financial market. Though the Federal Reserve and central banks in many nations dropped its benchmark interest rates and launched a new round of quantitative easing in an emergency move to shelter the economy from the effects of the virus, panic continues to spread in the market and various international research institutes also revise down their forecast on global economy growth forecast. End demands are affected with the contagion spreads to Europe and the U.S., manufacturers consider the future outlook is neutral or getting worse.

B. US macroeconomic trends

U.S. Bureau of Economic Analysis (BEA) reports that the economy increased by 2.3% in both 2019 and the fourth quarter. Consumer spending rose by 2.6% in 2019Q4 as momentum for economy growth. However gross private investment fell by 1.9% Yoyo, the first contraction since President Trump assumed presidency. Institute of Supply Management (ISM) announced manufacturing expanded in January, as the PMI<sup>®</sup> registered 50.9%, an increase of 3.1 percentage points from the seasonally adjusted December reading of 47.8 %. Also January 2020 Non-Manufacturing Index (NMI) registered 55.5%, an increase of 0.6 percentage points from the December. Rebound PMI with rising NMI indicated the economy activities were rather optimistic now. The 2.3% economy growth rate in 2019Q4 was the same as its previous announcement. Nonetheless the Fed cut its fed funds target rate twice to a range between 0% and 0.25% to shelter economy from COVID-19 in March. The February PMI<sup>®</sup> registered 50.1%, down 0.8 percentage point from the January reading of 50.9 percent. February 2020 Non-Manufacturing Index (NMI) registered 57.3%, an increase of 1.8 percentage points from January. Though both PMI and NMI are rising, future outlook is under the COVID-19 shadow given that the contagion in U.S is

getting worse recently.

C. Europe's macroeconomic trends

Seasonally adjusted GDP increased by 1.2% and 1.0% in the euro area (EA27 and the EU19) respectively during the fourth quarter of 2019 according to a revised estimate published by Eurostat, the statistical office of the European Union. In conclusion, economic growth in the eurozone has come close to stalling point in 2019 and the fourth quarter is the worst. GDP rate for the TOP 3 entities- Germany, France and Italy registered 0.5%, 0.9% and 0.1% respectively. The economy growth in Italy was rather weak in 2019 among the EU and it is also where the COVID-19 hits the hardest, the chances of recovery are minimal. The European Central Bank provided an additional €120 billion of stimulus through bond purchases as part of a package of measures to help the eurozone economy overcome the shock of the coronavirus pandemic. Economic Sentiment Indicator, abbreviated at ESI, projected EU February ESI (Economic Sentiment Indicator) as 103 points, an increase of 0.5 points MoM; eurozone February ESI as 103.5 points, an increase of 0.9 points MoM. The outspread was ongoing during the investigation, thus the indicators reflected the expectation of economy recovery.

D. Japan's macroeconomic trends

Japan Cabinet Office posted 2019Q4 GDP contraction (implicit price deflator) of 0.7%, the biggest decline since 2014Q4. Japan's Private Consumption decreased by 1.8%, a strike hit by rising consumption tax in October, 2019, not only the first recession since 2018Q2, but also a record low since 2015Q2. Capital Expenditures and Disposals of Private Enterprises also declined by 4.4% annually, a record low since 2010Q2. Exports were impacted by US-China and Japan-Korea trade tension, decreased quarterly. Although public sector expenditures increased, it was still difficult to offset the private dropping demand. The decrease in the total economic growth rate in 2019 is 0.7%, which was still an increase of 0.4 percentage points from 2018. In terms of trade, exports and imports in February were 6.32 trillion yen and 5.21 trillion yen, both decreased by -1.0% and -14.0% from the same period in 2019, a 15 consecutive months and 10 months recession respectively. IHS Markit quoted the JIBUN BANK Japan Manufacturing Purchasing Managers Index (PMI)- in February, due to the supply chain disruption caused by the epidemic, new orders suffered the largest decline since December 2012. Output decreased and supplier delivery time extended, resulting in PMI index dropped to 47.8, a decrease of 1.0 point from January. Therefore, regarding Japan future outlook,

the leading indicator of 3-month moving average was 90.7 points, a decrease of 0.36 points from December 2019, and the 7-month moving average reached 91.6 points, a decrease of 0.48 points from December 2019, and IHS Markit 's latest forecast for 2020 economic growth rate is -0.79%.

E. China's macroeconomic trends

According to the announcement of the National Bureau of Statistics of China in January to February 2020, the annual growth rate of industrial value added of national scale (enterprises with revenue from main business is 20 million yuan or above) was -13.5%, of which private fixed asset investment annual growth rate was -26.4 %. In addition, the General Administration of Customs announced that the trade volume in January to February, 2020 reached US \$ 591.99 billion, a decrease of 11.0% from the same period in 2019, of which exports were US \$292.45 billion, a decrease of 17.2% from the same period in 2019, and imports were US \$299.54 billion, a decrease 4.0%. The top three export regions are the EU (accounting for 15.5% of total exports), ASEAN (15.2%) and the United States (14.7%), the total exports accounted for 45.3%.

In terms of production and business activities, in February due to the impact of the new coronavirus epidemic, Chinese manufacturing PMI sub-indices all fell from January, and the index came to 35.7%, down 14.3 percentage points from January. If we look at the size of enterprises, the PMI of large, medium and small enterprises were 36.3%, 35.5% and 34.1%, which were 14.1, 14.6 and 14.5 percentage points lower than that of January; the non-manufacturing activity index came to 29.6%, which was a decrease of 24.5 percentage points compared with January, but according to the survey jointly conducted by the Service Industry Survey Center of the National Bureau of Statistics and the China Federation of Logistics and Purchasing, as of February 25, among the national procurement manager survey enterprises, the resumption rate of large and medium-sized enterprises was 78.9%, of which large and medium Manufacturing companies reached 85.6%. According to IHS Markit's latest forecast, the economic growth rate in 2020 is 3.92%, which is 1.5% lower than the forecast before the impact of the epidemic.

F. South Korea's macroeconomic trends

The Ministry of Trade, Industry and Energy announced that Korean exports in February 2020 rebounded and increased 4.5% from a year earlier to USD 41.26 billion. Imports inched up 1.4% to \$37.15 billion. February exports marked the first rebound in 15 months despite the outbreak of the new coronavirus.

Among Korea's 20 major export items, only computers, robots, bio-health

products and textiles showed double-digit growth, other items decreased by double-digit in displays, automotive etc. By region, outbound shipments to the U.S., ASEAN, the CIS, Central and South America, and India increased while those to China, the EU, the Middle East, and Japan decreased by 6.6%, 2.0% and 0.3%. IHS Markit projects S. Korea GDP will fall on 0.21%, a decrease of 1.28 percentage points compared to pre-COVID-19 period.

G. Taiwan's macroeconomic trends

Regarding the recent international economic situation, the Asian manufacturing was deeply impacted in every sector in February as a result of the spread of COVID-19 originated from Asia to the world. Chinese PMI hit a record low in February 2020. Japanese and South Korean PMI also hit new lows in recent years. The recent oil price collapse has brought volatility to global financial market. Though the Federal Reserve and central banks in many nations dropped its benchmark interest rates and launched a new round of quantitative easing in an emergency move to shelter the economy from the effects of the virus, it is hard to comfort civil panic. However, benefiting from the expansion of emerging technology applications, the demand for high-end chips is booming, and Netcom products and server manufacturers have expanded domestic production capacity, underpinning the positive growth of the electronic components industry and the computer, electronic products and optical products industries.

4. Competition Status

In the semiconductor wafer industry, barriers to entry are high to the other potential competitors due to high concentration of capital and technology. In recent years, the Company has become the third largest wafer supplier in the world through acquisition of Topsil and SunEdison and expansion of equipment. The Company's Business operations have achieved economies of scale, and its process technology has won the trust and quality recognition from international manufacturers. Furthermore, the Company would become more flexible in meeting customers' demand on high quality products and different delivery time frames by integrating technologies and production capacity of subsidiaries around the world. In addition, in order to avoid the supply disruption caused by the pandemic, customers have increased orders as safety inventories to meet future needs. In addition to the rising demand for remote work and medical components and devices, GlobalWafers expects that the future operation will remain stable .

### (III) Research and Development

We have been continuously endeavoring to improve the technologies of silicon monocrystalline ingot growth and silicon wafer precision machining, and by cooperating with academia research institutes and university professionals, we have accumulated explosive energy in innovating new technologies as well as new products. With years of devoting in the technology development in the projects of 「Silicon monocrystalline ingot growth and silicon wafer precision machining」 and 「Silicon epitaxy deposition technology and SOI wafer bonding technology」, we have fulfilled or exceeded the international standards in the fields, such as the productivity of monocrystalline ingot growth, lowering the resistivity of ingot, ingot defect control, ingot quality improvement, reducing of argon usage, improvement of wafer flatness, atomic-level handling technique for polished wafer surface, homogeneous/heterogeneous epitaxial technique, homogeneous/heterogeneous wafer bonding technique, improvement of wafer strength with reducing wafer thickness, improvement of energy consumption and water usage, reducing of material usage and waste. After Covalent Material-silicon, Topsil, and Sun Edison semi joining GlobalWafers, we integrate and redistribute the technologies and resources among subsidiaries, and have reached several remarkable indices with regard to the development of process technology, research and development of new products, and most importantly, the customers' qualifications as well. We have not only passed the evaluation of the Tier 1 customers in cutting-edge manufacturing processes but also have been selected as the best supplier by important customers. The customers have certainly demonstrated GWC's success in R&D.

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

In new product development, we have achieved unprecedented milestones, for instances, we have developed 12-inch N-type heavily doped semiconductor with ultra-low resistivity for high power IC components, RF-SOI and CTL-SOI for 4G and 5G communication applications, the next generation wide band-gap material GaN on silicon and on SiC wafers, and the customized internal-impurity-agglomerated special wafer - the Engineered Customizable Application Specific "ECAS<sup>®</sup>" wafer (ECAS).

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

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

In addition, GlobalWafers is also actively expanding its patent portfolio to protect its intellectual properties procured from R&D, and has obtained more than 1,300 patents worldwide. These R&D achievements will enforce us to progress and become the leading wafer supplier in the world.

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

Unit: NT\$ 1,000

Year	2018	2018	March 31, 2020
Net Revenue	1,650,559	1,710,801	378,908
Research and Development Expenditures	59,063,510	58,094,331	13,514,739
Research and Development Expenditures	2.79	2.94	2.80

2. Newly Developed Technology and Products in Most Recent Year

Year	Technology/Product
2019	<ol style="list-style-type: none"> <li>1. Silicon substrate for 7nm IC process.</li> <li>2. Epitaxial Wafers for CMOS image sensor (CIS).</li> <li>3. AI in Nanotopography predication at slicing and grinding area.</li> <li>4. Big Data in Slicing tool breakdown prediction.</li> <li>5. Structure wire slicing technology</li> <li>6. Single wafer cleaning technology development.</li> <li>7. 200mm Low power consumption HZ design</li> <li>8. LT-FTIR for Silicon wafer impurity measurement.</li> <li>9. Carbon reduction technology of ECAS wafer for CIS</li> <li>10. Stacking fault control technology on epitaxial wafer using ultra low resistivity &lt;math&gt;&lt;0.9 \text{ m}\Omega\text{-cm}&lt;/math&gt; crystal with Phosphorous</li> <li>11. AI development in oxygen prediction during crystal growth</li> <li>12. AI development in rapid epitaxial growth rate</li> <li>13. Taiko wafer</li> </ol>

Year	Technology/Product
	14. Reclaim wafer manufacturing technology for 6 inch SiC wafer 15. Hetero-material bonding technology development 16. Digitized manufacturing system for SiC wafering development 17. High precision and low damage layer slicing technology development for silicon wafer

#### (IV) Long-term and Short-term Development

##### 1. Long-term Development

- A. Focus on research and development of large-size and heavy-dope ingot and power semiconductor epitaxy, aiming to become the largest wafer maker with complete product portfolio.
- B. Expedite GaN and SiC and explore the sales territory
- C. Closely grasp market and industry trends as well as fine tune business strategies simultaneously; restlessly develop potential products in various applications; carry out patent protection measures to strengthen our own competitiveness.
- D. Focus on development of high-efficiency niche products so as to become a competitive wafer maker with best quality, highest efficiency and broadest product portfolio.
- E. Improve operational performance with all business units, continuously integrate resources, procurement, capacity and sales channel of 16 operational sites in 9 countries to minimize cost and utilize internal resources efficiently
- F. Take advantage of niche technologies in Europe, US, Korea and Japan to develop next generation wafers and surpass all rivals for extensive market share.
- G. Search for strategic alliances in technology and sale for the R&D in the development and design of new products for the Company and materials requirement.

##### 2. Short-term Development

- A. Strengthen R&D links with downstream customers, develop high-efficiency niche products with core technology capabilities, and actively reduce manufacturing costs to increase profit margins.
- B. Acceleration of the production performance of 12" products, and increase the global market share of 8" and 12" wafer.
- C. Integrate technology and resources among group, debottleneck to maximize capacity. Speed up in R&D consolidation of newly acquired business entities and set up international platform for further technology discussion in pursuit of better quality and customer satisfaction.

- D. Stabilize supply of key raw materials and parts to ensure superior production quality and on-time delivery in order to secure smooth production.

## II. Market and Sales Overview

### (I) Market Analysis

#### 1. Sales Region:

Unit: NT\$ 1,000

Area	2018		2019		
	Turnover	Ratio (%)	Turnover	Ratio (%)	
Local	13,449,010	22.8%	12,572,918	21.6%	
Abroad	Asia	26,940,905	45.6%	26,952,513	46.4%
	America	8,340,541	14.1%	8,410,577	14.5%
	Other	10,333,054	17.5%	10,158,323	17.5%
Total	59,063,510	100.00%	58,094,331	100.00%	

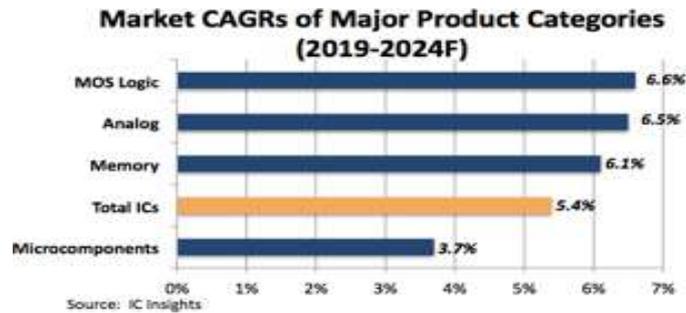
#### 2. Market Share (%) of Major Product

According to the statistics compiled by SEMI covering FY2019, the shipment volume of the Company ranked the number 3 position among the top 15%-20% of the world silicon wafer manufacturers. There is the trend of consolidation and integration of the silicon wafer industry where the top 5 manufacturers accounted for over 90% of the market share. These top 5 are Shin-Etsu and Sumo of Japan, GWC, Siltronic AG of Germany, and SK Siltron of Korea. The Company was ranked the number 3 position of the world, which indicated its stable growth in operation. It is expected that the Company could continue to develop its market with the broadest product line as the niche with further increase of market share.

#### 3. Market Share (%) of Major Product

The application of semiconductor products is on perpetual development and the end products are closely associated with our daily lives. Macroeconomic performance is also significantly associated with the performance of the semiconductor industry. The clientele base of the Company is broad and in diversity. End products are applicable to many industries and areas of utilization such as automotive products, power source, memory and others.

There are two possible scenarios for wafer market trend in the second half of 2020 under the impact of COVID-19 according to the latest wafer market report issued by SEMI ORG: first, the market uncertainty caused by the contagion remains, and the global silicon wafer market sales decline; or sales rebound robustly and the market scale rises.



Source : IC Insights (2020/Jan)

#### 4. Competition Superiority

##### A. Experienced and visionary management and R&D teams

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

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

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

Company through patent registration. At present, the Company has successfully registered for more than 1200 patents. This brilliant result of research and development has been highly recognized by the customers worldwide.

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

The Company has concentrated in the research and development of the technologies and production of semiconductor grade silicon products and related fields ever since its establishment, and has established production sites in America, Europe and Asia. The Company has 16 plants in 9 countries of the world with the economy of scale in production capacity. The engineers and the line staff are well-seasoned in production process and operation. In addition, the Company has managed its production process effectively under the diversified mode of operation in dispersion that helps to improve the production efficiently significantly. The unit cost becomes relatively low.

D. Long-term Partnership with Valued Customers

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

E. Complete Product Portfolio Offering

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

## F. Solid Financial Structure

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

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

### A. Favorable factors

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

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

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

The continued development of the IoT containing smart appliances, wearables, and smart cities has emerged as the prime force driving for the revenue of semiconductors. Likewise, the 5G is about to activate a new mode of mobile web and change the form of wireless communication forever. The

development of new technologies like the 5G, AI, and IoT will link together a number of consumer electronics, mobile devices, network communication equipment and PC application markets, which previously developed in their own solitudes. This is particularly the case for the demand of 8" and 12" silicon wafer. Wafer under the size of 6" will thrive as the demand for automotive and daily use is on the growth. The demand for silicon wafer materials will grow in line with the growth in demand for semiconductors.

(c) Synchronize with Market Trend

The top 5 silicon wafer manufacturers are focused on the application standard of memory for the time being, which makes competition acute and no room for profit. Yet, the group could not only provide the services of the whole product line and production process in 3"~12" silicon wafer for the customers (pulling, chipping, grinding, polishing, rinsing, annealing, and epitaxy) and focused on the niche market of automotive and power supply equipment. The Company's source of profit remained stable and further lays hand on the development of advanced production process to lay out a full product line. As such, there is room for further growth.

B. Unfavorable Factors and Countermeasures

(a) Seasonal Variation in Semiconductor Industry

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

Countermeasure:

The Company is the number 3 semiconductor wafer manufacturer of the world with product line covering 3" to 12" wafers that assures its economy of scale and market position. The end products could be applied broadly with the automotive and power supply devices market in particular. The technical staff of the Company and its subsidiaries have years of experience in the semiconductor industry with solid background in technology. With the proper application of core technology, matching with the capacity of technology integration and development, the Company could provide a complete product

line with a wide array of carrying items to the needs of the market and the customers, and establish long-term stable partnership relation with the customers on hand. The production capacity could then be fully utilized in stability to reduce the cyclical risk to the Company. In addition, the Company has production facilities in Europe, America, and Asia, and could reduce the cost of operation through purchase and centralization of sale. Furthermore, the Company could fully utilize the advantages of different production sites for flexible production scheduling to tackle with the unfavorable factors caused by market fluctuation.

(b) Increasingly volatile international environment

COVID-19 and regional trade conflicts bring volatility to the macro economy.

Countermeasure:

The Company has production facilities around the world, the extensive footprint enable us to mitigate tariff impact with agility to cope with the changing environment and regulation. Diversified worldwide client base also minimize the unfavorable influence to revenue resulted by the contagion and lowers the dependence on single area.

(c) Shortage of Key Material

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

Countermeasure:

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

(d) Foreign Currency Fluctuation

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

exchange rate between the USD and the currencies of the aforementioned host countries will affect the cost of operation of the Company.

Countermeasure:

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

(e) New competitors in small size wafer

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

Countermeasure:

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

(II) The Production Procedures of Main Products

1. Major Products and Their Application

Products	Main Usage
Semiconductor wafer	Main ingredient of semiconductor devices, and

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

2. Process Flow:

**Wafering**

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

**Cystallite**

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

**Polishing**

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

(III) Supply Status of Main Materials

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

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

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

Unit: NT\$ 1,000

Item	2018				2019			
	Name	Amount	Proportion to annual net purchase (%)	Relationship with the issuer	Name	Amount	Proportion to annual net purchase (%)	Relationship with the issuer
1	Company d	1,608,212	9.3%	None	Company d	1,694,753	10.4%	None
	Other	15,680,150	90.7%		Other	14,608,342	89.6%	

	Net purchase	17,288,362	100.0%		Net purchase	16,303,095	100.0%	
--	--------------	------------	--------	--	--------------	------------	--------	--

Note to the changes:

The principal business of the Company and the subsidiaries is the manufacturing and sale of silicon crystal materials and silicon is the key ingredient. There is no significant change in the ranking of the suppliers in the last 2 periods.

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

Unit: NT\$ 1,000

Item	2018				2019			
	Name	Amount	Proportion to annual net sale (%)	Relationship with the issuer	Name	Amount	Proportion to annual net sale (%)	Relationship with the issuer
1	Company C	9,494,244	16.1%	None	Company C	10,253,312	17.6%	None
	Other	49,569,266	83.9%		Other	47,841,019	82.4%	
	Net sale	59,063,510	100.00%		Net sale	58,094,331	100.00%	

Note to the changes:

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

(V) Production over the Last Two Years:

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

Production volume and value Key items (or by department)	Year	2018			2019		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Semiconductor wafer		57,790	56,909	35,294,655	56,122	51,852	33,795,720
Semiconductor ingot		2,912	2,861	1,526,697	367	267	1,352,145
Total		-	-	36,821,352	-	-	35,147,865

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

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

Sale volume and value Key items (or by department)	Year	2018				2019			
		Domestic sale		Export sale		Domestic sale		Export sale	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Semiconductor wafer		11,386	11,367,515	35,956	47,079,636	9,001	10,869,416	31,438	46,852,094
Semiconductor ingot		0.27	2,309	76	489,805	0.03	199	40	275,085
Other		-	16,129	-	108,116	-	13,302	-	84,235
Total			11,385,953		47,677,557		10,882,917		47,211,414

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

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

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

III. Human Resources

Year		2018	2019	March 31, 2020
Number of employees	Staff	372	329	318
	Manufacturing	279	281	283
	Total	651	610	601
Average age		37.46	38.79	39.02
Average Years of Service (year)		8.33	9.69	9.87
Education %	Doctors	1.38	1.15	1.16
	Masters	14.44	15.08	15.31
	Bachelor's Degree	48.54	47.87	48.09
	Senior high schools and below	35.64	35.90	35.44

Note: Subsidiaries are not included

IV. Environmental Protection Expenditures

1. According to the Law, a Company Shall Apply Permission for Pollution Facilities Placement, Pollutant Emission; Pay Prevention Fee; Set up Environmental Department, above Explanations are as below: the Company Has Applied Permission for Pollution Facilities Placement and Set up Environmental Department to Deal with Related Matters.

2. Investment of pollution preventing main facilities, and the purposes and possible benefits:

(Expressed in NTD thousands)

A. 2018 Environmental expenditure :

Air pollution prevention measures: NTD13,607.

Industrial water treatment: NTD11,687.

Industrial waste treatment : NTD120.

Other environmental Expenditure :NTD11,116.

B. 2019 Environmental expenditure:

Air pollution prevention measures: NTD17,549.

Industrial water treatment: NTD16,449.

Industrial waste treatment: NTD131.

Other environmental Expenditure :NTD2,624.

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

V. Labor Relations

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

1. Employee Benefits:

- (1) Provide high quality salary and fair reward, promotion methods to confirm all the

colleagues to the company's contribution. Besides common benefit-labor, health and group insurances and pension, the company also provides bonus for new year, festivals, birthday, and year-end party, cash premiums for wedding/funeral, travel allowance, Emergency assistance, scholarship, birth reimbursement, lunch and complete training.

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

## 2. Training and Practice

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

## 3. Retirement Policy

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

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

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

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

- (3) Standard for payment of pension:

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

mentally disabled.

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

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

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

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

(1) Regulations and policies governing work environment:

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

(2) The protection of the safety of personnel

- Follow related safety standard, operation procedure and procedure inspection checklist in performing different forms of duties and conduct routine inspection.
- For temporary duties or the duties not performed on a routine basis that

there is no safety rules to follow, do not proceed without thinking twice. Use the work safety standard already in place and consult with the person in charge to determine the safety procedure and work method before proceeding.

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

#### 5. Labor-Management coordination

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

#### 6. Measures To Protect Employee Rights

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

(II) The Company Shall Disclose Present and Future Countermeasures and Possible Expenditures of Labor-Conflict-Caused Losses in the Latest Year to the Date Issued Annual Report: The Company's labor relations are harmonious, and labor disputes are also solved in accordance with the mediation procedure. In the most recent year and as of the date of printing of the annual report, there was no loss due to labor disputes, nor was there any penalty for violating labor laws and regulations, and the legal compliance department also assists to legislate and implement company regulations so as to comply with labor laws.

#### VI. Important Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Land Lease Agreement	Hsinchu Science Park Administration	2019.03.04~ 2020.12.31	Area: 4,633 m <sup>2</sup> Monthly rent at NT\$ 251,387	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2018.01.29 2037.12.31	Area: 12,004.74 m <sup>2</sup> Monthly rent at NT\$ 320,166	Only for designated purpose
Land Lease Agreement	Hsinchu Science Park Administration	2020.02.01~ 2039.12.31	Area: 47,632.03 m <sup>2</sup> Monthly rent at NT\$ 2,713,740	Only for designated purpose
Supplier Agreement	Supplier d	2020	Silicon Materials Agreement	None
Supply Agreement	Customer C	2017~ 2027	Silicon wafer supply agreement	None

## VI. Financial Information

### I. Five-Year Financial Summary

#### (I) Condensed Balance Sheet and Comprehensive Income Statement

##### 1. Condensed Balance Sheet

##### (1) IFRS (consolidated)

Unit: NT\$ 1,000

Item	Year	Financial information of the last 5 years					Financial information as of 2020 March 31
		2015	2016	2017	2018	2019	
Current Assets		12,004,772	22,212,281	35,110,873	53,200,515	51,492,745	46,599,695
Funds & Long-Term Investments		9,360,910	31,035,540	28,202,304	30,887,035	34,697,367	35,747,426
Intangible Assets		701,566	4,436,073	3,939,134	3,649,397	3,227,583	3,156,944
Other Assets		1,748,512	2,876,343	2,980,026	2,085,174	7,168,058	11,209,195
Total Assets		23,815,760	60,560,237	70,232,337	89,822,121	96,585,753	96,713,260
Current Liabilities	Before Distribution	4,883,614	24,890,930	22,251,273	24,422,441	26,910,651	25,874,429
	After Distribution	6,729,864	25,984,055	26,623,773	35,303,366	37,791,576	36,755,354
Non-current Liabilities		2,207,549	19,850,805	13,926,658	22,243,567	24,601,852	23,384,349
Total Liabilities	Before Distribution	7,091,163	44,741,735	36,177,931	46,666,008	51,512,503	49,258,778
	After Distribution	8,937,413	45,834,860	40,550,431	57,546,933	62,393,428	60,139,703
Equity attributable to owners of parent							
Capital Stock		3,692,500	3,692,500	4,372,500	4,372,500	4,372,500	4,372,500
Capital Surplus	Before Distribution	11,767,321	11,741,399	24,772,805	24,772,608	24,776,630	24,776,630
	After Distribution	11,767,321	11,741,399	24,772,805	24,772,608	23,470,919	23,470,919
Retained Earnings	Before Distribution	2,780,724	1,933,282	6,857,529	15,932,425	18,785,920	21,666,283
	After Distribution	961,577	1,164,290	1,174,596	5,051,500	9,210,706	12,091,069
Other Equity		(1,515,948)	(1,592,477)	(1,956,906)	(1,361,299)	(2,291,256)	(2,784,152)
Treasury Stock		-	-	-	(576,779)	(576,779)	(576,779)
Non-controlling Equity		-	43,798	58,478	16,658	6,235	-
Total Shareholders' Equity	Before Distribution	16,724,597	15,818,502	34,054,406	43,156,113	45,073,250	47,454,482
	After Distribution	14,878,347	14,725,377	28,371,473	32,275,188	34,192,325	36,573,557

Note: 1. The financial information in the period of 2015~2019 was audited. The financial information in 2020 Q1 was reviewed by CPA.

## (2) IFRS (standalone)

Unit: NT\$ 1,000

Item	Year	Financial information of the last 5 years				
		2015	2016	2017	2018	2019
Current Assets		5,429,789	6,810,506	13,460,511	9,053,216	6,322,895
Property, plant and equipment		300,965	334,997	411,784	1,094,293	1,100,268
Intangible assets		-	1,631,850	1,313,919	995,988	678,057
Other assets		13,408,001	33,070,416	47,078,130	58,602,543	67,401,040
Total assets		19,138,755	41,847,769	62,264,344	69,746,040	75,502,260
Current Liabilities	Before Distribution	1,898,253	17,317,308	21,671,662	23,396,505	22,936,170
	After Distribution	3,744,503	18,410,433	26,044,162	34,277,430	33,817,095
Non-current Liabilities			8,755,757	6,546,754	3,210,080	7,499,075
Total Liabilities	Before Distribution	2,414,158	26,073,065	28,218,416	26,606,585	30,435,245
	After Distribution	4,260,408	27,166,190	32,590,916	37,487,510	41,316,170
Equity attributable to owners of the parent						
Capital stock		3,692,500	3,692,500	4,372,500	4,372,500	4,372,500
Capital surplus	Before Distribution	11,767,321	11,741,399	24,772,805	24,772,608	24,776,630
	After Distribution	11,767,321	11,741,399	24,772,805	24,772,608	23,470,919
Retained Earnings	Before Distribution	2,780,724	1,933,282	6,857,529	15,932,425	18,785,920
	After Distribution	961,577	1,164,290	1,174,596	5,051,500	9,210,706
Other equity		(1,515,948)	(1,592,477)	(1,956,906)	(1,361,299)	(2,291,256)
Treasury share		-	-	-	(576,779)	(576,779)
Non-Controlling Interests		-	-	-	-	-
Total Equity	Before Distribution	16,724,597	15,774,704	34,045,928	43,139,455	45,067,015
	After Distribution	14,878,347	14,681,579	28,362,995	32,258,530	34,186,090

Note: The financial information in the period of 2015~2019 was audited.

## 2. Condensed Statement of Income

### (1) IFRS (consolidated)

Unit: NT\$ 1,000

Item \ Year	Financial information of the last 5 years					Financial information in 2020 to March 31
	2015	2016	2017	2018	2019	
Revenue	15,310,462	18,426,950	46,212,601	59,063,510	58,094,331	13,514,739
Gross Profit	4,073,170	4,130,383	11,807,766	22,298,844	22,846,721	4,937,527
Operating Income	2,684,922	1,378,347	7,413,542	17,578,051	17,897,221	3,804,584
Non-Operating Income & Expenses	122,804	(33,908)	(538,843)	675,316	656,644	117,786
Net Income (Loss) Before Tax	2,807,726	1,344,439	6,874,699	18,253,367	18,553,865	3,922,370
Income Before Income Tax From Continuing Operations	2,044,193	939,171	5,278,207	13,633,771	13,635,656	2,880,380
Loss From Discontinuing Operation	-	-	-	-	-	-
Net Income (Loss)	2,044,193	939,171	5,278,207	13,633,771	13,635,656	2,880,380
Other Comprehensive Income (After Tax)	175,322	(44,044)	18,274	431,248	(841,189)	(492,896)
Total Comprehensive Income	2,219,515	895,127	5,296,481	14,065,019	12,794,467	2,387,484
Net Income Attributable To the Shareholder of the Company	2,044,193	939,485	5,274,723	13,630,673	13,644,095	2,880,363
Net Income Attributable To Non-Controlling Interests	-	(314)	3,484	3,098	(8,439)	17
Comprehensive Income Attributable To the Shareholder of the Company	2,219,515	895,176	5,328,810	14,055,257	12,804,463	2,387,467
Comprehensive Income Attributable To Non-Controlling Interests	-	(49)	(32,329)	9,762	(9,996)	17
Earnings Per Share	5.8	2.54	12.68	31.18	31.35	6.62

Note: The financial information in the period of 2015~2019 was audited. The financial information in 2020 Q1 was reviewed.

## (2) IFRS (standalone)

Unit: NT\$ 1,000

Item \ Year	Financial information of the last 5 years				
	2014	2015	2016	2017	2018
Revenue	6,898,559	6,749,320	9,280,321	13,740,705	12,465,803
Gross Profit	954,035	1,360,109	2,172,052	4,872,970	4,840,549
Operating Income	599,972	667,833	1,495,352	3,881,832	3,594,556
Non-Operating Income & Expenses	1,655,616	333,297	4,531,292	12,212,451	11,871,354
Net Income (Loss) Before Tax	2,255,588	1,001,130	6,026,644	16,094,283	15,465,910
Income Before Income Tax From Continuing Operations	2,044,193	939,485	5,274,723	13,630,673	13,644,095
Loss From Discontinuing Operation	-	-	-	-	-
Net Income (Loss)	2,044,193	939,485	5,274,723	13,630,673	13,644,095
Other Comprehensive Income (After Tax)	175,322	(44,309)	54,087	424,584	(839,632)
Total Comprehensive Income	2,219,515	895,176	5,328,810	14,055,257	12,804,463
Net Income Attributable to the Shareholder of the Company	2,044,193	939,485	5,274,723	13,630,673	13,644,095
Net Income Attributable To Non-Controlling Interests	-	-	-	-	-
Comprehensive Income Attributable To the Shareholder of the Company	2,219,515	895,176	5,328,810	14,055,257	12,804,463
Comprehensive Income Attributable To Non-Controlling Interests	-	-	-	-	-
Earnings Per Share	5.8	2.54	12.68	31.18	31.35

Note: The financial information in the period of 2015~2019 was audited.

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

1. Auditors' Names and Opinions for Last Five Years

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

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2015	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2016	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2017	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2019	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion

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

Year	Accounting Firm	Names of CPAs retained as external auditors	Remarks
2015	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2016	KPMG	Mei-Yu Tseng, Yong-Hua Huang	Unqualified opinion
2017	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2018	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion
2019	KPMG	Cheng-Chien Chen, An-Chih Cheng	Unqualified opinion

2. Reason for Changing CPA in Last Five Years:

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

## II. Five-Year Financial Analysis

### (I) Financial Analysis –IFRS (consolidated)

Year		Financial analysis of the last 5 years (Note 1)					Financial information as of 2020/3/31
		2015	2016	2017	2018	2019	
Items of analysis (Note 2)							
Financial Structure (%)	Ratio Of Liabilities To Assets	29.78	73.88	51.51	51.95	53.33	62.18
	Ratio Of Long-Term Capital To Property, Plant & Equipment	202.25	114.93	170.13	211.74	200.81	167.73
Solvency (%)	Current Ratio	245.82	89.24	157.79	217.83	191.35	126.78
	Quick Ratio	172.15	58.30	122.53	188.36	163.45	107.55
	Times Interest Earned Ratio	251.04	14.33	18.26	169.99	259.72	176.28
Operating Ability	Accounts Receivable Turnover (Turns)	3.7	3.02	5.92	6.88	6.68	6.46
	Average Collection Period	98	121	62	53	55	57
	Inventory Turnover (Turns)	3.5	2.54	4.42	4.88	4.83	4.88
	Accounts Payable Turnover (Turns)	7.34	4.39	7.32	8.04	8.11	9.08
	Average Days In Sales	104	144	83	75	76	75
	Property, Plant & Equipment Turnover (Turns)	1.67	0.91	1.56	2.00	1.77	1.53
	Total Assets Turnover (Turns)	0.68	0.44	0.70	0.74	0.62	0.56
Profitability	Return On Total Assets (%)	9.08	2.39	8.53	17.14	14.69	11.99
	Return On Shareholders' Equity (%)	13.66	5.78	21.18	35.32	30.91	28.22
	Pre-tax Income to Paid-in Capital Ratio (%)	76.04	36.41	157.22	417.46	424.33	263.50
	Profit Ratio (%)	13.35	5.10	11.42	23.08	23.47	21.31
	Earnings Per Share (\$)	5.8	2.54	12.68	31.18	31.35	6.62
Cash Flow	Cash Flow Ratio (%)	48.32	10.76	73.14	148.14	64.62	8.62
	Cash Flow Adequacy Ratio (%)	116.8	106.26	171.48	246.86	184.77	189.38
	Cash Reinvestment Ratio (%)	0.69	1.22	18.15	30.16	5.82	3.06
Leverage	Operating Leverage	1.47	2.16	1.68	1.27	1.27	1.31
	Financial Leverage	1	1.08	1.05	1.01	1.00	1.01
Explain the changes in the financial ratios of the last 2 years:							
1. Times Interest Earned Ratio: due to the increase in 2019 profit.							
2. Cash flow ratio and cash reinvestment ratio: less cash in-flow from operation in 2019.							
3. Cash Flow Adequacy Ratio: capital expenditure and cash dividend distribution in 2019.							

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

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

#### 1. Financial Structure

(1) Ratio Of Liabilities To Assets = Total Liabilities/ Total Assets

(2) Ratio Of Long-Term Capital To Property, Plant & Equipment = (Net Shareholder's Equity +

Non-current Liabilities)/ Net amount of Property, Plant & Equipment

2. Solvency

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

3. Operating Ability

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

4. Profitability

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

5. Cash Flow

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

6. Leverage

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

(II) Financial Analysis – IFRS (standalone)

Items of analysis (Note 2)		Financial analysis of the last 5 years (Note 1)				
		2015	2016	2017	2018	2019
Financial Structure (%)	Ratio Of Liabilities To Assets	12.61	62.30	45.32	38.15	40.31
	Ratio Of Long-Term Capital To Fixed Assets	5,728.61	7,322.59	9,857.76	4,235.57	4777.57
Solvency (%)	Current Ratio	286.04	39.33	62.11	38.69	27.57
	Quick Ratio	233.93	30.49	53.69	32.41	23.01
	Times Interest Earned Ratio	2,316.8	27.17	22.03	86.51	101.84
Operating Ability	Accounts Receivable Turnover (Turns)	6.17	2.69	3.46	4.19	3.49
	Average Collection Period	59	136	105	87	105
	Inventory Turnover (Turns)	7.59	4.54	4.45	5.66	6.20
	Accounts Payable Turnover (Turns)	3.82	2.10	2.07	2.63	2.62
	Average Days In Sales	48	80	82	64	59
	Property, plant, and equipment turnover	24.86	21.23	24.85	18.25	11.35
	Total Assets Turnover (Turns)	0.39	0.22	0.17	0.21	0.17
Profitability	Return On Total Assets (%)	11.47	3.20	10.61	20.90	18.97
	Return on equity (%)	13.66	5.78	21.17	35.32	30.94
	EBT to paid-in capital ratio (%)	61.09	27.11	137.83	368.08	353.71
	Profit Ratio (%)	29.63	13.92	56.83	99.20	109.53
	Earnings Per Share (\$)	5.8	2.54	12.68	31.18	31.35
Cash flow	Cash Flow Ratio (%)	18.49	5.47	21.38	21.33	11.01
	Cash Flow Adequacy Ratio (%)	45.457	90.97	78.63	87.81	59.26
	Cash Reinvestment Ratio (%)	-7.60	-3.80	8.82	1.34	-15.93
Leverage	Operational Leverage	2	1.15	1.27	1.12	1.14
	Financial Leverage	1.00	1.06	1.23	1.05	1.04
Explain the changes in the financial ratios of the last 2 years: 1. Current ratio and quick ratio: due to less cash, inventory, account receivables. 2. Fixed asset turnover ratio: due to increasing property, plant and equipment. 3. Cash Flow Ratio: due to less cash inflow from operation activities 4. Cash Flow Adequacy Ratio : due to increasing 2019 cash dividend distribution. 5. Cash reinvestment ratio: due to less cash inflow from operation activities and higher cash dividend distribution in 2019						

Note 1: The financial information in the period of 2015~2019 were audited.

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

1. Financial Structure

(1) Ratio of Liabilities to Assets = Total Liabilities/ Total Assets

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

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

**GlobalWafers Co., Ltd**  
**Audit Committee's Audit Report**

The Board of Directors has prepared the Company's 2019 Business Report, Consolidated and Standalone Financial Statements and Earnings Distribution Proposal. GlobalWafers Co., Ltd. Consolidated and Standalone Financial Statements have been audited and certified by Chen, Chen-Chien, CPA, and Cheng, An-Chih, CPA, of KPMG and audit review reports relating to the Financial Statements have been issued. The aforementioned reports have been reviewed and considered to be complied with relevant rules by the undersigned, the audit committee of GlobalWafers Co., Ltd. according to Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act, I hereby submit this report.

GlobalWafers Co., Ltd.

Audit Committee Convener:



---

Chi-Hsiung Cheng

March 17, 2020

- IV. Financial Statements for the Latest Year:** Refer to Attachment 1 of this report.
- V. Standalone Financial Statements Review by CPA for the Latest Year:** Refer to Attachment 2 of this report.
- VI. Specify impact to the Company if any financial difficulty happens to the Company and its subsidiaries in the most recent year and as of the printing day of this annual report:** None

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

### I. Analysis of Financial Status

Unit: NT\$ 1,000

Item \ Year	2019	2018	Difference	
			Amount	Change in percentage (%)
Current Assets	51,492,745	53,200,515	(1,707,770)	(3.2%)
Property, Plant & Equipment	34,697,367	30,887,035	3,810,332	12.3%
Intangible Assets	3,227,583	3,649,397	(421,814)	(11.6%)
Other Assets	7,168,058	2,085,174	5,082,884	243.8%
Total Assets	96,585,753	89,822,121	6,763,632	7.5%
Current Liabilities	26,910,651	24,422,441	2,488,210	10.2%
Non-current Liabilities	24,601,852	22,243,567	2,358,285	10.6%
Total Liabilities	51,512,503	46,666,008	4,846,495	10.4%
Capital	4,372,500	4,372,500	0	0.0%
Capital Surplus	24,772,630	24,772,608	22	0.0%
Retained Earnings	18,785,920	15,932,425	2,853,495	17.9%
Total Equity	45,073,250	43,156,113	1,917,137	4.4%
<p>1. Analysis of the difference greater than 20% in the last 2 years:            (1) Other assets: due to the increase of other asset-non-current, deferred income tax assets and right-of-use asset</p> <p>2. Significant influence and the plan for response: None.</p>				

## II. Analysis of Operating Results

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

Unit: NT\$ 1,000

Item \ Year	2019	2018	Changes in amount	Change in percentage (%)
Total Net Revenues	58,094,331	59,063,510	(969,179)	-2%
Gross Profit	22,846,721	22,298,844	547,877	2%
Operation Profit	17,897,221	17,578,051	319,170	2%
Non-Operating Income and Expense	656,644	675,316	(18,672)	-3%
Profit before Tax	18,553,865	18,253,367	300,498	2%
Income Tax Expense	4,918,209	4,619,596	298,613	6%
Net Profit	13,635,656	13,633,771	1,885	0%
Other Comprehensive Income	(841,189)	431,248	(1,272,437)	(295%)
Total Comprehensive Income	12,794,467	14,065,019	(1,270,552)	-9%
Analysis of the difference greater than 20% in the last 2 years:				
(1) Other Comprehensive Income: due to the change in the exchange difference presented in the financial statements of overseas operations.				

III. Analysis of Cash Flow:

(I) Analysis of the changes in cash flow in the most recent year (2019)

(1) Financial analysis

Unit: NT\$ 1,000

Cash balance at the beginning of period (1)	From operation in current period Net cash flow (2)	Cash outflow (inflow) in current period (3)	Amount of cash surplus (short) (1)+(2)-(3)	Remedy for cash short	
				Investment plan	Wealth management plan
35,214,323	17,388,898	19,781,709	32,821,512	NA	NA
Analysis of the change in cash flow of current period: (1) Operation: The continued profit in 2019 with the net cash inflow from operation. (2) Investment: the purchase of fixed assets in 2019, financial assets and repatriated offshore funds resulted in net cash outflow from investment. (3) Financing: dividend distribution resulted in net cash outflow from financing.					

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

(III) Analysis of cash flow in the year ahead (2020)

Unit: NT\$ 1,000

Cash balance at the beginning of period (1)	Projected net cash flow from operation of the period (2)	Projected cash outflow (inflow) volume of the year (3)	Projected amount of cash surplus (short) (1)+(2)-(3)	Remedy for projected cash short	
				Investment plan	Wealth management plan
32,821,512	12,811,163	23,321,230	22,311,445	NA	NA
1. Analysis of cash flow in the year ahead: (1) Operation: continued profit is expected with net cash inflow from operation. (2) Investment: the purchase of R&D/Production equipment to meet operation needs will result in net cash outflow from investment. (3) Financing: the payment of cash dividend will result in net cash outflow from financing. 2. Remedy for projected cash short: None.					

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

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

(I) Reinvestment policy:

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

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

Unit: NT\$ 1,000

Names of investee companies	Recognized investment gain (loss) in 2019	Main reason for profit or loss	Corrective action plan
GlobalWafers Inc.	2,074,206	Operation is normal	None
GlobalSemiconductor Inc.	202,929	Operation is normal	None
GlobalWafers Japan Co., Ltd.	1,903,960	Operation and profit position is stable	None
GWafers Singapore Pte. Ltd.	4,249,594	Operation is normal	None
Topsil GlobalWafers A/S	51,353	Operation is normal	None
Hong-Wang Investment Company	20,331	Operation is normal	None
Taisil Electronic Materials Corp.	3,563,769	Operation and profit position is stable	None
Kunshan Sino Silicon Technology Co., Ltd.	195,307	Operation is normal	None
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	(12,917)	Operation is normal	None
MEMC Japan Ltd.	227,673	Operation and profit position is stable	None
Topsil Semiconductor sp z o.o.	13,719	Operation is normal	None
GlobalWafers Singapore Pte. Ltd.	6,223,239	Operation and profit position is stable	None
GlobalWafers B.V.	3,547,609	Operation is normal	None
MEMC Electronic Materials, SpA	1,425,916	Operation and profit	None

		position is stable	
MEMC Electronic Materials France SarL	753	Operation is normal	None
MEMC Electronic Materials GmbH	(617)	Operation is normal	None
MEMC Holding B.V.(Note 1)	414,476	Operation is normal	None
MEMC Korea Company	1,270,737	Operation and profit position is stable	None
GlobiTech Incorporated	947,639	Operation and profit position is stable	None
MEMC LLC	178,816	Operation is normal	None
MEMC Electronic Materials SDN BHD	75,835	Operation is normal	None
MEMC Ipoh Sdn Bhd	236	Operation is normal	None
SunEdison Semiconductor Technology (Shanghai) Ltd	(557)	Operation is normal	None

Note1 : MEMC Holding B.V dissolved on 2019.9.3 because of merger with GlobalWafers B.V

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

## VI. Analysis of Risk Management:

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

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

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

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

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

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

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

As for the R&D expenses, the budget is composed and planed in accordance with the development schedule of new product and new technology. The R&D expenses in our company were 2.79% and 2.94% of total operating revenues in 2018 and 2019 respectively. In the future, depending on the operating situation and the market fluctuation, the R&D expenses might be tuned up to keep our competitive superiority in the industry.

Category	Estimated R&D Expenses (kNTD)	Descriptions for future R&D projects
Process improvement	300,000	<ol style="list-style-type: none"> <li>1. Low power consumption HZ design</li> <li>2. Low pollution wire sawing technology development</li> <li>3. Advance process for monocrystalline growth/Wafering yield improvement</li> </ol>
Quality improvement	350,000	<ol style="list-style-type: none"> <li>1. Crystal defect control and measurement technology</li> <li>2. Ultra flat wafering technology development</li> <li>3. Low surface- defect density polishing technology</li> <li>4. Atomic-grade polishing technology development</li> <li>5. RFSOI production yield improvement</li> <li>6. Establishment of new wafer chamfer measuring system</li> <li>7. Development Low Temperature FT-IR measurements method for heavily doped silicon monocrystalline with low carbon/oxygen concentration</li> <li>8. Development of Photoluminescence and FT-IR measurements method for silicon monocrystalline with low carbon concentration</li> <li>9. Low Stacking fault epitaxial wafer using ultra low resistivity &lt;0.9 mΩ-cm crystal with Phosphorous doped crystal.</li> </ol>

Equipment improvement	250,000	<ol style="list-style-type: none"> <li>1. Automated and digitized manufacturing system development</li> <li>2. Development of the puller with high productivity and high crystal quality</li> <li>3. Low power consumption process/equipment development</li> <li>4. 300mm New Puller design and development</li> <li>5. Wafering process feed-forward prediction system development</li> <li>6. Next Generation CMP head development.</li> <li>7. Development of silicon surface inspection method for tiny LPD</li> <li>8. Next generation 200mm FZ for Power applications</li> </ol>
New Product development	420,000	<ol style="list-style-type: none"> <li>1. Semi insulated and larger Diameter SiC wafer development</li> <li>2. SOI substrate development for Next generation RF device</li> <li>3. Hetero-epitaxy technology development</li> <li>4. Development of ECAS wafer with low carbon, low defect, and proximately IG structure for next generation 3D memory and CMOS image sensor</li> <li>5. Development of Pulse Photoconductivity method (PPCM) for CMOS image sensor with higher resolution</li> <li>6. Ultra thin and larger Diameter Taiko wafer development</li> </ol>

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

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

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

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

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

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

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

The Company acquired the semiconductor operation from Topsil Semiconductor Materials A/S of Denmark and SunEdison Semiconductor Ltd. of the USA in July and December of 2016, respectively. These acquisitions allowed the Company to emerge as the world number 3 semiconductor wafer manufacturer. The management team of the Company has been focused on the strengthening of the operation capacity over the years through reallocation of Group resources and optimization of the operation efficiency of the business units. The M&A has started to yield result. In aligning with the economic upturn of the semiconductor industry and the rise in the average prices of silicon wafer, the Company has expanded its scale of operation significantly. In the future, the Company will make the best use of its advantages in technology and costing to emerge as a long-term partner for the customers of the semiconductor industry, and provide full-range solution in good quality wafer. The Company proceeded to M&A in accordance with the "Acquisition or Disposal of Assets Procedure", and will be cautious in assessment for assurance of the best interest of the Company and the shareholders' equity.

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

In responding to the customers' demand of 12" wafer advanced production, the subsidiary of the Company, MEMC Korea Company, invested in 2018 for 12" wafer capacity expansion at the existing plant site, mass production expected in 2020, however the mass production schedule might be delayed due to COVID-19. In consideration of the possible risk and influence from the economic cycle of the semiconductor industry on the new capacity, this expansion is based on the long-term agreement with

customers who the new capacity is fully dedicated to, mitigating the influence of the economic cycle on the Company.

- (IX) Risks Associated with any Consolidation of Sales or Purchasing Operations: None.
- (X) Effect and Risk of Large Sale or Transfer of Shares by Directors, Supervisors or Top Ten Shareholders and Countermeasures: None.
- (XI) Impact of Change in Management and its Potential Risks: None.
- (XII) Litigation or Non-litigation Matters
  - 1. Law suits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders' equity or stock price of the Company. Disclose the subject matter of contention, the amount involved, the date of the commencement of legal proceeding, the key parties concerned, and the status: None.
  - 2. The Directors, Supervisors, President, the deputy agents, shareholders holding more than 10% of the shares and subsidiaries involved in law suits, non-contentious matters, or administrative actions with ruling or pending on court ruling to the day this report was printed, and the ruling result may cause significant influence on the shareholders' equity or stock price of the Company: None.

(XIII) Other major risks and countermeasures:

- 1. The assessment of information security risk and response:

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

The Company adopts "Information Security Governance" as the theme of the information security strategy – pursuit in compliance with the Information Security Policy, with timely introduction of new technologies for the improvement of the capacity in security information governance. "Compliance" – the Company reviews newly enacted legal rules and regulations and introduces new technology products for enhancing information security management. "Application of Technology" – cooperation with famous professional information security service provider to

improve information security governance capacity in these three aspects. Through close cooperation and mutual support as well as endless improvement, the Company optimizes its capacity in overall information security defense.

In light of the new trend of information security such as DDoS attack, blackmail software, social engineering software, website recording and bug, the Company joined the SP-ISAC of the Industrial Park. Through the annual exchange with famous information security service providers and programs, the Company pays close attention to issues related to information security and plan proper response. The Company also conducts exercise drills against DDoS and APT under different environments to strengthen colleagues' responses for detecting and deterring attack once discovered. The parent, Sino-American Silicon Products Inc., commissioned KPMG in 2020H for an exercise drill in defense against attack on the information system. The result of the drill was reported to the Boards of the company and the parent, Sino-American Silicon Products Inc. (19 suggestions, no deficiency), and will continue improvement in 2020.

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

## 2. Intellectual property management and risk countermeasures:

### Intellectual property management strategy

In response to the company's operating strategy in becoming the world's largest wafer supplier with the complete product offering, and to synchronize R&D strategy with next-generation technology, the company has formulated a strategy to enhance its intellectual property management, patent deployment and confidentiality control. Intellectual property will not only be a competitive advantage for developing the next generation products, but also an important defense against competitors.

### Intellectual property management system

Since its establishment, the company has followed the parent company SAS' emphasis on intellectual property and introduces the "Taiwan Intellectual Property Management System (TIPS)" in 2013 and gradually strengthens various aspects of the intellectual property management system, including:

**Patent management:** regulate the review, application and maintenance of proposals, and encourage employees to propose their innovations with initiatives

**Confidentiality management:** classify the company's confidential information, strengthen labeling, authority management etc.

**R&D management:** Establish self-development and outsourcing cooperation management standards, strengthen external contracts signing process and achievements inspection.

In addition, the company continues to participate in TIPS audit and verification, hoping to implement the intellectual property management mechanism. The company has successively passed TIPS basic verification in 2013, TIPS in-depth verification in 2014 and 2015, and AA level verification in 2016 to 2019. The latest certificate is valid until December 31, 2021. Also, the company's implementation of intellectual property management is reported to the BoD every year.

### Possible risks and countermeasures

We often hear confidential leakages on the news. In order to prevent the company' precious know-how from being stolen, and to protect customers' rights, the company will continue to strengthen the confidentiality control policies to avoid such risks.

With regards to personnel, the company regularly organizes confidentiality control training courses to advocate and enhance employees' awareness of business secrets. With regards to equipments, through control measures over outbound email and electronic storage devices, the company reduces the possibility of internal data leakage. The most important thing is to regularly hold internal audits to inspect the implementation status of confidentiality control of various departments to improve information management.

### Key achievements

Currently, GlobalWafers Group's global effective patents have exceeded 1,300, of which the cumulative number of certified patents has reached 859 (as of 2019 end).

VII. Other Major Events: None

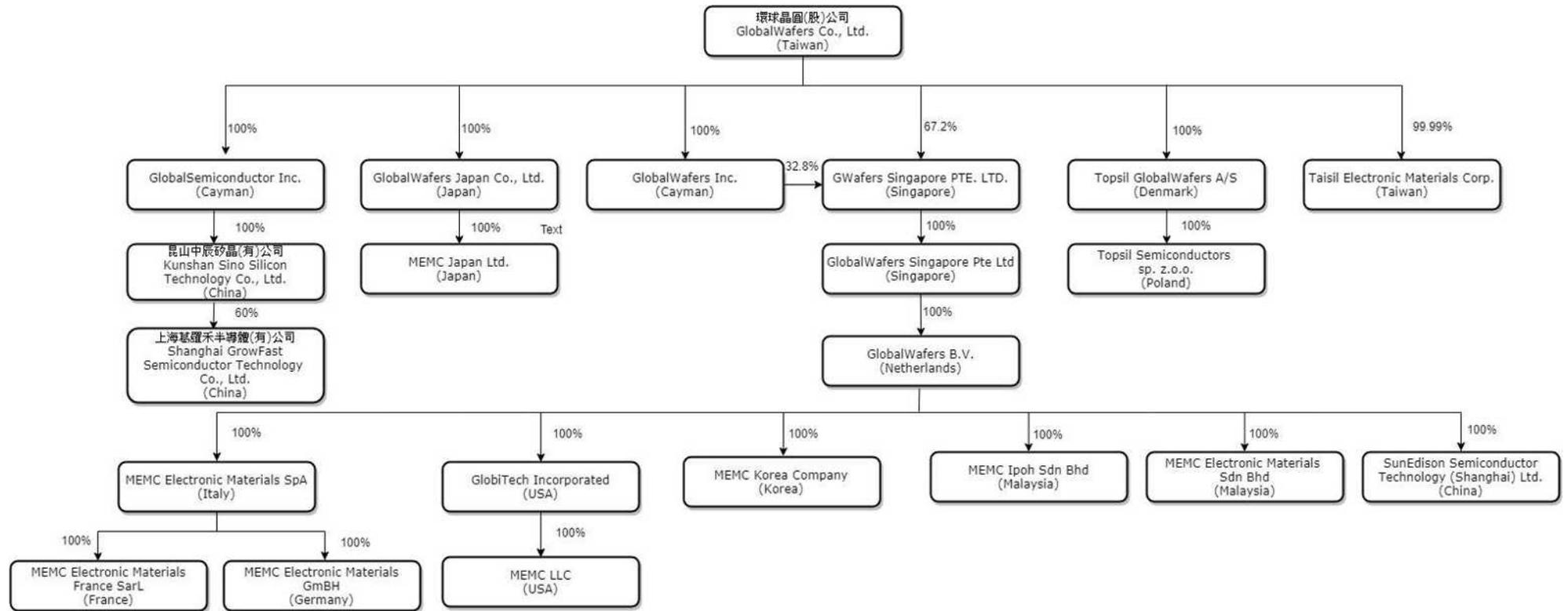
## VIII. Special Disclosure

### I. Affiliated Businesses

#### (I) Affiliated Business Consolidated Business Report

##### 1. Affiliated Company Chart

2019.12.31



## 2. Relationship with Affiliated Companies and Share Crossholdings

December 31, 2019

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
GlobalWafers Inc.	2011/05/03	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands	USD 1	Business investment and triangular trade center with subsidiaries in China
GlobalSemiconductor Inc.	2011/05/03	2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1-1003, Cayman Islands	USD 26,555,000	Reinvestments in various businesses
GlobalWafers Japan Co., Ltd.	1991/06/18	6-861-5 Seiro-machi Higashiko, Kitakanbara-gun, Niigata 957-0197 Japan	JPY 6,967,000,000	Semiconductor silicon wafer manufacturing and trading
GWafers Singapore Pte. Ltd.	2016/02/02	120 Robinson Road, #08-01, Singapore 068913	USD 541,673,910	Reinvestments in various businesses
Topsil GlobalWafers A/S	2016/07/01	Siliciumvej 1, 3600 Frederikssund, Copenhagen, Denmark	DKK 1,000,000	Semiconductor silicon wafer manufacturing and trading
Taisil Electronic Materials Corp.	1994/09/26	No. 2, Creation Road 1, HsinChu Science Park, Hsin chu, Taiwan	NTD100,000,000	Semiconductor silicon wafer manufacturing and trading
Kunshan Sino Silicon Technology Co., Ltd.	1999/08/17	No. 303, Hanpu Road, Chengbei High Tech Industrial Park, Kunshan, Jiangsu, China	USD 26,555,000	Silicon ingots and silicon wafer processing and trade
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	2016/05/20	Room 2013 B, Building C, No. 155, Fute West 1 <sup>st</sup> Road, Shanghai Pilot Free Trade Zone, China.	RMB 5,000,000	Sale and marketing
MEMC Japan Ltd.	1979/12/11	11-2 Kiyohara Industrial Park, Utsunomiya City, Tochigi 3213296 Japan	JPY 100,000,000	Semiconductor silicon wafer manufacturing and trading
Topsil Semiconductor sp z o.o.	2008/10/01	133 Wolczynska St., 01-919 Warsaw, Poland	PL 5,000	Semiconductor silicon wafer manufacturing and trading
GlobalWafers Singapore Pte. Ltd.	2013/12/20	120 Robinson Road, #08-01, Singapore 068913	SGD 1 USD544,875,100.82	Investment, marketing and trading
GlobalWafers B.V.	2013/11/26	Evert van de Beekstraat 1-104, 1118 CL Schiphol, The Netherlands	USD 100	Reinvestments in various businesses
MEMC Electronic Materials, SpA	1960/01/29	Viale Gherzi, 31 28100 Novara, Italy	EUR 31,200,000	Semiconductor silicon wafer manufacturing and trading
MEMC Electronic Materials France SarL	1998/07/27	5-7 BLD EDGAR QUINET 92700 COLOMBES, France	EUR 16,000	Trading

Enterprise name	Date of incorporation	Address	Paid-in Capital	Principal business or Products
MEMC Electronic Materials GmbH	1998/02/10	c/o Rene Schaeffler-Steinsdorfstr, 13, D-80538 Muenchen, Germany	EUR 200	Trading
MEMC Korea Company	1990/12/18	854, Manghyang-ro, Sunggeo-eup, Cheonan-si, Chungchongnam-do, Korea	KRW 126,000,000	Semiconductor silicon wafer manufacturing and trading
GlobiTech Incorporated	1998/12/15	200 FM 1417 West/Sherman, TX 75092, U S A	USD 1	Epitaxial silicon wafer production and trade of epitaxy foundry business
MEMC LLC	2013/08/28	501 Pearl Drive St. Peters, MO 63376, USA	USD 10	Research and development, manufacturing, and sale of semiconductor silicon wafer.
MEMC Electronic Materials, Sdn Bhd	1972/06/15	Sungai Way Free Industrial Zone, 47300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	MYR 1,036,203	Research and development, manufacturing, and sale of semiconductor silicon wafer.
MEMC Ipoh Sdn. Bhd.	2007/10/10	Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No 8, Jalan Kerinchi, Kuala Lumpur	MYR 612,300,000	Research and development, manufacturing, and sale of semiconductor silicon wafer.
SunEdison Semiconductor Technology (Shanghai) Ltd	2015/04/25	Room 03B, Floor 16, Jiaqi Building, 666 Gubei Road, Changning District, Shanghai, China	RMB 1,500,000	Trading

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

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

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

December 31, 2019

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
GlobalWafers Inc.	Director	Hsiu-Lan Hsu	90,000	100%
GlobalSemiconductor Inc.	Director	Hsiu-Lan Hsu	25,000	100%
GlobalWafers Japan Co., Ltd.	Chairperson	Hsiu-Lan Hsu	128	100%
	Vice chairperson	Takashi Araki		
	Director and President	Katsuaki Koutari		
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
	Supervisor	Wei-Wen Chen		
GWafers Singapore Pte. Ltd.	Chairperson	Hsiu-Lan Hsu	541,674	100%
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
	Director	Chen Ye Huang		
Topsil GlobalWafers A/S	Director	Hsiu-Lan Hsu	1,000	100%
	Director	Wei-Wen Chen		
	Director	Hans Peder Mikkelsen		
	Director	Mauro Pedrotti		
	Director	Liang Shi		
Taisil Electronic Materials Corp.	Chairperson	Hsiu-Lan Hsu	9,999	99.99%
	Director	Yin-Sheng Hsueh		
	Director	Mark England		
	Supervisor	Ming-Hui Chien		

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
Kunshan Sino Silicon Technology Co., Ltd.	Chairperson	Tang-Liang Yao		100%
	Vice chairperson	Hsiu-Lan Hsu		
	Director and President	Ching-Chang Chin		
	Director	Sheng-Hsiung Hung		
	Director	Ming-Hui Chien		
	Supervisor	Wei-Wen Chen		
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	Chairperson	Ching-Chang Chin		60%
	Director	Hsiu-Lan Hsu		
	Director	Xianhan He		
	President	Sheng-Hsiung Hung		
	Supervisor	Wei-Wen Chen		
	Supervisor	Takanori Suzuki		
MEMC Japan Ltd.	Chairperson	Hsiu-Lan Hsu	750	100%
	Director and President	Katsuaki Koutari		
	Director	Masashi Sugahara		
	Director	Kobayashi Toru		
	Director	Hironobu Nakazawa		
	Supervisor	Wei-Wen Chen		
Topsil Semiconductor sp z o.o.	Director	Hans Peder Mikkelsen	0.1	100%
GlobalWafers Singapore Pte. Ltd.	Director	Hsiu-Lan Hsu	299,445	100%
	Director	Mark Lynn England		
	Director	Chen Ye Huang		
GlobalWafers B.V.	Director	Hsiu-Lan Hsu	0.1	100%
	Director	Liang Shi		
MEMC Electronic Materials, SpA	Chairperson	Mauro Pedrotti	65,000	100%
	Director	Ming-Hui Chien		

Enterprise name	Title	Name or representative	Quantity of shareholding	
			Quantity of shares (1,000 shares)	Proportion
	Director	Jyh-Shyng Lu		
	Director	Prof. Gianluigi Tosato		
	Supervisor	Richard Murphy		
	Supervisor	PierMario Barzaghi		
	Supervisor	Eleonora Guerriero		
MEMC Electronic Materials France SarL	Director	Marco Maffe	0.5	100%
MEMC Electronic Materials GmbH	Director	Marco Sciamanna	0.002	100%
MEMC Korea Company	Chairperson	Charlie Cho	25,200	100%
	Director	Hsiu-Lan Hsu		
	Director	Mark England		
	Supervisor	Jyh-Shyng Lu		
GlobiTech Incorporated	Chairperson and CEO	Hsiu-Lan Hsu	1	100%
	Director	Ming-Kuang Lu		
	Director	Tang-Liang Yao		
	Director and President	Mark Lynn England		
	Director	Curtis Hall		
MEMC LLC	President	Mark England	-	100%
	Vice President	Rick Boston		
MEMC Electronic Materials, Sdn Bhd	Director	Ching-Chang Chin	1,036	100%
	Director	Tony Wang		
	Director	Joanne Leung		
	Director	Jyh-Shyng Lu		
MEMC Ipoh Sdn. Bhd.	Director	Ching-Chang Chin	612,300	100%
	Director	Tony Wang		
	Director	Joanne Leung		
SunEdison Semiconductor Technology (Shanghai) Ltd	Director and President	Sheng-Hsiung Hung	-	100%

6. Operation Highlights of Affiliated Companies  
Financial status and operation of affiliated companies

2019.12.31; Unit: NT\$1,000

Enterprise name	capital	Total assets	Total liabilities	Net worth	Operating Revenues	Operating profit	Net income after tax in current period	Earnings per share (after taxation)
GlobalWafers Inc.	-	4,360,907	-	4,360,907	-	-	2,074,206	-
GlobalSemiconductor Inc.	796,119	1,521,431	-	1,521,431	38,665	6,880	202,929	-
GlobalWafers Japan Co., Ltd.	1,922,892	19,741,067	4,478,649	15,262,418	11,757,056	2,299,874	1,903,960	-
GWafers Singapore Pte. Ltd.	16,239,384	27,632,759	296	27,632,463	-	(4,228)	5,553,670	-
Topsil GlobalWafers A/S	4,490	2,071,845	410,984	1,660,861	1,399,300	101,463	64,041	-
Taisil Electronic Materials Corp.	100,000	21,824,889	4,095,164	17,729,725	12,667,111	4,314,147	3,546,184	-
Kunshan Sino Silicon Technology Co., Ltd.	796,119	1,825,253	400,153	1,425,100	1,851,849	216,041	195,307	-
Shanghai GROWFAST Semiconductor Technology Co. Ltd.	21,525	66,237	53,525	12,712	417,648	(21,221)	(21,528)	-
MEMC Japan Ltd.	27,600	4,582,032	1,515,088	3,066,944	4,660,171	358,185	227,673	-
Topsil Semiconductor sp z o.o.	39	21,374	21,374	-	185,369	(18,673)	13,719	-
GlobalWafers Singapore Pte. Ltd.	16,335,356	49,670,008	24,518,302	25,151,706	23,360,081	2,972,671	6,223,239	-
GlobalWafers B.V.	3	47,157,382	6,238,833	40,918,549	-	(11,366)	3,547,609	-
MEMC Electronic Materials, SpA	1,048,008	14,471,886	2,622,569	11,849,317	10,785,175	1,621,589	1,425,916	-
MEMC Electronic Materials France SarL	537	4,672	3,865	807	-	1,214	753	-
MEMC Electronic Materials GmbH	7	5,503	686	4,817	-	(723)	(617)	-
MEMC Holding B.V.(Note 1)	-	-	-	-	-	690	414,476	-
MEMC Korea Company	2,227	19,787,060	4,413,357	15,373,703	7,113,580	1,528,358	1,270,737	-
GlobiTech Incorporated	-	10,437,093	950,306	9,486,787	6,162,601	892,733	947,639	-
MEMC LLC	-	4,925,480	662,247	4,263,233	2,456,737	(160,326)	178,816	-
MEMC Electronic Materials, Sdn Bhd	7,565	976,509	235,933	740,576	1,686,794	74,228	75,835	-
MEMC Ipoh Sdn Bhd	4,470,138	4,095	288	3,807	-	(269)	236	-
SunEdison Semiconductor Technology (Shanghai) Ltd	6,458	8,915	1	8,914	-	(815)	(557)	-

Note 1 : MEMC Holding B.V merged with GlobalWafers B.V. and dissolved on 2019/9/3

- (II) Consolidated Financial Statements of Affiliated Enterprises: refer to Attachment 1 of this report.
- (III) Affiliation Report: refer to Attachment 3 of this report.

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

The promise execution status after the Company became listed

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

	<p>for recordation upon approved by 2019.6.25 shareholder meeting.</p> <p>In response to government policy to attract overseas funds repatriation and enhance Group capital efficiency, the Board approved the motion of repatriation of offshore funds on 2019.12.10. Under such framework, the subsidiary, GWI, will complete its earning distribution and sell its shareholding over the subsidiary, GWafers Singapore Pte. Ltd. ( GWS ) to the Company and be liquidated after 2 years. The Company still holds 100% shareholding of GWS and its subsidiaries after GWI consummates the liquidation, bringing no impact to the company's overall shareholding structure and consolidated profit and loss.</p> <p>As such, GWC will submit the motion of amendment to the "Acquisition or Disposal of Assets Procedure" in the aspect of promises of listing at TPEX on the nearest BoD after the liquidation completes, and it will be disclosed in material announcements in MOPS and submit to TPEX for recordation upon approved by shareholder meeting.</p>
--	---

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

**GlobalWafers Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2019 and 2018**

Address: No.8, Industrial East Road 2, Science-Based Industrial  
Park, Hsinchu, Taiwan, R.O.C.  
Telephone: (03)5772255

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~13
(4) Summary of significant accounting policies	13~33
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	33~34
(6) Explanation of significant accounts	34~70
(7) Related-party transactions	71~74
(8) Pledged assets	75
(9) Significant commitments and contingencies	75~76
(10) Losses due to major disaster	76
(11) Subsequent Events	76
(12) Other	77
(13) Other disclosures	
(a) Information on significant transactions	77~78、80~89
(b) Information on investees (excluding information on investees in Mainland China)	78、90~91
(c) Information on investment in Mainland China	78、92
(14) Segment information	78~79

### 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, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements are included in the consolidated financial statements. Consequently, GlobalWafers Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.



Company name: GlobalWafers Co., Ltd.  
Chairman: Doris Hsu  
Date: March 17, 2020



安侯建業聯合會計師事務所

KPMG

新竹市30078科學工業園區展業一路11號  
No. 11, Prosperity Road I, Hsinchu Science Park,  
Hsinchu City 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, 2019 and 2018, 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, 2019 and 2018, 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(15) “Revenue recognition” for accounting policy and note 6(22) “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(13) "Impairment of non-financial 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 necessary. 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 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, 2019 and 2018, on which we have issued an unqualified opinion.

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

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

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien, Chen and An-Chih, Cheng.



KPMG

Taipei, Taiwan (Republic of China)  
March 17, 2020

#### Notes to Readers

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



**GlobalWafers Co., Ltd. and subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2019 and 2018**

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

		2019		2018	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(22) and 7)	\$ 58,094,331	100	59,063,510	100
5000	<b>Operating costs</b> (notes 6(5), (23) and 7)	<u>35,247,610</u>	<u>61</u>	<u>36,764,666</u>	<u>62</u>
	<b>Gross profit from operations</b>	<u>22,846,721</u>	<u>39</u>	<u>22,298,844</u>	<u>38</u>
	<b>Operating expenses</b> (notes 6(23) and 7):				
6100	Selling expenses	1,193,223	2	1,259,718	2
6200	Administrative expenses	2,040,734	3	1,810,251	3
6300	Research and development expenses	1,710,801	3	1,650,559	3
6450	Expected credit losses (note 6(4))	<u>4,742</u>	<u>-</u>	<u>265</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>4,949,500</u>	<u>8</u>	<u>4,720,793</u>	<u>8</u>
	<b>Net operating income</b>	<u>17,897,221</u>	<u>31</u>	<u>17,578,051</u>	<u>30</u>
	<b>Non-operating income and expenses:</b>				
7010	Interest income	723,336	1	464,012	1
7020	Other gains and losses, net (notes 6(24) and 7)	5,022	-	319,317	-
7050	Interest expense	<u>(71,714)</u>	<u>-</u>	<u>(108,013)</u>	<u>-</u>
		<u>656,644</u>	<u>1</u>	<u>675,316</u>	<u>1</u>
	<b>Income before income tax</b>	18,553,865	32	18,253,367	31
7950	Income tax expense (note 6(18))	<u>4,918,209</u>	<u>9</u>	<u>4,619,596</u>	<u>8</u>
	<b>Net income</b>	<u>13,635,656</u>	<u>23</u>	<u>13,633,771</u>	<u>23</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(17))	179,553	-	(251,429)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	27,542	-	16,435	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(18))	<u>120,951</u>	<u>-</u>	<u>(68,152)</u>	<u>-</u>
		<u>86,144</u>	<u>-</u>	<u>(166,842)</u>	<u>-</u>
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	(1,503,580)	(2)	854,780	1
8370	Share of other comprehensive income of associates and joint ventures accounted for using equity method (note 6(6))	275,843	-	(149,269)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(18))	<u>(300,404)</u>	<u>(1)</u>	<u>107,421</u>	<u>-</u>
		<u>(927,333)</u>	<u>(1)</u>	<u>598,090</u>	<u>1</u>
8300	<b>Other comprehensive income (after tax)</b>	<u>(841,189)</u>	<u>(1)</u>	<u>431,248</u>	<u>1</u>
	<b>Total comprehensive income</b>	<u>\$ 12,794,467</u>	<u>22</u>	<u>14,065,019</u>	<u>24</u>
	<b>Net income attributable to:</b>				
	Shareholders of GlobalWafers Co., Ltd	\$ 13,644,095	23	13,630,673	23
	Non-controlling interests	<u>(8,439)</u>	<u>-</u>	<u>3,098</u>	<u>-</u>
		<u>\$ 13,635,656</u>	<u>23</u>	<u>13,633,771</u>	<u>23</u>
	<b>Total comprehensive income attributable to:</b>				
	Shareholders of GlobalWafers Co., Ltd	\$ 12,804,463	22	14,055,257	24
	Non-controlling interests	<u>(9,996)</u>	<u>-</u>	<u>9,762</u>	<u>-</u>
		<u>\$ 12,794,467</u>	<u>22</u>	<u>14,065,019</u>	<u>24</u>
	<b>Earnings per share (NT dollars)</b> (note 6(21))				
	Basic earnings per share	\$ <u>31.35</u>		<u>31.18</u>	
	Diluted earnings per share	\$ <u>31.21</u>		<u>31.04</u>	

See accompanying notes to consolidated financial statements.

**GlobalWafers Co., Ltd. and subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

**Equity attributable to shareholders of GlobalWafers Co., Ltd.**

	Retained earnings						Other equity interest					Non-controlling interests	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instrument measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares			Total
<b>Balance at January 1, 2018</b>	\$ 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 consideration and the carrying amount of subsidiaries acquired or disposed	-	(197)	-	-	-	-	-	-	-	-	-	(197)	(1,582)	(1,779)
<b>Balance at December 31, 2018</b>	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
Net income for the year	-	-	-	-	13,644,095	13,644,095	-	-	-	-	-	13,644,095	(8,439)	13,635,656
Other comprehensive income for the year	-	-	-	-	58,602	58,602	(1,201,619)	303,385	-	(898,234)	-	(839,632)	(1,557)	(841,189)
Comprehensive income for the year	-	-	-	-	13,702,697	13,702,697	(1,201,619)	303,385	-	(898,234)	-	12,804,463	(9,996)	12,794,467
Appropriation and distribution of retained earnings:														
Legal reserve	-	-	1,345,772	-	(1,345,772)	-	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(10,880,925)	(10,880,925)	-	-	-	-	-	(10,880,925)	-	(10,880,925)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	31,723	31,723	-	(31,723)	-	(31,723)	-	-	-	-
Difference between consideration and the carrying amount of investment in associates acquired or disposed	-	4,063	-	-	-	-	-	-	-	-	-	4,063	-	4,063
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	-	(41)	-	-	-	-	-	-	-	-	-	(41)	(427)	(468)
<b>Balance at December 31, 2019</b>	\$ 4,372,500	24,776,630	2,686,883	1,133,596	14,965,441	18,785,920	(2,530,493)	239,237	-	(2,291,256)	(576,779)	45,067,015	6,235	45,073,250

See accompanying notes to consolidated financial statements.

**GlobalWafers Co., Ltd. and subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
<b>Income before income tax</b>	\$ 18,553,865	18,253,367
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	4,380,511	4,460,291
Amortization expenses	364,830	354,779
Expected credit losses	4,742	265
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	286,218	(55,950)
Interest expense	71,714	108,013
Interest income	(723,336)	(464,012)
Dividend income	(4,137)	(1,077)
Shares of profit of associates accounted for using equity method	(20,331)	(14,439)
Loss on disposal of intangible assets	1,141	-
Loss (gain) on disposal of property, plant and equipment	7,992	(124,083)
Provision for (reversal of) inventory valuation	123,286	(62,627)
<b>Total adjustments</b>	<u>4,492,630</u>	<u>4,201,160</u>
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	1,081,878	(1,356,799)
Inventories	74,794	359,447
Prepayments for purchase of materials	(499,072)	339,011
Other current assets	(293,365)	(275,810)
Other financial assets	100,841	(516,113)
<b>Total changes in operating assets</b>	<u>465,076</u>	<u>(1,450,264)</u>
Contract liabilities	(1,978,993)	14,839,499
Notes and accounts payable (including related parties)	(1,032,964)	600,953
Provisions	(1,544)	(89,888)
Net defined benefit liabilities	(3,253)	37,537
Other operating liabilities	(475,528)	949,627
<b>Total changes in operating liabilities</b>	<u>(3,492,282)</u>	<u>16,337,728</u>
<b>Total changes in operating assets and liabilities</b>	<u>(3,027,206)</u>	<u>14,887,464</u>
<b>Total adjustments</b>	<u>1,465,424</u>	<u>19,088,624</u>
Cash inflow generated from operations	20,019,289	37,341,991
Interest received	747,584	428,181
Dividends received	4,137	1,077
Interest paid	(67,369)	(129,754)
Income taxes paid	(3,314,743)	(1,462,773)
<b>Net cash flows from operating activities</b>	<u>17,388,898</u>	<u>36,178,722</u>

(Continued)

See accompanying notes to consolidated financial statements.

**GlobalWafers Co., Ltd. and subsidiaries**  
**Consolidated Statements of Cash Flows(Continued)**  
**For the years ended December 31, 2019 and 2018**  
**(Expressed in Thousands of New Taiwan Dollars)**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	8,732
Proceeds from disposal of financial assets at fair value through other comprehensive income	79,178	-
Acquisition of financial assets at fair value through other comprehensive income	-	(71,470)
Proceeds from disposal of financial assets at fair value through profit or loss	95,901	-
Acquisition of financial assets at fair value through profit or loss	(1,907,850)	(98,853)
Acquisition of investments accounted for using equity method	(109,760)	-
Cash dividends from investments accounted for using equity method	16,510	5,350
Acquisition of property, plant and equipment	(7,602,947)	(6,696,362)
Proceeds from disposal of property, plant and equipment	75,718	414,284
Decrease (increase) in other financial assets	(3,081,247)	70,154
<b>Net cash flows used in investing activities</b>	<b>(12,434,497)</b>	<b>(6,368,165)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	4,844,000	(5,082,365)
Increase in long-term borrowings	-	430,000
Repayments of long-term borrowings	(430,000)	(4,276,333)
Increase (decrease) in guarantee deposits received	(145,941)	17,858
Payment of lease liabilities	(171,013)	-
Cash dividends paid	(10,880,925)	(4,372,500)
Cost of increase in treasury stock	-	(482,609)
Change in non-controlling interests	(468)	(1,779)
<b>Net cash flows used in financing activities</b>	<b>(6,784,347)</b>	<b>(13,767,728)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(562,865)</b>	<b>377,132</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,392,811)</b>	<b>16,419,961</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>35,214,323</b>	<b>18,794,362</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 32,821,512</b>	<b>35,214,323</b>

See accompanying notes to consolidated financial statements.

**GlobalWafers Co., Ltd. and subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2019 and 2018**  
**(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 Park, Hsinchu, Taiwan (R.O.C.). As of December 31, 2019, 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 issue by the board of directors on March 17, 2020.

**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, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>International Accounting Standards Board</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

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

<b>New, Revised or Amended Standards and Interpretations</b>	<b>International Accounting Standards Board</b>
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.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(11).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases and leases of low-value assets, including other equipment.

(Continued)

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

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

(Continued)

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

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized additional right-of-use assets and lease liabilities both of \$920,732 thousands. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.19%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of balance sheets at the date of initial application disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 859,630
Recognition exemption for:	
short-term leases and leases of low-value assets	(6,518)
Extension and termination options reasonably certain to be exercised	82,613
	<b>\$ 935,725</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 920,732
Finance lease liabilities recognized as at December 31, 2018	28,392
Lease liabilities recognized at January 1, 2019	<b>\$ 949,124</b>

(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 the 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.

There was no material impact on the cash flows during the said period.

(Continued)

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by International Accounting Standards Board but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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.

(Continued)

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

(1) Statement of compliance

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

(2) Basis of preparation

A. Basis of measurement

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

- (a) Financial instruments 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 liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(16).

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 subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

(Continued)

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

The Group prepares consolidated financial statements using uniform accounting policies for alike transactions and other events in similar circumstances.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

B. List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
The Company	Global Semiconductor Inc. (GSI)	Investment activities	100%	100%	
The Company	GlobalWafers Inc. (GWI)	Investment activities	100%	100%	
The Company	GlobalWafers Japan Co., Ltd. (GWJ)	Manufacturing and trading of silicon wafers	100%	100%	
The Company	GWafers Singapore Pte. Ltd. (GWafers Singapore)	Investment activities	67.2%	67.2%	
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%	99.99%	
GSI	Kunshan Sino Silicon Technology Co., Ltd. (SST)	Processing and trading of ingots and wafers	100%	100%	
GWJ	MEMC Japan Ltd. (MEMC Japan)	Manufacturing and trading of silicon wafers	100%	100%	
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%	

(Continued)

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

<b>Name of Investor</b>	<b>Name of Subsidiary</b>	<b>Business</b>	<b>Percentage of Ownership</b>		<b>Note</b>
			<b>December 31, 2019</b>	<b>December 31, 2018</b>	
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%	
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%	note(1)
GWBV、MEMC BV	MEMC Korea Company (MEMC Korea)	Manufacturing and trading of silicon wafers	-	100%	note(2)
GWBV	MEMC Korea	Manufacturing and trading of silicon wafers	100%	-	note(2)
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%	100%	

(Continued)

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

Name of Investor	Name of Subsidiary	Business	Percentage of Ownership		Note
			December 31, 2019	December 31, 2018	
GTI	MEMC LLC	Research and development and manufacturing and trading of silicon wafers	100%	100%	
GWBV	MEMC Ipoh Sdn Bnd (MEMC Ipoh)	Manufacturing and trading of silicon wafers	100%	100%	

Note: The Group's organizational restructuring was as follows:

(1) MEMC BV was transferred from MEMC SpA to GWBV since June 18, 2019, and was liquidated in September 2019.

(2) MEMC Korea was transferred from GWBV and MEMC BV to GWBV.

C. Subsidiaries excluded from the consolidated financial statements: None.

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an equity investment in equity securities designated as at fair value through other comprehensive income, 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 into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

(Continued)

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

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation 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. The Group 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 on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(Continued)

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

(7) Financial instruments

A. Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(a) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(b) 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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(c) 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 subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

(Continued)

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

Equity investments at FVTOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(d) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 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 trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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.

Lifetime ECL 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 months 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.

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.

(Continued)

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written 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

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Equity instrument

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.

(c) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

(Continued)

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

(d) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(e) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(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 present 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.

(Continued)

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

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 those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, 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 significant influence.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Group accounts 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 Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Group's ownership interest in an associate is reduced while it continues to apply the equity method, the Group reclassifies 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.

(Continued)

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

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 will 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 measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

B. Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

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 lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods 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

(Continued)

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

- (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 reporting date and adjusted if appropriate.

(11) Lessee

Applicable from January 1, 2019

A. Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(Continued)

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

B. As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there are any lease modifications

(Continued)

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases with 12 months or less and leases of low-value assets, including other equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

C. As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

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.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost 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.

(Continued)

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

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. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. 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, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

(a) Patents and trademarks: 4 to 6 years

(b) Development costs: 10 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(13) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

(Continued)

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Provisions

A provision is recognized if, as a result of a past event, the Group has a present 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.

(Continued)

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

(15) Revenue recognition

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.

A. 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. 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.

Revenue recognition for fixed-price contracts is based on the ratio of services actually provided to total services as of the reporting date, which is determined by the percentage of labor performed to the total amount of labor to be performed.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease in the period when the management is aware of the change in the situation will be reflected in profit or loss.

(16) Employee benefits

A. Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

B. Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

(Continued)

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

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefit are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid 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.

(17) Share-based payment

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Please refer to note 6(20) for grant date of a share-based payment award.

(18) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

(Continued)

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

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(Continued)

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

(19) 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 is 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 is 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.

(20) 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 CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amounts of the relevant CGUs. Please refer to note 6(9) for further description of the assessment of goodwill impairment.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Group's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

(Continued)

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

The Group strives to use the observable market inputs when measuring 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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 12,686	11,975
Demand deposits	18,417,342	9,126,231
Time deposits	13,646,957	26,001,645
Repurchase agreement	<u>744,527</u>	<u>74,472</u>
	<b><u>\$ 32,821,512</u></b>	<b><u>35,214,323</u></b>

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 6,920	81,798
Stocks listed on domestic markets	-	90,000
Overseas securities held	1,876,656	-
Privately offered funds	<u>95,163</u>	<u>64,697</u>
	<b><u>\$ 1,978,739</u></b>	<b><u>236,495</u></b>
Financial liabilities designated as at fair value through profit or loss:		
Forward exchange contract	<b><u>\$ 216,632</u></b>	<b><u>119</u></b>

(Continued)

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

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 used for hedging and accounted them as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2019 and 2018:

<b>December 31, 2019</b>				
	<b>Contract amount</b>		<b>Currency</b>	<b>Maturity date</b>
	<b>(in thousands)</b>			
Forward exchange contracts sold	USD	21,050	USD to EUR	January 24, 2020~ February 26, 2020
Forward exchange contracts sold	USD	2,838	USD to KRW	January 23, 2020
Forward exchange contracts purchased	JPY	19,000,000	JPY to NTD	January 14, 2020~ June 29, 2020
Forward exchange contracts purchased	JPY	50,000	JPY to EUR	February 26, 2020
Forward exchange contracts purchased	EUR	3,508	EUR to KRW	January 23, 2020
Forward exchange contracts purchased	JPY	1,632,949	JPY to KRW	January 23, 2020
<b>December 31, 2018</b>				
	<b>Contract amount</b>		<b>Currency</b>	<b>Maturity date</b>
	<b>(in thousands)</b>			
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

(Continued)

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

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
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.

In July 2019, due to changes in investing strategy, the Group disposed of financial assets measured at fair value through other comprehensive income. The fair value at the time of disposal was \$79,178 thousand, and the cumulative disposal gain was calculated at \$31,723 thousand. Therefore, the accumulated disposal gain has been transferred from other equity to retained earnings.

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 years ended December 31, 2019 and 2018, the dividend income of \$2,118 thousand and \$1,077 thousand, respectively, related to equity investments at fair value through other comprehensive income held on December 31, 2019 and 2018, was recognized.

For market risk, please refer to note 6(26).

The financial assets mentioned above were not pledged as collateral.

(4) Notes and accounts receivable, net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Notes receivable	\$ 168,881	187,522	145,568
Accounts receivable	7,928,927	8,936,122	7,701,962
Accounts receivable-fair value through other comprehensive income	7,487	42,578	-
Less: Allowance for doubtful accounts	(15,676)	(11,198)	(36,149)
Allowance for sales discounts and returns	-	-	(15,364)
	<b>\$ 8,089,619</b>	<b>9,155,024</b>	<b>7,796,017</b>

(Continued)

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

The movements in the allowance for doubtful accounts related to notes and accounts receivable were as follows:

	<u>2019</u>	<u>2018</u>
Balance on January 1 per IAS39	\$ -	36,149
Adjustment on initial application of IFRS 9	<u>-</u>	<u>-</u>
Balance on January 1 per IFRS 9	11,198	36,149
Impairment losses recognized	4,742	265
Amounts written off	-	(24,857)
Foreign exchange losses	<u>(264)</u>	<u>(359)</u>
Balance on December 31	<u><u>\$ 15,676</u></u>	<u><u>11,198</u></u>

The Group has assessed a portion of its accounts receivables that was held within a business model whose objective is achieved by selling financial assets; therefore, such accounts receivables were measured at fair value through other comprehensive income.

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. 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 was determined as follows:

	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted-average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 7,823,157	0%	-
1 to 30 days past due	241,061	0%	-
31 to 60 days past due	17,797	0~15%	325
61 to 90 days past due	1,385	30%	416
91 to 120 days past due	13,626	50%	6,806
121 to 150 days past due	-	70%	-
151 to 180 days past due	1,402	90%	1,262
More than 181 days past due	<u>6,867</u>	100%	<u>6,867</u>
	<u><u>\$ 8,105,295</u></u>		<u><u>15,676</u></u>

(Continued)

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

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
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
151 to 180 days past due	-	90%	-
More than 181 days past due	7,170	100%	7,170
	<b>\$ 9,166,222</b>		<b>11,198</b>

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. The Group derecognized the above accounts receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them.

As of the reporting dates, details of accounts receivable factoring were as follows:

(Unit: Foreign currency/JPY in thousands)

<b>December 31, 2019</b>						
<b>Purchaser</b>	<b>Amounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>		<b>Range of Interest Rate</b>	<b>Collateral</b>
Mitsubishi UFJ, etc.	\$ 329,440	-	329,440	-	1.175%~ 1.475%	None

<b>December 31, 2018</b>						
<b>Purchaser</b>	<b>Amounts derecognized</b>	<b>Factoring Line</b>	<b>Advanced Amount</b>		<b>Range of Interest Rate</b>	<b>Collateral</b>
Mitsubishi UFJ, etc.	\$ 502,978	-	502,978	-	1.175%~ 1.4758%	None

The factoring agreements above include a factoring line that is intended for revolving use.

The notes and accounts receivable mentioned above were not pledged as collateral.

(Continued)

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

## (5) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Finished goods	\$ 1,789,646	1,634,008
Work in progress	2,046,973	2,108,640
Raw materials	<u>3,012,204</u>	<u>3,297,169</u>
	<b><u>\$ 6,848,823</u></b>	<b><u>7,039,817</u></b>

Components of operating costs were as follows:

	<b>2019</b>	<b>2018</b>
Cost of sales	\$ 35,028,273	36,797,767
Provision of (reversal of) inventory valuation	123,286	(62,627)
Unallocated fixed manufacturing expense	<u>96,051</u>	<u>29,526</u>
	<b><u>\$ 35,247,610</u></b>	<b><u>36,764,666</u></b>

The inventories mentioned above were not pledged as collateral.

## (6) Investments accounted for using equity method

A summary of financial information for investments accounted for using the equity method at the reporting date is as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Associates	<b><u>\$ 571,929</u></b>	<b><u>178,442</u></b>

## 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 was follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The carrying amount of investments in the individually insignificant associates	<b><u>\$ 571,929</u></b>	<b><u>178,442</u></b>

(Continued)

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

	<u>2019</u>	<u>2018</u>
Amount of individually insignificant associates' interests attributable to the Group:		
Net income	\$ 20,331	14,439
Other comprehensive income (loss)	<u>275,843</u>	<u>(149,269)</u>
Total	<u>\$ 296,174</u>	<u>(134,830)</u>

B. The Group acquired equity interests of Hongwang Investment Co., Ltd. for \$109,760 thousand in 2019, which was recognized as additions to investments accounted for using the equity method. The difference of \$4,063 thousand between the investment cost and the equity is recognized in additional paid-in capital. Ownership increased from 24.39% to 30.98% as a result of the acquisition. For the years ended December 31, 2019 and 2018, the cash dividends of the invested companies were \$16,510 thousand and \$5,350 thousand, respectively, which were recognized as deductions of investments accounted for using the equity method.

C. Collateral

The investments accounted for using equity method mentioned above were not pledged as collateral as of December 31, 2019 and 2018.

(7) Property, plant and equipment

A. The movements of cost and depreciation of the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Cost:						
Balance at January 1, 2019	\$ 2,895,527	16,304,829	49,256,978	2,983,431	3,210,212	74,650,977
Additions	-	9,690	122,357	397,443	8,464,905	8,994,395
Disposals	-	(7,359)	(431,343)	(32,329)	(8,140)	(479,171)
Reclassification	3,238	517,573	1,182,861	209,966	(2,603,076)	(689,438)
Transfer and others	-	-	-	55,300	-	55,300
Effect of changes in exchange rates	<u>(57,232)</u>	<u>(307,934)</u>	<u>(900,600)</u>	<u>(79,417)</u>	<u>(265,369)</u>	<u>(1,610,552)</u>
Balance at December 31, 2019	<u>\$ 2,841,533</u>	<u>16,516,799</u>	<u>49,230,253</u>	<u>3,534,394</u>	<u>8,798,532</u>	<u>80,921,511</u>

(Continued)

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
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	<u>\$ 2,895,527</u>	<u>16,304,829</u>	<u>49,256,978</u>	<u>2,983,431</u>	<u>3,210,212</u>	<u>74,650,977</u>
Depreciation :						
Balance at January 1, 2019	\$ -	7,673,088	34,511,907	1,578,947	-	43,763,942
Depreciation for the year	-	700,663	3,225,880	288,448	-	4,214,991
Disposals	-	(7,111)	(368,237)	(20,113)	-	(395,461)
Reclassification	-	177	(685,321)	(4,294)	-	(689,438)
Transfer and others	-	-	-	14,476	-	14,476
Effect of changes in exchange rates	-	(105,791)	(516,714)	(61,861)	-	(684,366)
Balance at December 31, 2019	<u>\$ -</u>	<u>8,261,026</u>	<u>36,167,515</u>	<u>1,795,603</u>	<u>-</u>	<u>46,224,144</u>
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	<u>\$ -</u>	<u>7,673,088</u>	<u>34,511,907</u>	<u>1,578,947</u>	<u>-</u>	<u>43,763,942</u>
Carrying amounts:						
Balance at December 31, 2019	<u>\$ 2,841,533</u>	<u>8,255,773</u>	<u>13,062,738</u>	<u>1,738,791</u>	<u>8,798,532</u>	<u>34,697,367</u>
Balance at January 1, 2018	<u>\$ 2,841,992</u>	<u>8,124,998</u>	<u>14,288,683</u>	<u>1,110,354</u>	<u>1,836,277</u>	<u>28,202,304</u>
Balance at December 31, 2018	<u>\$ 2,895,527</u>	<u>8,631,741</u>	<u>14,745,071</u>	<u>1,404,484</u>	<u>3,210,212</u>	<u>30,887,035</u>

**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.

(Continued)

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

(8) Right-of-use assets

The Group leases many assets including land, buildings, machinery and other equipment. The carrying amounts about leases were presented below:

	<b>Land</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Other equipment</b>	<b>Total</b>
<b>Carrying amounts:</b>					
Balance at December 31, 2019	\$ <u>537,586</u>	<u>117,948</u>	<u>27,257</u>	<u>88,266</u>	<u>771,057</u>
				<b>2019</b>	
Depreciation expense of right-of-use assets					
Land				\$ 39,907	
Buildings					30,095
Machinery					11,316
Other equipment					<u>84,202</u>
				<u>\$ 165,520</u>	

The Group leases buildings, machinery and equipment classified as property, plant and equipment under the finance lease for the year ended December 31, 2018. Please refer to note 6(14). The Group leases offices, warehouses and factory facilities under an operating lease. Please refer to note 6(16).

(9) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

	<b>Goodwill</b>	<b>Patents and trademarks</b>	<b>Development costs</b>	<b>Total</b>
Cost:				
Balance at January 1, 2019	\$ 2,488,317	1,704,483	160,515	4,353,315
Disposals	-	-	(50,711)	(50,711)
Effect of changes in exchange rates	<u>(67,261)</u>	<u>(1,738)</u>	<u>(5,133)</u>	<u>(74,132)</u>
Balance at December 31, 2019	<u>\$ 2,421,056</u>	<u>1,702,745</u>	<u>104,671</u>	<u>4,228,472</u>
Balance at January 1, 2018	\$ 2,429,026	1,702,225	164,472	4,295,723
Effect of changes in exchange rates	<u>59,291</u>	<u>2,258</u>	<u>(3,957)</u>	<u>57,592</u>
Balance at December 31, 2018	<u>\$ 2,488,317</u>	<u>1,704,483</u>	<u>160,515</u>	<u>4,353,315</u>

(Continued)

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

	<u>Goodwill</u>	<u>Patents and trademarks</u>	<u>Development costs</u>	<u>Total</u>
Amortization:				
Balance at January 1, 2019	\$ -	666,222	37,696	703,918
Amortization for the year	-	332,113	15,767	347,880
Disposals	-	-	(49,570)	(49,570)
Effect of changes in exchange rates	-	(1,154)	(185)	(1,339)
Balance at December 31, 2019	<u>\$ -</u>	<u>997,181</u>	<u>3,708</u>	<u>1,000,889</u>
Balance as of January 1, 2018	\$ -	333,694	22,895	356,589
Amortization for the year	-	331,763	16,576	348,339
Effect of changes in exchange rates	-	765	(1,775)	(1,010)
Balance at December 31, 2018	<u>\$ -</u>	<u>666,222</u>	<u>37,696</u>	<u>703,918</u>
Carrying amounts:				
Balance at December 31, 2019	<u>\$ 2,421,056</u>	<u>705,564</u>	<u>100,963</u>	<u>3,227,583</u>
Balance at January 1, 2018	<u>\$ 2,429,026</u>	<u>1,368,531</u>	<u>141,577</u>	<u>3,939,134</u>
Balance at December 31, 2018	<u>\$ 2,488,317</u>	<u>1,038,261</u>	<u>122,819</u>	<u>3,649,397</u>

During the years ended December 31, 2019 and 2018, the amortization expenses of intangibles assets recognized under operating expenses in the statements of comprehensive income amounted to \$347,880 thousand, and \$348,339 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 intangible assets mentioned above were not pledged as collateral.

(10) Other assets — current and non-current

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepayment for materials	\$ 657,872	158,800
Refundable tax and overpaid tax	572,485	338,927
Others	448,725	415,853
	<u>\$ 1,679,082</u>	<u>913,580</u>

(Continued)

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

## (11) Short-term borrowings

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Unsecured borrowings	\$ <b>9,886,000</b>	\$ <b>5,042,000</b>
Unused credit lines	\$ <b>17,505,079</b>	\$ <b>17,939,562</b>
Range of interest rates at year end	<b>0.70%~0.76%</b>	<b>0.76%~0.89%</b>

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

## (12) Long-term borrowings

The details were as follows:

	<b>December 31, 2018</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity</b>	<b>Amount</b>
Secured bank loans	NTD	1.28%	February 2033	\$ <b>430,000</b>

In the first quarter of 2019, the Group repaid its long-term borrowings of \$430,000 thousand due to its operating strategy. For assets pledged as collateral for borrowings, please refer to note 8.

## (13) Lease liabilities

The carrying amounts of lease liabilities of the Group was as follows:

	<b>December 31, 2019</b>
Current	\$ <b>159,976</b>
Non-current	\$ <b>628,050</b>

For the maturity analysis, please refer to note 6(25) "Financial instruments".

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31, 2019</b>
Interest on lease liabilities	\$ <b>10,394</b>
Expenses relating to short-term leases	\$ <b>12,674</b>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <b>3,059</b>

(Continued)

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

The amounts recognized in the statement of cash flows was as follows:

	<b>For the year ended December 31, 2019</b>
Total cash outflow for leases	<b><u><u>\$ 197,140</u></u></b>

Land leases' additional rent payments that are based on changes in local price indices and the public facilities construction costs re-invested annually in each park will be adjusted after being assessed.

(14) 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:

	<b>December 31, 2018</b>		
	<b>Future minimum lease payments</b>	<b>Interest</b>	<b>Present value of minimum lease payments</b>
Less than one year	\$ 9,102	(1,315)	7,787
Between one and five years	21,995	(1,390)	20,605
	<b>\$ 31,097</b>	<b>(2,705)</b>	<b>28,392</b>

(15) Provision

	<b>Site restoration</b>	<b>Onerous contracts</b>	<b>Total</b>
Balance at January 1, 2019	\$ 64,651	-	64,651
Provisions used during the year	(11,232)	-	(11,232)
Provisions made during the year	9,688	-	9,688
Effect of changes in exchange rates	(1,102)	-	(1,102)
Balance at December 31, 2019	<b>\$ 62,005</b>	<b>-</b>	<b>62,005</b>
Current	\$ 10,307	-	10,307
Non-current	51,698	-	51,698
Total	<b>\$ 62,005</b>	<b>-</b>	<b>62,005</b>

(Continued)

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

	<u>Site restoration</u>	<u>Onerous contracts</u>	<u>Total</u>
Balance at January 1, 2018	\$ 62,895	86,376	149,271
Provisions used during the year	(6,255)	(89,253)	(95,508)
Provisions made during the year	5,620	-	5,620
Effect of changes in exchange rates	<u>2,391</u>	<u>2,877</u>	<u>5,268</u>
Balance at December 31, 2018	<u>\$ 64,651</u>	<u>-</u>	<u>64,651</u>
Current	\$ 10,074	-	10,074
Non-current	<u>54,577</u>	<u>-</u>	<u>54,577</u>
Total	<u>\$ 64,651</u>	<u>-</u>	<u>64,651</u>

A. Site restoration

Under the lease contract, if the Group does not intend to extend its leasehold, the Group needs to restore the plants. The Group estimates the provision based on the lease terms and in accordance with the Group's published environmental policy and applicable legal requirements. A provision for site restoration is made in respect of environmental cleanup costs.

B. Onerous contracts

The Group entered into several non-cancellable long-term material supply agreements with the suppliers of silicon materials. The Group agrees to purchase the required quantity of raw materials on schedule based on the contractual price during the commitment periods and makes a non-refundable prepayment to the suppliers. The suppliers need to deliver the required quantity of raw materials to the Group according to the contract. Provisions for the onerous contracts were made based on contractual terms and were recognized as cost of sales.

(16) Operating Lease

A. Lessee

Non-cancellable operating lease rentals payable were as follows:

	<u>December 31, 2018</u>
Less than one year	\$ 165,420
Between one and five years	557,574
More than five years	<u>441,658</u>
	<u>\$ 1,164,652</u>

(Continued)

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

For the year 2018, rental costs from operating leases of \$204,331 thousand were recognized as expenses in profit or loss.

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, 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 were recognized in profit or loss.

As of December 31, 2018, the unamortized amount of prepayment was \$7,538 thousand.

**(17) Employee benefits**

**A. Defined benefit plans**

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total present value of obligations	\$ (8,413,828)	(8,137,636)
Fair value of plan assets	<u>5,463,438</u>	<u>4,964,607</u>
Recognized liabilities for defined benefit obligations	<u><b>\$ (2,950,390)</b></u>	<u><b>(3,173,029)</b></u>

The plans entitle a retired employee to receive a pension benefit based on years of service prior to retirement.

**(a) Composition of plan assets**

The Group 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 earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

(Continued)

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$222,990 thousand, as of December 31, 2019. For information on 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%~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.

(b) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Group were as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ 8,137,636	8,129,147
Current service costs and interest cost	488,583	462,600
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	10,819	(11,623)
—Actuarial gains and losses resulting from changes in demographic assumptions	371,907	(173,162)
—Actuarial gains and losses resulting from changes in financial assumptions	77,575	72,204
Benefits paid	(487,484)	(565,993)
Effect of changes in exchange rates	(185,208)	224,463
Defined benefit obligation at December 31	<u>\$ 8,413,828</u>	<u>8,137,636</u>

(Continued)

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

(c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 4,964,607	5,245,084
Interest revenue	160,130	144,541
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	639,854	(364,010)
Contributions made	174,528	216,692
Benefits paid	(330,306)	(408,228)
Effects of changes in exchange rates	<u>(145,375)</u>	<u>130,528</u>
Fair value of plan assets at December 31	<u><u>\$ 5,463,438</u></u>	<u><u>4,964,607</u></u>

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 471,742	445,314
Net interest of net liabilities for defined benefit obligation	<u>(143,289)</u>	<u>(127,255)</u>
	<u><u>\$ 328,453</u></u>	<u><u>318,059</u></u>
Operating cost	\$ 282,386	269,889
Selling expenses	27,782	13,621
Administration expenses	8,827	19,209
Research and development expenses	<u>9,458</u>	<u>15,340</u>
	<u><u>\$ 328,453</u></u>	<u><u>318,059</u></u>

(e) Actuarial assumptions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.32%~3.04%	0.26%~4.05%
Future salary increase rate	1.33%~9.96%	1.33%~9.96%

(Continued)

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

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 \$635,737 thousand.

The weighted-average durations of the defined benefit obligation are 4 years to 17.87 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2019 and 2018, the impact on the present value of the defined benefit obligation would be as follows:

<u>Actuarial assumptions</u>	<b>Influences to defined benefit obligations</b>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate	\$ <u>(203,338)</u>	<u>211,847</u>
Future salary increase rate	\$ <u>92,917</u>	<u>(86,530)</u>
December 31, 2018		
Discount rate	\$ <u>(182,883)</u>	<u>191,790</u>
Future salary increase rate	\$ <u>80,114</u>	<u>(76,135)</u>

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 2019 and 2018.

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 \$59,900 thousand and \$56,531 thousand for the years 2019 and 2018, respectively. Such contributions were made to the Bureau of the Labor Insurance.

The Group recognized the pension costs of \$97,203 thousand and \$80,721 thousand for the years 2019 and 2018, respectively.

(Continued)

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

## (18) Income tax

## A. Income tax expense

The components of income tax expenses in 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 4,111,092	2,632,784
Deferred tax expense	807,117	1,986,812
	<u>\$ 4,918,209</u>	<u>4,619,596</u>

The amounts of income tax (benefit) recognized in other comprehensive income in 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	\$ <u>120,951</u>	<u>(68,152)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	\$ <u>(300,404)</u>	<u>107,421</u>

Reconciliations of income tax and income before income tax for 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Income before income tax	\$ 18,553,865	18,253,367
Income tax using the Company's domestic tax rate	3,710,773	3,650,673
Effect of tax rates in foreign jurisdiction	404,599	306,838
Shares of profit of foreign subsidiaries accounted for using equity method	1,697,507	2,022,449
Adjustment in tax rate	-	158,193
Tax effect of permanent differences	(28,736)	(82,459)
Tax preference of Returning Overseas Funds to Taiwan	(390,785)	-
Investment tax credits	(144,840)	(198,951)
Changes in unrecognized temporary differences and others	(330,309)	(1,237,147)
	<u>\$ 4,918,209</u>	<u>4,619,596</u>

(Continued)

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

B. Deferred tax assets and liabilities

- (a) The deferred tax assets have not been recognized in respect of the following items:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Tax effect of deductible temporary differences	<u>\$ 356,631</u>	<u>528,642</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Aggregate amount of temporary differences related to investments in subsidiaries	<u>\$ (997,762)</u>	<u>(673,788)</u>

The Group is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. 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.

- (b) Recognized deferred tax assets and liabilities

	<b>January 1, 2019</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehen- -sive income</b>	<b>Effect of changes in exchange rates</b>	<b>December 31, 2019</b>
Assets:					
Allowance for inventory valuation	\$ 119,329	48,556	-	(4,688)	163,197
Defined benefit obligations	395,594	(44,377)	101,353	(3,912)	448,658
Loss carryforwards	27,483	83,084	-	(3,767)	106,800
Unrealized exchange losses	113,126	15,928	-	(1,322)	127,732
Equity-method investments	56,638	(11,370)	15,621	-	60,889
Depreciation life differences of property, plant and equipment	166,495	107	-	(3,035)	163,567
Expected credit loss of accounts receivable	99,021	(1,661)	-	(5,741)	91,619
Others	<u>408,891</u>	<u>295,814</u>	<u>-</u>	<u>(12,127)</u>	<u>692,578</u>
	<u>\$ 1,386,577</u>	<u>386,081</u>	<u>116,974</u>	<u>(34,592)</u>	<u>1,855,040</u>

(Continued)

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

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehen -sive income	Effect of changes in exchange rates	December 31, 2019
Liabilities:					
Equity method investments	\$ (2,487,625)	(710,856)	265,915	-	(2,932,566)
Depreciation life differences of property, plant and equipment	(729,816)	(148,850)	-	26,633	(852,033)
Fair value adjustment for the net assets acquired in business combinations	(435,519)	15,224	-	9,963	(410,332)
Others	<u>(11,051)</u>	<u>(348,716)</u>	<u>(203,436)</u>	<u>12,555</u>	<u>(550,648)</u>
	<b><u>\$ (3,664,011)</u></b>	<b><u>(1,193,198)</u></b>	<b><u>62,479</u></b>	<b><u>49,151</u></b>	<b><u>(4,745,579)</u></b>
	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 obligation	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
Allowance for doubtful accounts	9,987	87,534	-	1,500	99,021
Others	<u>302,468</u>	<u>99,777</u>	<u>-</u>	<u>6,646</u>	<u>408,891</u>
	<b><u>\$ 1,837,127</u></b>	<b><u>(160,594)</u></b>	<b><u>(300,831)</u></b>	<b><u>10,875</u></b>	<b><u>1,386,577</u></b>
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 combination	(436,625)	14,842	-	(13,736)	(435,519)
Others	<u>(9,059)</u>	<u>(1,746)</u>	<u>-</u>	<u>(246)</u>	<u>(11,051)</u>
	<b><u>\$ (2,066,271)</u></b>	<b><u>(1,826,218)</u></b>	<b><u>261,562</u></b>	<b><u>(33,084)</u></b>	<b><u>(3,664,011)</u></b>

(Continued)

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

C. Assessment of tax filings

As of December 31, 2019, income tax returns of the Company for the years through 2016 were assessed by the tax authority.

(19) Capital and other equity

A. Common stock

As of December 31, 2019 and 2018, the authorized 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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Additional paid-in capital	\$ 24,711,963	24,711,963
Employee stock options	60,727	60,727
Difference between the consideration and the carrying amount of subsidiaries' share acquired or disposed	<u>3,940</u>	<u>(82)</u>
	<b><u>\$ 24,776,630</u></b>	<b><u>24,772,608</u></b>

According to the R.O.C Company Act, 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.

(Continued)

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

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

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 both were \$1,133,596 thousand as of December 31, 2019 and 2018, respectively.

(Continued)

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

(c) Earnings distribution

The distributions of dividends per share for the years 2018 and 2017 which were approved by the stockholders during their meetings on June 25, 2019 and June 25, 2018, respectively, were as follows:

	<b>2018</b>	<b>2017</b>
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$25 and \$10, respectively)	<b>\$ <u>10,880,925</u></b>	<b><u>4,372,500</u></b>

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 2019 annual earnings distribution on March 17, 2019 with cash dividends per share of \$25. The above earnings distribution will be resolved by shareholders' meeting.

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, 2019, 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.

(Continued)

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

E. Other equity

	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instruments measured at fair value through other comprehensive income	Total
January 1, 2019	\$ (1,328,874)	(32,425)	(1,361,299)
Foreign exchange differences (net of tax)	(1,201,619)	-	(1,201,619)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	27,542	27,542
Disposition of equity instruments measured at fair value through other comprehensive income	-	(31,723)	(31,723)
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	275,843	275,843
December 31, 2019	<u>\$ (2,530,493)</u>	<u>239,237</u>	<u>(2,291,256)</u>

	Exchange differences on translation of foreign financial statements	Gains (losses) from equity instruments measured at fair value through other comprehensive income	Unrealized gains (losses) on available- for-sale financial assets	Total
January 1, 2018	(2,069,569)	-	112,663	(1,956,906)
Effects of retrospective application of new standards	-	100,409	(112,663)	(12,254)
January 1, 2018 after adjusted	(2,069,569)	100,409	-	(1,969,160)
Foreign exchange differences (net of tax)	740,695	-	-	740,695
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	16,435	-	16,435
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	(149,269)	-	(149,269)
December 31, 2018	<u>\$ (1,328,874)</u>	<u>(32,425)</u>	<u>-</u>	<u>(1,361,299)</u>

(Continued)

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

(20) Share-based payment

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.

As of December 31, 2019 and 2018, the stock prices of the Group were \$382.5 and \$280.5, respectively. For the years 2019 and 2018, the amount of \$92,739 thousand and \$70,125 thousand, respectively, was recognized by the Group as compensation costs.

(21) Earnings per Share (“EPS”)

A. Basic earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to the shareholders of the Company	\$ <u>13,644,095</u>	<u>13,630,673</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>435,237</u>	<u>437,183</u>
Basic earnings per share (dollars)	\$ <u>31.35</u>	<u>31.18</u>

B. Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to the shareholders of the Company	\$ <u>13,644,095</u>	<u>13,630,673</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	437,183
Effect of the employee remuneration issued by stock (in thousands of shares)	<u>1,982</u>	<u>1,937</u>
	<u>437,219</u>	<u>439,120</u>
Diluted earnings per share (dollars)	\$ <u>31.21</u>	<u>31.04</u>

(Continued)

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

## (22) Revenue from contracts with customers

## A. Details of revenues

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 12,572,918	13,449,010
Northeast Asia (Japan and Korea)	17,852,401	17,263,975
Asia — others	9,100,112	9,676,930
America	8,410,577	8,340,541
Europe	7,165,985	6,971,277
Other areas	<u>2,992,338</u>	<u>3,361,777</u>
	<u>\$ 58,094,331</u>	<u>59,063,510</u>
Major product categories:		
Semiconductor wafers	\$ 57,721,510	58,447,151
Semiconductor ingot	275,284	492,114
Others	<u>97,537</u>	<u>124,245</u>
	<u>\$ 58,094,331</u>	<u>59,063,510</u>

## B. Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities	<u>\$ 20,200,098</u>	<u>19,107,591</u>	<u>6,736,612</u>

For details on accounts receivables and allowance for impairment, please refer to note 6(4).

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 years ended December 31, 2019 and 2018, which was included in the contract liability balance at the beginning of the period, was \$2,146,960 thousand and \$1,364,593 thousand, respectively.

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.

(Continued)

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

(23) Remuneration to employees and directors

In accordance with the articles of incorporation the Company should contribute from 3% to 15% of the profit as employee compensation and no higher than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. A resolution for employee remuneration in the form of shares 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 years ended December 31, 2019 and 2018, the Company accrued and recognized its employee remuneration amounting to \$622,810 thousand and \$504,801 thousand and directors' amounting to \$49,200 thousand and \$50,060 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. The amounts as stated in the consolidated financial statements are identical to those of the actual distributions for 2019 and 2018.

(24) Other gains and losses

	<u>2019</u>	<u>2018</u>
Foreign exchange gains (losses)	\$ (188,739)	5,484
Gains (losses) on disposal of property, plant and equipment	(7,992)	124,083
Unrealized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(286,218)	55,950
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	372,399	67,566
Others	<u>115,572</u>	<u>66,234</u>
	<u>\$ 5,022</u>	<u>319,317</u>

(Continued)

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

## (25) Financial instruments

## A. Credit risk

## (a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

## (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, 2019 and 2018, 55% and 46%, 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.

## (c) Receivables securities

For credit risk exposure on notes and accounts receivables, please refer to note 6(4).

## B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Short-term borrowings \$	9,886,000	(9,892,576)	(9,892,576)	-	-	-	-
Notes and accounts payable (including related parties)	3,837,481	(3,837,481)	(3,837,481)	-	-	-	-
Lease liabilities	785,026	(844,933)	(81,995)	(87,402)	(91,874)	(172,103)	(411,559)
Derivative financial instruments							
Forward exchange contracts							
Outflows	209,712	(6,745,031)	(6,745,031)	-	-	-	-
Inflows	-	6,535,319	6,535,319	-	-	-	-
	<u>\$ 14,718,219</u>	<u>(14,784,702)</u>	<u>(14,021,764)</u>	<u>(87,402)</u>	<u>(91,874)</u>	<u>(172,103)</u>	<u>(411,559)</u>

(Continued)

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2018</b>							
Non-derivative financial liabilities							
Short-term borrowings	\$ 5,042,000	(5,044,991)	(5,044,991)	-	-	-	-
Notes and accounts payable (including related parties)	4,870,445	(4,870,445)	(4,870,445)	-	-	-	-
Finance lease obligations	28,392	(31,097)	(4,551)	(4,551)	(9,102)	(12,893)	-
Long-term borrowings (including current portion of long-term borrowings payable)	430,000	(475,178)	(2,752)	(2,752)	(5,504)	(464,170)	-
Derivative financial instruments							
Forward exchange contracts							
Outflows	-	(5,559,495)	(5,559,495)	-	-	-	-
Inflows	81,679	5,638,200	5,638,200	-	-	-	-
	<u>\$ 10,452,516</u>	<u>(10,343,006)</u>	<u>(9,844,034)</u>	<u>(7,303)</u>	<u>(14,606)</u>	<u>(477,063)</u>	<u>-</u>

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

(a) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 415,496	29.980	12,456,570
JPY	257,676	0.2760	71,119
EUR	14,647	33.59	491,993
<u>Non-Monetary Items</u>			
USD	22,238	29.980	Note
JPY	2,632,949	0.2760	Note
EUR	3,508	33.59	Note

(Continued)

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

	<b>December 31, 2019</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	26,945	29.98	807,811
JPY	2,408,522	0.276	664,750
EUR	17,837	33.59	599,145
<u>Non-Monetary Items</u>			
EUR	1,650	29.98	Note
EUR	18,050,000	0.276	Note
	<b>December 31, 2018</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 356,191	30.715	10,940,407
JPY	946,270	0.2782	263,252
EUR	17,064	35.20	600,653
<u>Non-Monetary Items</u>			
USD	24,747	30.715	Note
JPY	17,150,412	0.2782	Note
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	35,022	30.715	1,075,701
JPY	1,027,562	0.2782	285,868
<u>Non-Monetary Items</u>			
USD	3,300	30.715	Note
EUR	18	35.200	Note

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

(Continued)

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

(b) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, 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, 2019 and 2018, would have increased (decreased) the net income before income tax by \$109,480 thousand and \$104,427 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.

(c) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(188,739) thousand and \$5,484 thousand, respectively.

D. Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group's financial liabilities.

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 \$21,360 thousand and \$9,165 thousand, for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Group's bank deposits and borrowings with variable rates.

E. Other price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	<b>For the years ended December 31,</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Other comprehensive income after tax</b>	<b>Net income</b>	<b>Other comprehensive income after tax</b>	<b>Net income</b>
<b>Prices of securities at the reporting date</b>				
Increasing 5%	\$ -	93,833	2,582	4,500
Decreasing 5%	-	(93,833)	(2,582)	(4,500)

(Continued)

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

F. Fair value of financial instruments

(a) Fair value hierarchy

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 the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contract	\$ 6,920	-	6,920	-	6,920
Privately offered fund	95,163	-	-	95,163	95,163
Overseas securities held	<u>1,876,656</u>	<u>1,876,656</u>	-	-	<u>1,876,656</u>
	<u>\$ 1,978,739</u>	<u>1,876,656</u>	<u>6,920</u>	<u>95,163</u>	<u>1,978,739</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 32,821,512	-	-	-	-
Notes and accounts receivable (including related parties)	8,139,967	-	-	-	-
Other financial assets—current and non-current	<u>3,994,654</u>	-	-	-	-
	<u>\$ 44,956,133</u>	-	-	-	-
<b>Financial liabilities at fair value through profit or loss</b>					
	<u>\$ 216,632</u>	-	<u>216,632</u>	-	<u>216,632</u>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 9,886,000	-	-	-	-
Notes and accounts payable (including related parties)	3,837,481	-	-	-	-
Lease liabilities-current and non-current	<u>785,026</u>	-	-	-	-
	<u>\$ 14,508,507</u>	-	-	-	-

(Continued)

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

	December 31, 2018				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contract	\$ 81,798	-	81,798	-	81,798
Stock listed on domestic market	90,000	90,000	-	-	90,000
Privately offered fund	64,697	-	-	64,697	64,697
	<u>\$ 236,495</u>	<u>90,000</u>	<u>81,798</u>	<u>64,697</u>	<u>236,495</u>
<b>Financial assets at fair value through other comprehensive income</b>					
Stock listed on domestic market	<u>\$ 51,636</u>	<u>51,636</u>	<u>-</u>	<u>-</u>	<u>51,636</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 35,214,323	-	-	-	-
Notes and accounts receivable (including related parties)	9,226,323	-	-	-	-
Other financial assets – current and non-current	1,038,496	-	-	-	-
	<u>\$ 45,479,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities at fair value through profit or loss</b>					
	<u>\$ 119</u>	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 5,042,000	-	-	-	-
Notes and accounts payable (including related parties)	4,870,445	-	-	-	-
Finance lease liabilities-current and non-current	28,392	-	28,392	-	28,392
Long-term borrowings (including current portion of long-term borrowings payable)	430,000	-	-	-	-
	<u>\$ 10,370,837</u>	<u>-</u>	<u>28,392</u>	<u>-</u>	<u>28,392</u>

(b) Valuation techniques for financial instruments measured at fair value

i. Non-derivative financial instruments

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.

(Continued)

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

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, the 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 the discounted cash flow or option pricing models. The fair value of forward currency is usually determined based by the forward currency exchange rate.

(c) Reconciliation of Level 3 fair value

	<b>Financial assets measured at fair value through other comprehensive income</b>	<b>Financial assets measured at fair value through profit or loss</b>
January 1, 2019	\$ -	64,697
Addition in investment	-	31,195
Recognized in profit or loss	-	(729)
December 31, 2019	<u>\$ -</u>	<u>95,163</u>
January 1, 2018	\$ 49,896	-
Addition in investment	15,282	-
Reclassification	(65,178)	65,178
Recognized in profit or loss	-	(481)
December 31, 2018	<u>\$ -</u>	<u>64,697</u>

(d) The fair value of the Group's financial instruments that use Level 3 inputs to measure fair value was based on the price of the third party. The Group did not disclose quantified information and sensitivity analysis on significant unobservable inputs because the unobservable inputs used in fair value measurement were not established by the Group.

(e) As of December 31, 2019 and 2018, there were no transfer at fair value level.

(Continued)

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

(26) Financial risk management

A. Overview

The Group has exposures to the following risks from its 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 risk 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 Group's 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.

(Continued)

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

For the year ended December 31, 2019, 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.

(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.

(Continued)

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

The Group's debt-to-equity ratios at the end of the reporting periods were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	\$ 51,512,503	46,666,008
Less: cash and cash equivalents	<u>(32,821,512)</u>	<u>(35,214,323)</u>
Net debt	<b><u>\$ 18,690,991</u></b>	<b><u>11,451,685</u></b>
Total equity	<b><u>\$ 45,073,250</u></b>	<b><u>43,156,113</u></b>
Debt-to-equity ratio	<b><u>41.47 %</u></b>	<b><u>26.54 %</u></b>

Due to an increase in borrowings and a decrease in cash and cash equivalents, the debt-to-equity ratio increased.

(28) Investing and financing activities not affecting current cash flow

A. For acquiring right-of-use assets by lease, please refer to note 6(8).

B. Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2019</b>
Long-term borrowings	\$ 430,000	(430,000)	-	-
Short-term borrowings	5,042,000	4,844,000	-	9,886,000
Lease liabilities	949,124	(171,013)	9,915	788,026
Guarantee deposit received	<u>342,861</u>	<u>(145,941)</u>	<u>(4,187)</u>	<u>192,733</u>
Total liabilities from financing activities	<b><u>\$ 6,763,985</u></b>	<b><u>4,097,046</u></b>	<b><u>5,728</u></b>	<b><u>10,866,759</u></b>

	<b>January 1, 2018</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2018</b>
Long-term borrowings	\$ 4,276,333	(3,846,333)	-	430,000
Short-term borrowings	10,124,326	(5,082,365)	39	5,042,000
Guarantee deposit received	<u>910,098</u>	<u>17,858</u>	<u>(585,095)</u>	<u>342,861</u>
Total liabilities from financing activities	<b><u>\$ 15,310,757</u></b>	<b><u>(8,910,840)</u></b>	<b><u>(585,056)</u></b>	<b><u>5,814,861</u></b>

(Continued)

**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, 2019, it owns 51.17 percent of all shares outstanding of the Company and has issued the consolidated financial statements available for public use.

- (2) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
Sino-American Silicon Product Inc. (“SAS”)	The parent company
Sunrise PV World Co. (SPW)	The subsidiary of the parent company
Sunshine PV Corp	Associate of the parent company
Crystalwise Technology Inc.	Associate of the parent company

- (3) Key management personnel compensation

Key management personnel compensation comprised of:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 231,756	232,442
Post-employment benefits	705	707
Share-based payments	-	14,732
	<u>\$ 232,461</u>	<u>247,881</u>

The Group provided a car costing \$1,500 thousand, and two cars costing \$2,240 thousand, for key management use in 2019 and 2018, respectively.

- (4) Significant transactions with related parties

A. Sales

The amounts of significant sales by the Group related parties were as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Parent company	\$ 4,378	19,416
Other related parties	229,341	244,580
	<u>\$ 233,719</u>	<u>263,996</u>

(Continued)

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

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 120 days after month-end both in 2019 and 2018, while those for related parties were 30 to 90 days after month-end both in 2019 and 2018.

**B. Purchases and process outsourcing**

The amounts of purchases and process outsourcing by the Group from related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 877,825	677,097
Other related parties	<u>79</u>	<u>163</u>
	<b><u>\$ 877,904</u></b>	<b><u>677,260</u></b>

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 2019 and 2018, while those to related parties were 30 days after month-end both in 2019 and 2018.

**C. Receivables from related parties**

The receivables from related parties were as follows:

<b>Items</b>	<b>Categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Receivable from related parties	Parent company	\$ 634	972
Receivable from related parties	Other related parties	<u>48,111</u>	<u>64,950</u>
		<b><u>\$ 48,745</u></b>	<b><u>65,922</u></b>

**D. Payables to related parties**

The payables to related parties were as follows:

<b>Items</b>	<b>Categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Payable to related parties	Parent company	\$ 220,875	161,758
Payable to related parties	Other related parties	<u>83</u>	<u>-</u>
		<b><u>\$ 220,958</u></b>	<b><u>161,758</u></b>

(Continued)

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

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, 2019 and 2018 were as follows:

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Parent company	\$ 103	98
Parent company	(810)	(572)
Other related parties	<u>(957)</u>	<u>(74)</u>
	<u>\$ (1,664)</u>	<u>(548)</u>

F. Transactions of property, plant and equipment

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Parent company	\$ 27,388	628,158
Other related parties	<u>-</u>	<u>5,092</u>
	<u>\$ 27,388</u>	<u>633,250</u>

As of December 31, 2019 and 2018, the payables from the above transactions had been fully paid.

- (b) Disposal amounts of property, plant and equipment to related parties was summarized as follows:

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Parent company	<u>\$ -</u>	<u>50</u>

As of December 31, 2018, the receivable from the above transactions had been fully received.

(Continued)

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

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:

		<b>For the years ended December 31,</b>	
		<b>2019</b>	<b>2018</b>
	Parent company	\$ 11,589	52,683
	Other related parties	<u>210</u>	<u>422</u>
		<b><u>\$ 11,799</u></b>	<b><u>53,105</u></b>

<b>Items</b>	<b>Categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Receivable from related parties	Parent company	\$ 1,371	5,016
Receivable from related parties	Other related parties	<u>129</u>	<u>263</u>
		<b><u>\$ 1,500</u></b>	<b><u>5,279</u></b>

- (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:

		<b>For the years ended December 31,</b>	
		<b>2019</b>	<b>2018</b>
	Parent company	\$ <u>38,553</u>	<u>44,035</u>

<b>Items</b>	<b>Categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Payables to related parties	Parent company	<u>\$ 8,382</u>	<u>8,737</u>

(Continued)

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

**8. Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Time deposits (recognized in other financial assets - current)	Guarantees of acceptances bill	\$ 39,977	22,393
Property, plant and equipment	Borrowings payable	3,155,429	2,923,408
Time deposits (recognized in other financial assets – non-current)	Guarantee for gas consumption from CPC Corporation	6,700	6,700
Refundable deposits (recognized in other financial assets – non-current)	Guarantee for the land lease contract with the Hsinchu Science Industrial Park Bureau	40,671	32,939
Refundable deposits (recognized in other financial assets-non-current))	Deposits of material purchase	-	167,125
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))	Government grant	1,655	-
Time deposits (recognized in other financial assets – non-current))	Court guarantee	10,748	10,748
Time deposits (recognized in other financial assets – non-current)	Tax-Refunded Restricted Deposits for Returning Overseas Funds to Taiwan	2,998,120	-
		<u>\$ 6,258,300</u>	<u>3,168,313</u>

**9. Significant commitments and contingencies:**

(1) Significant unrecognized contractual commitments

A. The purchase amounts for future delivery from suppliers under the existing agreements were as follows:

(Unit: currency in thousands)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
USD	\$ <u>35,306</u>	<u>30,856</u>
EUR	\$ <u>3,779</u>	<u>8,968</u>
JPY	\$ <u>-</u>	<u>2,145,137</u>

(Continued)

**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)

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
USD	<b>\$ 3,263</b>	<b>3,191</b>
DKK	<b>\$ -</b>	<b>3,750</b>

- C. As of December 31, 2019 and 2018, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$5,406,980 thousand and \$9,051,153 thousand, respectively.
- D. As of December 31, 2019 and 2018, a guarantee letter for the Customs Administration and Research and Development which was the Group requested a bank to issue amounted \$9,000 thousand and \$22,200 thousand, respectively.
- E. 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. As of December 31, 2019 and 2018, a guarantee letter for the customer which was the Group requested a bank to issue amounted \$111,871 thousand and \$117,233 thousand, respectively.
- F. The Company has made an application of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act to the tax authorities on November 28, 2019 and February 21, 2020. The application was approved and the fund was repatriated. Up to 5% of the funds could be withdrawn and freely utilized. The remaining 95% can only be withdrawn for the investments approved by the Ministry of Economic Affairs, R.O.C. upon the elapse of five full years after the date of depositing the fund into a segregated foreign exchange deposit account. The Company has made an application to utilize the fund for capital investment. The fund is planned to utilize for factory extension, purchase of factory's facilities and other related capital expenditure.

(2) Contingent liabilities: None

**10. Losses due to major disaster: None**

**11. Subsequent Events:**

The Company's board of directors approved on December 27, 2019 a plan of reorganization so that the Company would merge with Taisil, a 99.99% equity held subsidiary. The Company would be the existing company and Taisil was dissolved after merging, on February 1, 2020.

(Continued)

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

**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,					
	2019			2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	6,855,977	2,191,619	9,047,596	6,884,428	2,043,993	8,928,421
Labor and health insurance	1,208,059	260,903	1,468,962	1,112,581	247,498	1,360,079
Pension	399,519	86,037	485,556	362,284	93,027	455,311
Others	592,201	129,548	721,749	581,847	136,883	718,730
Depreciation	4,228,567	151,944	4,380,511	4,289,144	171,147	4,460,291
Amortization	358,628	6,202	364,830	351,353	3,426	354,779

**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, 2019 (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: Please refer to Table 4.
- (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 5.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: Please refer to Table 6.

(Continued)

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

- (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) The names of investees in Mainland China, the main businesses and products and other information: 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 consolidated financial statements, are 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

The Group's revenue from external customers and the relevant customer contract revenue, please refer to note 6(22).

- (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. The Group's revenue from external customers and the relevant customer contract revenue, please refer to note 6(22).

(Continued)

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

B. Non-current assets:

<u>Area</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Korea	\$ 12,564,394	8,398,373
United States	8,621,899	6,548,067
Japan	6,989,861	6,333,308
Taiwan	5,990,715	6,280,867
Italy	3,381,455	3,555,632
Others	<u>1,762,684</u>	<u>3,453,880</u>
	<u><u>\$ 39,311,008</u></u>	<u><u>34,570,127</u></u>

(4) Major customers information

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Customer C group	<u><u>\$ 10,253,312</u></u>	<u><u>9,494,244</u></u>

(Continued)

**GlobalWafers Co., Ltd. and Subsidiaries**  
**Loans to other parties**  
**For the year ended December 31, 2019**

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		
1	GWJ	The Company	Intercompany Loan	Yes	4,420,500	4,140,000	4,140,000	0.47909% ~ 0.53909%	1	5,998,428	Business between two parties	-	-	-	5,998,428	15,279,926
1	GWJ	MEMC Japan	Intercompany Loan	Yes	294,700	276,000	-	0.56909%	2	-	Operating capital	-	-	-	15,279,926	15,279,926
2	MEMC SpA	GWS	Intercompany Loan	Yes	2,759,640	2,620,020	2,047,302	3.559%	2	-	Operating capital	-	-	-	11,849,317	11,849,317
3	Taisil	The Company	Intercompany Loan	Yes	6,400,000	6,400,000	6,400,000	1.5%	2	-	Operating capital	-	-	-	7,091,890	7,091,890
4	GTI	MEMC LLC	Intercompany Loan	Yes	632,000	599,600	-	3.51%	2	-	Operating capital	-	-	-	9,486,787	9,486,787
5	GWS	GlobalWafers B.V.	Intercompany Loan	Yes	3,050,000	2,998,000	2,998,000	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706
5	GWS	The Company	Intercompany Loan	Yes	10,792,800	10,792,800	-	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706
5	GWS	GlobalWafers Inc.	Intercompany Loan	Yes	3,258,826	3,258,826	3,258,826	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706

Note 1: The nature of 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, 2019**

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	45,067,015	117,950	112,250	33,675	-	0.25 %	135,201,045	Y	N	N
0	The Company	GWS	2	45,067,015	1,896,000	1,798,800	384,827	-	3.99 %	135,201,045	Y	N	N
1	GTI	MEMC LLC	2	47,433,935	474,000	449,700	97,831	-	4.74 %	47,433,935	N	N	N

Note 1: The character of guarantees and endorsements are coded as follows:

- (1) The issuers are coded "0".
- (2) The investee is 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 securities 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.

Note 6: The Company made a guarantee payment for its import VAT amounting \$9,000 thousand.

(Continued)

**GlobalWafers Co., Ltd. and Subsidiaries**  
**Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)**  
**December 31, 2019**

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, mandatorily measured at fair value	-	95,163	3.85 %	95,163	3.85 %	
GWBV	Overseas securities held	None	Financial assets at fair value through profit or loss	-	1,876,656	- %	1,876,656	- %	

(Continued)

**GlobalWafers Co., Ltd. and Subsidiaries**

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than NT\$300 million or 20% of the capital stock  
For the year ended December 31, 2019**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
GWBV	Overseas securities held	Financial assets at fair value through profit or loss	-	None	-	-	-	1,876,656	-	-	-	-	-	1,876,656

(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, 2019**

Table 5

(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			
MEMC Korea	Property, plant and equipment	October 5, 2018	1,788,848	To the progress of the project	Sungdo Eng. Company	Non-parties Company	-	-	-	-	Fair value	For operating purpose	None
MEMC Korea	Property, plant and equipment	September 2018	323,297	To the progress of the project	L.Keeley Construction	Non-parties Company	-	-	-	-	Fair value	For operating purpose	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, 2019**

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	877,825	6 %	Net 30 days from the end of the month upon issuance of invoice	-	-	(220,875)	(9)%	
The Company	GTI	Indirectly subsidiaries	Purchase	2,074,272	14 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(310,922)	(12)%	
The Company	SST	Indirectly subsidiaries	Purchase	1,969,639	13 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(265,059)	(10)%	
The Company	GWJ	Directly subsidiaries	Purchase	5,998,428	40 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(1,365,605)	(53)%	
The Company	Topsil A/S	Directly subsidiaries	Purchase	620,593	4 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(42,126)	(2)%	
The Company	GWS	Directly subsidiaries	Purchase	585,759	4 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(58,237)	(2)%	
Taisil	The Company	Directly subsidiaries	Purchase	1,324,609	11 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(249,946)	(8)%	
GWS	The Company	Directly subsidiaries	Purchase	549,011	4 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(177,954)	(6)%	
Sunshine PV Corp.	The Company	Associate of the parent company	Purchase	229,325	2 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(48,111)	(2)%	
MEMC Korea	The Company	Indirectly subsidiaries	Purchase	778,020	6 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(109,525)	(4)%	
MEMC SpA	The Company	Indirectly subsidiaries	Purchase	847,708	7 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(139,596)	(5)%	
GTI	The Company	Directly subsidiaries	Purchase	3,294,333	26 %	Net 45 days from the end of the month upon issuance of invoice	-	-	(256,098)	(9)%	
SST	The Company	Indirectly subsidiaries	Purchase	886,190	7 %	Net 30 days from the end of the month upon issuance of invoice	-	-	(72,513)	(2)%	
GWJ	The Company	Directly subsidiaries	Purchase	1,681,018	13 %	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(426,609)	(14)%	

(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)	
Topsil	The Company	Indirectly subsidiaries	Purchase	442,842	3 %	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(62,464)	(2)%	
GWS	MEMC LLC	Indirectly subsidiaries	Purchase	1,113,615	6 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(210,402)	(7)%	
GWS	MEMC LLC	Indirectly Subsidiaries	Sale	(556,291)	(2) %	Net 60 days from the end of the month upon issuance of invoice	-	-	75,379	2%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Purchase	1,686,518	8 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(221,284)	(7)%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Sale	(661,023)	(3) %	Net 60 days from the end of the month upon issuance of invoice	-	-	75,452	2%	
GWS	MEMC SpA	Indirectly subsidiaries	Purchase	3,831,532	19 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(509,008)	(17)%	
GWS	MEMC SpA	Indirectly subsidiaries	Sale	(3,436,429)	(15) %	Net 60 days from the end of the month upon issuance of invoice	-	-	593,826	19%	
GWS	MEMC Korea	Indirectly subsidiaries	Purchase	1,486,461	7 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(201,533)	(7)%	
GWS	MEMC Japan	Indirectly subsidiaries	Purchase	4,382,815	22 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(707,117)	(23)%	
GWS	MEMC Japan	Indirectly subsidiaries	Sale	(1,572,917)	(7) %	Net 60 days from the end of the month upon issuance of invoice	-	-	210,912	7%	
GWS	Taisil	Indirectly subsidiaries	Purchase	6,982,787	35 %	Net 60 days from the end of the month upon issuance of invoice	-	-	(1,041,120)	(34)%	
GWS	Taisil	Indirectly subsidiaries	Sale	(524,118)	(2) %	Net 60 days from the end of the month upon issuance of invoice	-	-	173,631	5%	

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, 2019**

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	256,098	11.33	-		256,098	-
The Company	GWJ	Directly subsidiaries	426,609	3.80	-		181,827	-
The Company	GWS	Indirectly subsidiaries	177,954	5.72	-		177,954	-
The Company	MEMC Korea	Indirectly subsidiaries	109,525	3.66	-		79,480	-
The Company	MEMC SpA	Indirectly subsidiaries	139,596	5.24	-		139,596	-
The Company	Taisil	Directly subsidiaries	249,946	8.21	-		249,946	-
Taisil	The Company	Directly subsidiaries	6,400,000	- (Note 3)	-		-	-
SAS	The Company	Parent Company	220,875	4.59	-		220,875	-
GTI	The Company	Indirectly subsidiaries	310,922	6.65	-		310,922	-
SST	The Company	Indirectly subsidiaries	265,059	4.85	-		236,851	-
GWJ	The Company	Directly subsidiaries	1,365,605	3.89	-		857,018	-
GWS	GlobalWafers B.V.	Indirectly subsidiaries	2,998,000	- (Note 3)	-		-	-
GWS	MEMC Japan	Indirectly subsidiaries	210,912	8.89	-		210,912	-
GWS	MEMC SpA	Indirectly subsidiaries	593,826	7.67	-		593,826	-
GWS	GWI	Indirectly subsidiaries	3,258,826	- (Note 3)	-		-	-
GWJ	The Company	Directly subsidiaries	4,140,000	- (Note 3)	-		-	-
GWS	Taisil	Indirectly subsidiaries	173,631	3.42	-		173,631	-
MEMC Sdn Bhd	GWS	Indirectly subsidiaries	221,284	8.33	-		221,284	-
MEMC SpA	GWS	Indirectly subsidiaries	509,008	8.16	-		509,008	-
MEMC SpA	GWS	Indirectly subsidiaries	2,047,302	- (Note 3)	-		-	-
MEMC Korea	GWS	Indirectly subsidiaries	201,533	7.63	-		201,533	-
MEMC Japan	GWS	Indirectly subsidiaries	707,117	4.94	-		-	-
Taisil	GWS	Indirectly and directly subsidiaries	1,041,120	7.34	-		-	-
MEMC LLC	GWS	Indirectly subsidiaries	210,402	6.74	-		210,402	-

Note 1: As of February 25, 2020, the amount had been received.

Note 2: The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

Note 3: Receivables from related-party for financing purpose.

(Continued)

**GlobalWafers Co., Ltd. and Subsidiaries**  
**Business relationships and significant intercompany transactions**  
**For the year ended December 31, 2019**

Table 8

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note 3,4)
0	The Company	SAS	2	Purchase	877,825	Net 30 days from the end of the month upon issuance of invoice	1.51%
0	The Company	GTI	1	Purchase	2,074,272	Net 60 days from the end of the month upon issuance of invoice	3.57%
0	The Company	SST	1	Purchase	1,969,639	Net 60 days from the end of the month upon issuance of invoice	3.39%
0	The Company	GWJ	1	Purchase	5,998,428	Net 60 to 90 days from the end of the month upon issuance of invoice	10.33%
0	The Company	GWJ	1	Account payable	1,365,605	Net 60 to 90 days from the end of the month upon issuance of invoice	1.41%
0	The Company	Topsil A/S	1	Purchase	620,593	Net 30 to 60 days from the end of the month upon issuance invoice	1.07%
0	The Company	GTI	1	Sale	3,294,333	Net 45 days from the end of the month upon issuance of invoice	5.67%
0	The Company	SST	1	Sale	886,190	Net 30 days from the end of the month upon issuance of invoice	1.53%
0	The Company	GWJ	1	Sale	1,681,018	Net 60 to 90 days from the end of the month upon issuance of invoice	2.89%
0	The Company	GWS	1	Purchase	585,759	Net 60 days from the end of the month upon issuance of invoice	1.01%
0	The Company	MEMC Korea	1	Sale	778,020	Net 60 days from the end of the month upon issuance of invoice	1.34%
0	The Company	MEMC SpA	1	Sale	847,708	Net 60 days from the end of the month upon issuance of invoice	1.46%
0	The Company	Taisil	1	Sale	1,324,609	Net 60 days from the end of the month upon issuance of invoice	2.28%
1	GWS	MEMC LLC	3	Purchase	1,113,615	Net 60 days from the end of the month upon issuance of invoice	1.92%
1	GWS	MEMC SpA	3	Purchase	3,831,532	Net 60 days from the end of the month upon issuance of invoice	6.60%
1	GWS	MEMC SpA	3	Sale	3,436,429	Net 60 days from the end of the month upon issuance of invoice	5.92%
1	GWS	MEMC Korea	3	Purchase	1,486,461	Net 60 days from the end of the month upon issuance of invoice	2.56%
1	GWS	MEMC Japan	3	Purchase	4,382,815	Net 60 days from the end of the month upon issuance of invoice	7.54%
1	GWS	MEMC Japan	3	Sale	1,572,917	Net 60 days from the end of the month upon issuance of invoice	2.71%
1	GWS	MEMC Sdn Bhd	3	Purchase	1,686,518	Net 60 days from the end of the month upon issuance of invoice	2.90%
1	GWS	MEMC Sdn Bhd	3	Sale	661,023	Net 60 days from the end of the month upon issuance of invoice	1.14%

(Continued)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets (Note 3,4)
1	GWS	Taisil	3	Purchase	6,982,787	Net 60 days from the end of the month upon issuance of invoice	12.02%
1	GWS	Taisil	3	Accounts payable-parties	1,041,120	Net 60 days from the end of the month upon issuance of invoice	1.08%
1	GWS	GlobalWafers B.V.	2	Intercompany loan	2,998,000	-	3.10%
1	GWS	GWJ	2	Intercompany loan	3,258,826	-	3.37%
2	GWJ	The Company	2	Intercompany Loan	4,140,000	-	4.29%
3	Taisil	The Company	2	Intercompany Loan	6,400,000	-	6.63%
4	MEMC SpA	GWS	2	Intercompany Loan	2,047,302	-	2.12%

Note 1: The characters 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.

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, 2019**

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, 2019			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GW1	Cayman	Investment activities	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00 %	4,360,907	100.00 %	2,074,206	2,074,206	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 %	1,521,431	100.00 %	202,929	202,929	Subsidiary
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,448,015	5,448,015	128	100.00 %	15,262,418	100.00 %	1,904,017	1,903,960	Subsidiary Notes 2 and 3
The Company	GWafers Singapore	Singapore	Investment activities	11,966,930	11,966,930	364,000	67.20 %	23,271,556	100.00 %	5,553,670	4,249,594	Subsidiary
The Company	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers	1,964,069 (DKK407,600)	1,964,069 (DKK407,600)	1,000	100.00 %	1,660,861	100.00 %	64,061	51,353	Subsidiary
The Company	HONG-WANG Investment Co., Ltd.	Taiwan	Investment activities	309,760	200,000	30,976	30.98 %	571,929	30.98 %	65,636	20,331	Associate
The Company	Taisil	Taiwan	Manufacturing and trading of silicon wafers and sale	14,504,816	14,504,663	9,999	99.99 %	17,705,613	99.99 %	3,546,184	3,536,769	Associate
GW1	GWafers Singapore	Singapore	Investment activities	5,411,947	5,411,947	177,674	32.80 %	4,360,907	32.80 %	5,553,670	-	Notes 2 and 3
GWJ	MEMC Japan	Singapore	Manufacturing and trading of silicon wafers	373,413 (JPY100,000)	373,413 (JPY100,000)	750	100.00 %	3,066,944	100.00 %	227,673	-	Notes 2 and 3
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	-	-	0.1	100.00 %	-	100.00 %	13,719	-	Notes 2 and 3
GWafer Singapore	GWS	Singapore	Investment activities	14,671,320 (USD436,398)	14,671,320 (USD436,398)	299,445	100.00 %	25,151,706	100.00 %	6,223,239	-	Notes 2 and 3
GWS	GWBV	Netherlands	Investment activities	6,413,892 (USD162,723)	6,413,892 (USD162,723)	0.1	100.00 %	40,918,549	100.00 %	3,547,609	-	Notes 2 and 3
GWBV	MEMC SpA	Italy	Investment, marketing and trading activities	6,732,641 (USD204,788)	6,732,641 (USD204,788)	65,000	100.00 %	11,849,317	100.00 %	1,425,916	-	Notes 2 and 3
GWBV	MEMC BV	Netherlands	Investment activities	2,430,141 (USD73,918)	-	-	- %	-	- %	414,476	-	Notes 2 and 3
MEMC SpA	MEMC SarL	France	Trading	1,316 (USD40)	1,316 (USD40)	0.5	100.00 %	807	100.00 %	753	-	Notes 2 and 3
MEMC SpA	MEMC GmbH	Germany	Trading	4,622 (USD141)	4,622 (USD141)	0.002	100.00 %	4,817	100.00 %	(617)	-	Notes 2 and 3
MEMC SpA	MEMC BV	Netherlands	Investment activities	-	2,430,141 (USD73,918)	-	- %	-	100.00 %	414,476	-	Notes 2 and 3
MEMC BV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	-	2,427,650 (USD73,842)	-	- %	-	- %	1,270,737	-	Notes 2 and 3

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	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)	25,200.0	100.00 %	15,373,703	60.00 %	1,270,737	-	Notes 2 and 3
GWBV	GTI	Korea	Manufacturing of epitaxial wafers and silicon wafers	2,779,849 (USD91,262)	2,779,849 (USD91,262)	1	100.00 %	9,486,787	100.00 %	947,639	-	Notes 2 and 3
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 %	740,576	100.00 %	75,835	-	Notes 2 and 3
GWBV	MEMC Ipoh	Malaysia	Manufacturing and trading of silicon wafers and sale	93,907 (USD1,323)	146,624 (USD3,020)	612,300	100.00 %	3,807	100.00 %	236	-	Notes 2 and 3
GTI	MEMC LLC	United states	Research and development, manufacturing and trading of silicon wafers	543,384 (USD17,839)	543,384 (USD17,839)	-	100.00 %	4,263,233	100.00 %	178,816	-	Notes 2 and 3

Note 1: A limited company.

Note 2 The investees are indirect subsidiaries of the Company. GWafer Singapore had been restructured so the Company and GWI held 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. In June 18, 2019, MEMC BV was transferred to GWBV and was liquidated in September 2019. MEMC Korea was transferred from GWBV and MEMC BV to GWBV.

Note 3 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 4 The aforementioned inter-company transactions have been eliminated in the consolidated financial statements.

(Continued)

**GlobalWafers Co., Ltd. and Subsidiaries**

**The names of investees in Mainland China, the main businesses and products and other information**

**For the year ended December 31, 2019**

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, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	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)	195,307	100%	100%	195,307	1,425,100	-
SunEdison Shanghai	Trading business	7,527 (RMB1,500)	Note 2	Note 2	-	-	Note 2	(557)	100%	100%	(557)	8,914	-
GF	Sale and marketing	9,756 (RMB2,000)	Note 3	-	-	-	-	(21,528)	60%	60%	(12,917)	7,627	-

## (2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300 (USD21,729)	818,233 (USD25,000) (Note 5)	27,043,950 (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, 2019

Note 7: Retained earnings transferred to capital was included.

## Attachment 2 Standalone Financial Statements

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

Stock Code:6488

### **GlobalWafers Co., Ltd.**

#### **Parent Company Only Financial Statements**

#### **With Independent Auditors' Report For the Years Ended December 31, 2019 and 2018**

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

## Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Parent Company Only Balance Sheets	4
5. Parent Company Only Statements of Comprehensive Income	5
6. Parent Company Only Statements of Changes in Equity	6
7. Parent Company Only Statements of Cash Flows	7
8. Notes to the Parent Company Only Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the Parent Company Only financial statements	8
(3) New standards, amendments and interpretations adopted	8~12
(4) Summary of significant accounting policies	12~27
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	27~28
(6) Explanation of significant accounts	28~60
(7) Related-party transactions	61~67
(8) Pledged assets	68
(9) Significant commitments and contingencies	68~69
(10) Losses due to major disaster	69
(11) Subsequent Events	69
(12) Other	69
(13) Other disclosures	
(a) Information on significant transactions	70~78
(b) Information on investees (excluding information on investees in Mainland China)	70、79~80
(c) Information on investment in Mainland China	68、81
(14) Segment information	68

## Independent Auditors' Report

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

### Opinion

We have audited the parent company only financial statements of GlobalWafers Co., Ltd., (“ The Company”) which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position as of December 31, 2019 and 2018, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation 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 Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the current period. These matters were addressed in the context of our audits of the parent company only 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 (14) “Revenue recognition” for accounting policy and note 6 (19) “Revenue from contracts with customers” of the Parent company only financial statements for further information.

Description of key audit matter:

The Company'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. Evaluation of investments accounted for using equity method

Please refer to the note 4 (9) "Investments in subsidiaries" for accounting policy, note 5 for accounting assumptions and estimation uncertainty, and note 6 (6) for further evaluation details.

Description of key audit matter:

The investments accounted for using equity method of the Company mainly arise from business combinations. Moreover, the impairment evaluation of goodwill is influenced by market conditions and governmental policies, it causes the uncertainty on the recoverable amount of goodwill. Therefore, investments accounted for using equity method 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 sensitivity analysis based on key factors.

### **Responsibilities of Management and Those Charged with Governance for the Parent company only Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Parent company only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the Company 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Chien, Chen and An-Chih, Cheng.

KPMG

Taipei, Taiwan (Republic of China)

March 17, 2020

#### **Notes to Readers**

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

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



(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
GlobalWafers Co., Ltd.

Parent Company Only Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
4000	<b>Operating revenue</b> (notes 6(19) and 7)	\$ 12,456,803	100	13,740,705	100
5000	<b>Operating costs</b> (notes 6(5), (20) and 7)	7,616,254	61	8,867,735	65
	<b>Gross profit from operations</b>	4,840,549	39	4,872,970	35
	<b>Operating expenses</b> (notes 6(20) and 7):				
6100	Selling expenses	149,108	1	227,070	2
6200	Administrative expenses	473,170	4	218,393	2
6300	Research and development expenses	622,864	5	545,264	3
6450	Expected credit losses (note 6(4))	851	-	411	-
	<b>Total operating expenses</b>	1,245,993	10	991,138	7
	<b>Net operating income</b>	3,594,556	29	3,881,832	28
	<b>Non-operating income and expenses:</b>				
7010	Interest income	37,222	-	50,068	-
7020	Other gains and losses, net (notes 6(21) and 7)	(51,637)	(1)	226,271	2
7050	Interest expense (note 7)	(153,373)	(1)	(188,224)	(1)
7375	Share of gains of subsidiaries, associates and joint ventures accounted for using equity method (Note 6 (6))	12,039,142	97	12,124,336	88
		11,871,354	95	12,212,451	89
	<b>Income before income tax</b>	15,465,910	124	16,094,283	117
7950	Income tax expense (note 6 (15))	1,821,815	15	2,463,610	18
	<b>Net income</b>	13,644,095	109	13,630,673	99
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311	Gains (losses) on remeasurements of defined benefit plans	(4,156)	-	(9,153)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	27,542	-	16,435	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method	80,810	1	(203,007)	(1)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(15))	18,052	-	28,883	-
		86,144	1	(166,842)	(1)
8360	<b>Items that may be reclassified subsequently to profit or loss:</b>				
8361	Exchange differences on translation of foreign operations	(1,502,023)	(12)	848,116	6
8380	Share of other comprehensive income of associates and joint ventures accounted for using equity method	275,843	2	(149,269)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(15))	(300,404)	(2)	(107,421)	1
		(925,776)	(8)	591,426	4
8300	<b>Other comprehensive income (after tax)</b>	(839,632)	(7)	424,584	3
	<b>Total comprehensive income</b>	\$ 12,804,463	102	14,055,257	102
	<b>Earnings per share (NT dollars)</b> (note 6 (18))				
9750	Basic earnings per share	\$ 31.35		31.18	
9850	Diluted earnings per share	\$ 31.21		31.04	

See accompanying notes to consolidated financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
GlobalWafers Co., Ltd.

Parent Company Only Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings						Other equity interest					Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Gains (losses)		Unrealized gains (losses) on available-for-sale financial assets	Total other equity interest	Treasury shares	
							Exchange differences on translation of foreign financial statements	from equity instrument measured at fair value through other comprehensive income				
<b>Balance at January 1, 2018</b>	\$ 4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	-	112,663	(1,956,906)	-	34,045,928
Effects of retrospective application of new accounting standards	-	-	-	-	-	-	-	100,409	(112,663)	(12,254)	-	(12,254)
Balance at January 1, 2018 after adjustments	4,372,500	24,772,805	813,639	350,635	5,693,255	6,857,529	(2,069,569)	100,409	-	(1,969,160)	-	34,033,674
Net income for the year	-	-	-	-	13,630,673	13,630,673	-	-	-	-	-	13,630,673
Other comprehensive income for the year	-	-	-	-	(183,277)	(183,277)	740,695	(132,834)	-	607,861	-	424,584
Comprehensive income for the year	-	-	-	-	13,447,396	13,447,396	740,695	(132,834)	-	607,861	-	14,055,257
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	527,472	-	(527,472)	-	-	-	-	-	-	-
Special reserve	-	-	-	782,961	(782,961)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(4,372,500)	(4,372,500)	-	-	-	-	-	(4,372,500)
Increase in treasury stock	-	-	-	-	-	-	-	-	-	-	(576,779)	(576,779)
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	-	(197)	-	-	-	-	-	-	-	-	-	(197)
<b>Balance at December 31, 2018</b>	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
Net income for the year	-	-	-	-	13,644,095	13,644,095	-	-	-	-	-	13,644,095
Other comprehensive income for the year	-	-	-	-	58,602	58,602	(1,201,619)	303,385	-	(898,234)	-	(839,632)
Comprehensive income for the year	-	-	-	-	13,702,697	13,702,697	(1,201,619)	303,385	-	(898,234)	-	12,804,463
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	1,345,772	-	(1,345,772)	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(10,880,925)	(10,880,925)	-	-	-	-	-	(10,880,925)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	31,723	31,723	-	(31,723)	-	(31,723)	-	-
Difference between consideration and the carrying amount of investment in associates acquired or disposed	-	4,063	-	-	-	-	-	-	-	-	-	4,063
Difference between consideration and the carrying amount of subsidiaries acquired or disposed	-	(41)	-	-	-	-	-	-	-	-	-	(41)
<b>Balance at December 31, 2019</b>	\$ 4,372,500	24,776,630	2,686,883	1,133,596	14,965,441	18,785,920	(2,530,493)	239,237	-	(2,291,256)	(576,779)	45,067,015

See accompanying notes to consolidated financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
GlobalWafers Co., Ltd.

**Parent Company Only Statements of Cash Flows**

**For the years ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
<b>Cash flows from operating activities:</b>		
Income before income tax	\$ 15,465,910	16,094,283
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expenses	197,206	149,974
Amortization expenses	317,931	317,931
Expected credit losses	851	411
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	287,032	(71,962)
Interest expense	153,373	188,224
Interest income	(37,222)	(50,068)
Dividend income	(4,137)	(1,077)
Shares of profit of associates accounted for using equity method	(11,838,621)	(12,098,939)
Loss (gain) on disposal of property, plant and equipment	349	(1,747)
Provision for (reversal of) inventory valuation	13,727	5,784
<b>Total adjustments</b>	(10,909,511)	(11,561,469)
<b>Changes in operating assets and liabilities:</b>		
Notes and accounts receivable (including related parties)	775,505	(1,379,687)
Inventories	299,764	354,486
Prepayments for purchase of materials	113,260	66,828
Other operating assets	8,910	3,276
<b>Total changes in operating assets</b>	1,197,439	(955,097)
Contract liabilities	(1,352,578)	440,485
Notes and accounts payable (including related parties)	(768,082)	969,254
Net defined benefit liabilities	(6,146)	(16,085)
Other operating liabilities	320,897	438,096
<b>Total changes in operating liabilities</b>	(1,805,909)	1,831,750
<b>Total changes in operating assets and liabilities</b>	(608,470)	876,553
<b>Total adjustments</b>	(11,517,981)	(10,684,816)
Cash inflow generated from operations	3,947,929	5,409,467
Interest received	37,733	48,977
Dividends received	4,137	1,077
Interest paid	(149,314)	(189,412)
Income taxes paid	(1,315,543)	(280,696)
<b>Net cash flows from operating activities</b>	2,524,942	4,989,413

(Continued)

See accompanying notes to consolidated financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
GlobalWafers Co., Ltd.

**Parent Company Only Statements of Cash Flows(Continued)**

**For the years ended December 31, 2019 and 2018**

**(Expressed in Thousands of New Taiwan Dollars)**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from investing activities:</b>		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	8,732
Proceeds from disposal of financial assets at fair value through other comprehensive income	79,178	-
Acquisition of financial assets at fair value through other comprehensive income	-	(71,470)
Proceeds from disposal of financial assets at fair value through profit or loss	95,901	-
Acquisition of financial assets at fair value through profit or loss	(31,194)	(98,853)
Acquisition of investments accounted for using equity method	(109,913)	(1,779)
Proceeds from return of capital of subsidiaries and cash dividends received from subsidiaries	5,145,843	8,539,547
Cash dividends from investments accounted for using equity method	16,510	5,350
Acquisition of property, plant and equipment	(205,543)	(812,481)
Proceeds from disposal of property, plant and equipment	459	11,823
Decrease (increase) in refundable deposit	11	(11)
Decrease (increase) in other financial assets	(2,998,204)	84,869
<b>Net cash flows used in investing activities</b>	<u>1,993,048</u>	<u>7,665,727</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	4,844,000	(5,079,350)
Increase in long-term borrowings	-	430,000
Repayments of long-term borrowings	(430,000)	(4,276,333)
Increase in account payables to related parties	667,000	3,380,400
Payment of the principal portion of lease liabilities	(7,424)	-
Cash dividends paid	(10,880,925)	(4,372,500)
Cost of increase in treasury stock	-	(482,609)
<b>Net cash flows used in financing activities</b>	<u>(5,807,349)</u>	<u>(10,400,392)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,289,359)	2,254,748
<b>Cash and cash equivalents at beginning of period</b>	<u>3,356,684</u>	<u>1,101,936</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 2,067,325</u></u>	<u><u>3,356,684</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of the Parent Company Only Financial Statements Originally Issued in Chinese)  
GlobalWafers Co., Ltd.

**Notes to the Parent Company Only Financial Statements**

**For the years ended December 31, 2019 and 2018**

**(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 Park, Hsinchu, Taiwan (R.O.C.). The Company 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 Company 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 parent company only financial statements:**

These parent company only financial statements were authorized for issue by the board of directors on March 17, 2020.

**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, 2019.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>International Accounting Standards Board</b>
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

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

<b>New, Revised or Amended Standards and Interpretations</b>	<b>International Accounting Standards Board</b>
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 Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only 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.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(11).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases and leases of low-value assets, including other equipment.

(Continued)

## GlobalWafers Co., Ltd.

### Notes to the Parent Company Only Financial Statements

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Company applied this approach to all other lease.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
  - Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
  - Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
  - Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases
- For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

#### 3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

4) Impacts on financial statements

On transition to IFRS 16, the Company recognized additional right-of-use assets and lease liabilities both of \$73,956 thousands. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 1.19%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of balance sheets at the date of initial application disclosed as follows:

	<b>January 1, 2019</b>
Operating lease commitment at December 31, 2018 as disclosed in the Company's Parent company only financial statements	\$ 82,642
Recognition exemption for:	
short-term leases and leases of low-value assets	(1,764)
	<b>\$ 80,878</b>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 73,956
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	<b>\$ 73,956</b>

(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 the 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.

There was no material impact when adopting the abovementioned standards during the said period.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its parent company only financial statements.

- (c) The impact of IFRS issued by International Accounting Standards Board 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:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its parent company only financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

**4. Summary of significant accounting policies:**

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

- (1) Statement of compliance

The parent company only financial statements have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

## (2) Basis of preparation

## A. Basis of measurement

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

- (a) Financial instruments 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 liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(15).

## B. Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

## (3) Foreign currencies

## A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for an equity investment in equity securities designated as at fair value through other comprehensive income, 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 into New Taiwan Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into New Taiwan Dollars at the average rate. Exchange differences are recognized in other comprehensive income.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements****(4) Classification of current and non-current assets and liabilities**

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

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

**(5) Cash and cash equivalents**

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

**(6) Financial instruments****A. Financial instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements****(a) Financial assets**

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income – equity investment, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

**(b) 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.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

**(c) Fair value through other comprehensive income (FVTOCI)**

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Equity investments at FVTOCI are subsequently measured at fair value. Dividends 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 are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

**(d) Impairment of financial assets**

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, guarantee deposit paid and other financial assets).

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured by 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 trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

Lifetime ECL 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 months 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 Company is exposed to credit risk.

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 Company in accordance with the contract and the cash flows that the Company 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 gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements****(e) Derecognition of financial assets**

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**B. Financial liabilities and equity instruments****(a) Classification of debt or equity**

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(b) Equity instrument**

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.

**(c) Treasury shares**

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

**(d) Financial liabilities**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements****(e) Derecognition of financial liabilities**

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**(f) Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**C. Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

**(7) 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 present 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.

**(8) Investment in associates**

Associates are those entities in which the Company has significant influence, but not control or joint control, over their financial and operating policies.

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.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

The parent company only financial statements include the Company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, 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 significant influence.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company discontinues the use of the equity method and measures the retained interest at fair value from the date when its investment ceases to be an associate. The difference between the fair value of retained interest and proceeds from disposing, and the carrying amount of the investment at the date the equity method was discontinued is recognized in profit or loss. The Company accounts 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 Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued. If the Company's ownership interest in an associate is reduced while it continues to apply the equity method, the Company reclassifies 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 Company 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 Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. 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 Company'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 will 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.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements****(9) Investment in subsidiaries**

In the parent only financial statements, a subsidiary is an entity that is controlled by the Company, and the investment is accounted using the equity method. Under the equity method, the net income and other comprehensive income in the parent company only financial statements shall be same as the net income and other comprehensive attributable to the Company in the Consolidated financial statements. The total equity in the parent company only financial statements shall be also same as the equity attributable to the Company in the Consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

**(10) Property, plant and equipment****A. Recognition and measurement**

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

**B. Subsequent cost**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

**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 lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods 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.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(11) Lessee

Applicable from January 1, 2019

A. Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- (a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- (b) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- (c) the customer has the right to direct the use of the asset throughout the period of use only if either:
  - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
  - the relevant decisions about how and for what purpose the asset is used are predetermined and:
    - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
    - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (a) fixed payments, including in-substance fixed payments;
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (c) amounts expected to be payable under a residual value guarantee; and
- (d) payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- (a) there is a change in future lease payments arising from the change in an index or rate; or
- (b) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- (c) there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- (d) there is a change of its assessment on whether it will exercise a extension or termination option; or
- (e) there are any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases with 12 months or less and leases of low-value assets, including other equipment. The Company recognizes the lease payments associated with these leases as an expense on a

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

straight-line basis over the lease term.

C. As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

Applicable before January 1, 2019

The leases of the Company are operating leases and are not recognized in the Company's parent company only 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.

(12) Intangible assets

A. Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. 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, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

C. Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

than goodwill, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(13) Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are Companyed together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or Companies of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(14) Revenue recognition**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

**A. Sale of goods**

The Company engages mainly in the research, development, production, design, and sales of semiconductor ingots and wafers. The Company 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

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

the sales contract, the acceptance provisions have lapsed, or the Company 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 Company has a right to an amount of consideration that is unconditional.

**B. Services**

The Company 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.

Revenue recognition for fixed-price contracts is based on the ratio of services actually provided to total services as of the reporting date, which is determined by the percentage of labor performed to the total amount of labor to be performed.

If the situation changes, the estimates of revenue, cost, and degree of completion will be revised, and the increase or decrease in the period when the management is aware of the change in the situation will be reflected in profit or loss.

**(15) Employee benefits****A. Defined contribution plans**

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided.

**B. Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to 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. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

plan when the settlement occurs.

**C. Short-term employee benefits**

Short-term employee benefit are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(17) Share-based payment**

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Please refer to note 6(17) for grant date of a share-based payment award.

**(17) Income tax**

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are not recognized except for the following:

- A. temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- B. temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- C. taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences

(Continued)

## GlobalWafers Co., Ltd.

### Notes to the Parent Company Only Financial Statements

when they reserve, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (a) the same taxable entity; or
  - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are 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 profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

#### (19) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is 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 is 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.

#### (20) Operating segment

The Company has disclosed the related information of operating segments, therefore the Company do not disclose the same information in the parent company only financial statements.

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

The preparation of the Parent company only 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.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

The accounting policies which involved the estimation and assumption uncertainty that may cause adjustments in the subsequent period are as below:

Investments accounted for using equity method

The investments accounted for using equity method of the Company mainly arise from business combinations. Moreover, the assessment of the impairment of goodwill requires the Company to make subjective judgment to identify CGUs, allocate the goodwill to relevant CGUs, and estimate the recoverable amounts of the relevant CGUs. Please refer to note 6(6) for further description of the investments accounted for using equity method.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

The Company's financial instrument valuation group conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial instrument valuation group also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use the observable market inputs when measuring 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 Company recognizes the transfer on the reporting date. For the assumption used in fair value measurement, please refer to note 6(22) of the financial instruments.

**6. Explanation of significant accounts:**

(1) Cash and cash equivalents

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash on hand	\$ 100	100
Demand deposits	1,390,135	2,281,559
Time deposits	<u>677,090</u>	<u>1,075,025</u>
	<b><u>\$ 2,067,325</u></b>	<b><u>3,356,684</u></b>

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

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Mandatorily measured at fair value through profit or loss:		
Forward exchange contracts	\$ 784	76,475
Stocks listed on domestic markets	-	90,000
Privately offered funds	95,163	64,697
	<b>\$ 95,947</b>	<b>231,172</b>
Financial liabilities designated as at fair value through profit or loss:		
Forward exchange contract	<b>\$ 216,514</b>	-

The Company uses derivative instruments to hedge certain currency risk arising from the Company's operating activities. The Company held the following derivative instruments not used for hedging and accounted them as mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities as of December 31, 2019 and 2018:

	<b>December 31, 2019</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
Forward exchange contracts purchased	JPY 19,000,000	JPY to NTD	January 14, 2020~ June 29, 2020
	<b>December 31, 2018</b>		
	<b>Contract amount (in thousands)</b>	<b>Currency</b>	<b>Maturity date</b>
Forward exchange contracts purchased	JPY 17,000,000	JPY to NTD	January 15, 2019~ June 14, 2019

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Equity investment in domestic entities	<b>\$ -</b>	<b>51,636</b>

The Company designated the equity investments shown above as at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long term strategic purposes.

In July 2019, due to changes in investing strategy, the Company disposed of financial assets measured at fair value through other comprehensive income. The fair value at the time of disposal was \$79,178 thousand, and the cumulative disposal gain was calculated at \$31,723 thousand. Therefore, the accumulated disposal gain has been transferred from other equity to retained earnings.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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 years ended December 31, 2019 and 2018, the dividend income of \$2,118 thousand and \$1,077 thousand, respectively, related to equity investments at fair value through other comprehensive income held on December 31, 2019 and 2018, was recognized.

For market risk, please refer to note 6(23).

The financial assets mentioned above were not pledged as collateral.

(4) Notes and accounts receivable, net

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Accounts receivable	\$ 1,421,555	1,954,350	1,573,385
Less: Allowance for doubtful accounts	(8,030)	(7,179)	(6,768)
Allowance for sales discounts and returns	-	-	(15,364)
	<b><u>\$ 1,413,525</u></b>	<b><u>1,947,171</u></b>	<b><u>1,551,253</u></b>

The movements in the allowance for doubtful accounts related to notes and accounts receivable were as follows:

	<b>2019</b>	<b>2018</b>
Balance on January 1 per IAS39	\$ -	6,768
Adjustment on initial application of IFRS 9	-	-
Balance on January 1 per IFRS 9	7,179	6,768
Impairment losses recognized	851	411
Balance on December 31	<b><u>\$ 8,030</u></b>	<b><u>7,179</u></b>

The Company applied the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. 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 was determined as follows:

(Continued)

## GlobalWafers Co., Ltd.

## Notes to the Parent Company Only Financial Statements

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,387,577	0%	-
1 to 30 days past due	25,808	0%	-
61 to 90 days past due	-	30%	-
91 to 120 days past due	-	50%	-
121 to 150 days past due	-	70%	-
151 to 180 days past due	1,402	90%	1,262
More than 181 days past due	6,768	100%	6,768
	<b>\$ 1,421,555</b>		<b>8,030</b>

	<b>December 31, 2018</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 1,831,457	0%	-
1 to 30 days past due	109,692	0%~1%	-
31 to 60 days past due	6,433	0%~1%	411
121 to 150 days past due	-	0%~1%	-
More than 181 days past due	6,768	100%	6,768
	<b>\$ 1,954,350</b>		<b>7,179</b>

The notes and accounts receivable mentioned above were not pledged as collateral.

## (5) Inventories

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trading goods	\$ 166,823	295,750
Finished goods	117,168	125,649
Work in progress	27,014	26,289
Raw materials	651,293	831,805
Supplies	69,630	74,802
	<b>\$ 1,031,928</b>	<b>1,354,295</b>

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

Components of operating costs were as follows:

	<u>2019</u>	<u>2018</u>
Cost of sales	\$ 7,506,476	8,832,425
Provision of (reversal of) inventory valuation	13,727	5,784
Unallocated fixed manufacturing expense	<u>96,051</u>	<u>29,526</u>
	<u><b>\$ 7,616,254</b></u>	<u><b>8,867,735</b></u>

The inventories mentioned above were not pledged as collateral.

(6) Investments accounted for using equity method

A summary of financial information for investments accounted for using the equity method at the reporting date is as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates	\$ 571,929	178,442
Subsidiaries	<u>63,452,703</u>	<u>58,201,357</u>
	<u><b>\$ 64,024,632</b></u>	<u><b>58,379,799</b></u>

A. Subsidiaries

- (a) For the related information, Please refer to GlobalWafers Co., Ltd. 2019 consolidated financial statements.
- (b) The subsidiary GWafers together with the Company merged with GlobalWafers Japan Co., Ltd. that the Company indirectly holds in January 2018, and the existing company is GWafers then renamed as GWJ.
- (c) The Company received dividends from subsidiaries amount \$5,145,843 thousand and 623,387 thousand for the year ended 2019 and 2018 as the deduction of investments accounted for using equity method.
- (d) The Company acquired the non-controlling interest of Taisil Electronic Materials Corp. amounted \$112 thousand and 1,582 thousand by \$153 thousand and 1,779 thousand and recognized the difference as capital surplus.

B. Associates

The associates of the Company accounted for using the equity method are individually insignificant and the summarized financial information included in the Parent company only financial statements of the Company was follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
The carrying amount of investments in the individually insignificant associates	<b><u>\$ 571,929</u></b>	<b><u>178,442</u></b>
Amount of individually insignificant associates' interests attributable to the Company:		
Net income	\$ 20,331	14,439
Other comprehensive income (loss)	<u>275,843</u>	<u>(149,269)</u>
Total	<b><u>\$ 296,174</u></b>	<b><u>(134,830)</u></b>

B. The Company acquired equity interests of Hongwang Investment Co., Ltd. for \$109,760 thousand in 2019, which was recognized as additions to investments accounted for using the equity method. The difference of \$4,063 thousand between the investment cost and the equity is recognized in additional paid-in capital. Ownership increased from 24.39% to 30.98% as a result of the acquisition. For the years ended December 31, 2019 and 2018, the cash dividends of the invested companies were \$16,510 thousand and \$5,350 thousand, respectively, which were recognized as deductions of investments accounted for using the equity method.

C. Collateral

The investments accounted for using equity method mentioned above were not pledged as collateral as of December 31, 2019 and 2018.

(7) Property, plant and equipment

A. The movements of cost and depreciation of the property, plant and equipment of the Company were as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Construction in progress and equipment awaiting inspection</u>	<u>Total</u>
Cost:					
Balance at January 1, 2019	\$ 725,413	623,113	243,751	68,153	1,660,430
Additions	9,035	120,605	29,317	28,346	187,303
Disposals	(4,908)	(38,352)	(9,778)	-	(53,038)
Reclassification	-	68,073	-	(68,073)	-
Transfer and others	-	-	23,352	-	23,352
Balance at December 31, 2019	<b><u>\$ 729,540</u></b>	<b><u>773,439</u></b>	<b><u>286,642</u></b>	<b><u>28,426</u></b>	<b><u>1,818,047</u></b>
Balance at January 1, 2018	171,656	841,623	160,660	99,410	1,273,349
Additions	555,585	110,552	105,836	70,892	842,865
Disposals	(1,828)	(426,093)	(27,557)	-	(455,478)
Reclassification	-	97,031	4,812	(101,843)	-
Transfer and others	-	-	-	(306)	(306)
Balance at December 31, 2018	<b><u>\$ 725,413</u></b>	<b><u>623,113</u></b>	<b><u>243,751</u></b>	<b><u>68,153</u></b>	<b><u>1,660,430</u></b>
Depreciation :					
Balance at January 1, 2019	\$ 167,189	314,664	84,284	-	566,137
Depreciation for the year	50,685	98,089	40,622	-	189,396
Disposals	(4,908)	(37,799)	(9,523)	-	(52,230)
Transfer and others	-	-	14,476	-	14,476
Balance at December 31, 2019	<b><u>\$ 212,966</u></b>	<b><u>374,954</u></b>	<b><u>129,859</u></b>	<b><u>-</u></b>	<b><u>717,779</u></b>
Balance at January 1, 2018	\$ 122,298	671,718	67,549	-	861,565
Depreciation for the year	46,720	66,178	37,076	-	149,974
Disposals	(1,829)	(423,232)	(20,341)	-	(445,402)
Balance at December 31, 2018	<b><u>\$ 167,189</u></b>	<b><u>314,664</u></b>	<b><u>84,284</u></b>	<b><u>-</u></b>	<b><u>566,137</u></b>
Carrying amounts:					
Balance at December 31, 2019	<b><u>\$ 516,574</u></b>	<b><u>398,485</u></b>	<b><u>156,783</u></b>	<b><u>28,426</u></b>	<b><u>1,100,268</u></b>
Balance at January 1, 2018	<b><u>\$ 49,358</u></b>	<b><u>169,905</u></b>	<b><u>93,111</u></b>	<b><u>99,410</u></b>	<b><u>411,784</u></b>
Balance at December 31, 2018	<b><u>\$ 558,224</u></b>	<b><u>308,449</u></b>	<b><u>159,467</u></b>	<b><u>68,153</u></b>	<b><u>1,094,293</u></b>

**B. Collateral**

About the information that property, plant and equipment was pledged as collateral for long-term borrowings, short-term borrowings and credit lines as of December 31, 2019 and 2018, please refer to note 8.

**(8) Right-of-use assets**

The Company leases many assets including land and transportation equipment. Information about leases were presented below:

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

	<b>Land</b>	<b>transportation equipment</b>	<b>Total</b>
<b>Cost:</b>			
Balance at January 1, 2019	\$ -	-	-
Effects of retrospective application	71,597	2,359	73,956
Adjustment	<u>(2,077)</u>	<u>-</u>	<u>(2,077)</u>
Balance at December 31, 2019	<u><b>\$ 69,520</b></u>	<u><b>2,359</b></u>	<u><b>71,879</b></u>
 <b>Accumulated depreciation and impairment losses:</b>			
Balance at January 1, 2019	\$ -	-	-
Depreciation for the year	6,523	1,287	7,810
Adjustment	<u>(1,841)</u>	<u>-</u>	<u>(1,841)</u>
Balance at December 31, 2019	<u><b>\$ 4,682</b></u>	<u><b>1,287</b></u>	<u><b>5,969</b></u>
 <b>Carrying amount:</b>			
Balance at December 31, 2019	<u><b>\$ 64,838</b></u>	<u><b>1,072</b></u>	<u><b>65,910</b></u>
		<b>transportation</b>	
	<b>Land</b>	<b>equipment</b>	<b>Total</b>
			<u><b>2019</b></u>
Depreciation expense of right-of-use assets			
Land			\$ 6,523
Transportation equipment			<u>1,287</u>
			<u><b>\$ 7,810</b></u>

The Company leases plants, dormitory and parking area for the year ended December 31, 2018. Please refer to note 6(13).

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

## (9) Intangible assets

The cost and amortization of the Patents and trademarks of the Company were as follows:

	<u>2019</u>	<u>2018</u>
Cost:		
Balance at January 1(equal to December 31)	\$ <u>1,631,850</u>	<u>1,631,850</u>
Amortization:		
Balance at January 1	(635,862)	(317,931)
Amortization for the year	<u>(317,931)</u>	<u>(317,931)</u>
Balance at December 31	<u>(953,793)</u>	<u>(635,862)</u>
Carrying amounts:		
Balance at January 1	<u>\$ <u>995,988</u></u>	<u><u>1,313,919</u></u>
Balance at December 31	<u>\$ <u>678,057</u></u>	<u><u>995,988</u></u>

The intangible assets mentioned above were not pledged as collateral.

## (10) Short-term borrowings

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unsecured borrowings	<u>\$ <u>9,886,000</u></u>	<u><u>5,042,000</u></u>
Unused credit lines	<u>\$ <u>10,835,877</u></u>	<u><u>10,997,146</u></u>
Range of interest rates at year end	<u><u>0.70%~0.76%</u></u>	<u><u>0.76%~0.89%</u></u>

There is no assets pledged for short term borrowings above.

## (11) Long-term borrowings

The details were as follows:

	<u>December 31, 2018</u>			
	<u>Currency</u>	<u>Rate</u>	<u>Maturity</u>	<u>Amount</u>
Secured bank loans	NTD	1.28%	February 2033	<u>\$ <u>430,000</u></u>

In the first quarter of 2019, the Company repaid its long-term borrowings of \$430,000 thousand due to its operating strategy. For assets pledged as collateral for borrowings, please refer to note 8.

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

## (12) Lease liabilities

The carrying amounts of lease liabilities of the Company was as follows:

	<b>December 31, 2019</b>
Current	<u>\$ 7,193</u>
Non-current	<u>\$ 59,088</u>

For the maturity analysis, please refer to note 6(26) "Financial instruments".

The amounts recognized in profit or loss were as follows:

	<b>For the year ended December 31, 2019</b>
Interest on lease liabilities	<u>\$ 841</u>
Expenses relating to short-term leases	<u>\$ 3,446</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ -</u>

The amounts recognized in the statement of cash flows was as follows:

	<b>For the year ended December 31, 2019</b>
Total cash outflow for leases	<u>\$ 11,711</u>

Land leases' additional rent payments that are based on changes in local price indices and the public facilities construction costs re-invested annually in each park will be adjusted after being assessed.

## (13) Operating Lease

## A. Lessee

Non-cancellable operating lease rentals payable were as follows:

	<b>December 31, 2018</b>
Less than one year	\$ 9,065
Between one and five years	19,789
More than five years	<u>53,788</u>
	<u>\$ 82,642</u>

For the year 2018, rental costs from operating leases of \$12,115 thousand were recognized as expenses in profit or loss.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

The Company 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, 2011 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 \$6,589 thousand.

(17) Employee benefits

A. Defined benefit plans

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

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total present value of obligations	\$ (112,001)	(105,915)
Fair value of plan assets	66,593	58,517
Recognized liabilities for defined benefit obligations	<b><u>\$ (45,408)</u></b>	<b><u>(47,398)</u></b>

The plans entitle a retired employee to receive a pension benefit based on years of service prior to retirement.

(a) 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 earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$66,593 thousand, as of December 31, 2019. For information on 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.

(b) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations of the Company were as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at January 1	\$ 105,915	112,422
Current service costs and interest cost	1,807	2,156
Re-measurements for defined benefit obligations		
—Actuarial gains and losses arising from experience adjustments	736	5,103
—Actuarial gains and losses resulting from changes in demographic assumptions	1,356	5,668
—Actuarial gains and losses resulting from changes in financial assumptions	4,486	-
Benefits paid	<u>(2,299)</u>	<u>(19,434)</u>
Defined benefit obligation at December 31	<u><b>\$ 112,001</b></u>	<u><b>105,915</b></u>

(c) Movements in fair value of defined benefit plan assets

The movements in fair value of the defined benefit plan assets of the Company were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ 58,517	58,092
Interest revenue	715	735
Re-measurements for defined benefit obligations		
—Return on plan asset (excluding interest revenue)	2,422	1,618
Contributions made	7,238	17,506
Benefits paid	<u>(2,299)</u>	<u>(19,434)</u>
Fair value of plan assets at December 31	<u><b>\$ 66,593</b></u>	<u><b>58,517</b></u>

(d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<u>2019</u>	<u>2018</u>
Current service costs	\$ 615	891
Net interest of net liabilities for defined benefit obligation	477	530
	<u><b>\$ 1,092</b></u>	<u><b>1,421</b></u>
Operating cost	\$ 798	1,035
Selling expenses	59	75
Administration expenses	58	65
Research and development expenses	177	246
	<u><b>\$ 1,092</b></u>	<u><b>1,421</b></u>

(e) Actuarial assumptions

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	0.750%	1.125%
Future salary increase rate	2.000%	2.000%

The estimated amount of contribution to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$1,687 thousand.

The weighted-average durations of the defined benefit obligation are 10.9 years.

(f) Sensitivity analysis

When the actuarial assumptions had changed 0.25% as of the December 31, 2019 and 2018, the impact on the present value of the defined benefit obligation would be as follows:

<u>Actuarial assumptions</u>	<u>Influences to defined benefit obligations</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2019		
Discount rate	<u><b>\$ (3,034)</b></u>	<u><b>3,154</b></u>
Future salary increase rate	<u><b>\$ 3,060</b></u>	<u><b>(2,959)</b></u>
December 31, 2018		
Discount rate	<u><b>\$ (2,975)</b></u>	<u><b>3,096</b></u>
Future salary increase rate	<u><b>\$ 3,014</b></u>	<u><b>(2,912)</b></u>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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 2019 and 2018.

**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 Company's pension costs incurred from contributions to the defined contribution plan were \$21,306 thousand and \$19,792 thousand for the years 2019 and 2018, respectively. Such contributions were made to the Bureau of the Labor Insurance.

**(15) Income tax**

**A. Income tax expense**

The components of income tax expenses in 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense	\$ 1,160,158	834,772
Deferred tax expense	<u>661,657</u>	<u>1,628,838</u>
	<u><b>\$ 1,821,815</b></u>	<u><b>2,463,610</b></u>

The amounts of income tax (benefit) recognized in other comprehensive income in 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit obligations	<u><b>\$ 18,052</b></u>	<u><b>(28,883)</b></u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign financial statements	<u><b>\$ (300,404)</b></u>	<u><b>107,421</b></u>

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

Reconciliations of income tax and income before income tax for 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Income before income tax	\$ 15,465,910	16,094,283
Income tax using the Company's domestic tax rate	3,093,182	3,218,857
Adjustment in tax rate	-	183,901
Tax effect of permanent differences	(711,149)	(402,633)
Investment tax credits	(15,000)	(15,000)
Recognition of previously unrecognized tax losses	(323,974)	(552,728)
Tax preference of Returning Overseas Funds to Taiwan	(390,785)	-
Change in unrecognized temporary differences	108,506	30,183
Undistributed earnings additional tax	61,035	1,030
	<b>\$ 1,821,815</b>	<b>2,463,610</b>

B. Deferred tax assets and liabilities

(a) The deferred tax liabilities have not been recognized in respect of the following items:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ (997,762)	(673,788)

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. 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.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

(b) Recognized deferred tax assets and liabilities

	January 1, 2019	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2019
Assets:				
Allowance for inventory valuation	\$ 6,963	2,810	-	9,773
Equity-method investments	56,637	(11,369)	15,621	60,889
Unrealized gain of affiliates	25,912	40,104	-	66,016
Others	44,693	18,867	816	64,376
	<u>\$ 134,205</u>	<u>50,412</u>	<u>(16,437)</u>	<u>201,054</u>
Liabilities:				
Equity method investments	\$ (2,487,625)	(710,856)	265,915	(2,932,566)
Others	(2,697)	(1,213)	-	(3,910)
	<u>\$ (2,490,322)</u>	<u>(712,069)</u>	<u>265,915</u>	<u>(2,936,476)</u>
	January 1, 2018	Recognized in profit or loss	Recognized in other comprehen-sive income	December 31, 2018
Assets:				
Allowance for inventory valuation	\$ 4,935	2,028	-	6,963
Equity-method investments	384,372	16,827	(344,562)	56,637
Unrealized gain of affiliates	17,708	8,204	-	25,912
Others	26,204	14,027	4,462	44,693
	<u>\$ 433,219</u>	<u>41,086</u>	<u>(340,100)</u>	<u>134,205</u>
Liabilities:				
Equity method investments	\$ (1,073,050)	(1,676,137)	261,562	(2,487,625)
Others	(8,910)	6,213	-	(2,697)
	<u>\$ (1,081,960)</u>	<u>(1,669,924)</u>	<u>261,562</u>	<u>(2,490,322)</u>

C. Assessment of tax filings

As of December 31, 2019, income tax returns of the Company for the years through 2016 were assessed by the tax authority.

(16) Capital and other equity

A. Common stock

As of December 31, 2019 and 2018, the authorized 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.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
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	3,940	(82)
	<b>\$ 24,776,630</b>	<b>24,772,608</b>

According to the R.O.C Company Act, 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.

**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.

(Continued)

## GlobalWafers Co., Ltd.

### Notes to the Parent Company Only Financial Statements

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

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 both were \$0\$1,133,596 thousand as of December 31, 2019 and 2018, respectively.

(c) Earnings distribution

The distributions of dividends per share for the years 2018 and 2017 which were approved by the stockholders during their meetings on June 25, 2019 and June 25, 2018, respectively, were as follows:

	2018	2017
Dividends distributed to ordinary shareholders:		
Cash (dividends per share were \$25 and \$10, respectively)	\$ 10,880,925	4,372,500

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 2019 annual earnings distribution on March 17, 2019 with cash dividends per share of \$25. The above earnings distribution will be resolved by shareholders' meeting.

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, 2019, a total of 2,013 thousand shares has yet to be transferred.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Gains (losses) from equity instruments measured at fair value through other comprehensive income</b>	<b>Total</b>
January 1, 2019	\$ (1,328,874)	(32,425)	(1,361,299)
Foreign exchange differences (net of tax)	(1,201,619)	-	(1,201,619)
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	27,542	27,542
Disposition of equity instruments measured at fair value through other comprehensive income	-	(31,723)	(31,723)
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method		275,843	275,843
December 31, 2019	<u>\$ (2,530,493)</u>	<u>239,237</u>	<u>(2,291,256)</u>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<b>Exchange differences on translation of foreign financial statements</b>	<b>Gains (losses) from equity instruments measured at fair value through other comprehensive income</b>	<b>Unrealized gains (losses) on available-for-sale financial assets</b>	<b>Total</b>
January 1, 2018	(2,069,569)	-	112,663	(1,956,906)
Effects of retrospective application of new standards	-	100,409	(112,663)	(12,254)
January 1, 2018 after adjusted	(2,069,569)	100,409	-	(1,969,160)
Foreign exchange differences (net of tax)	740,695	-	-	740,695
Unrealized losses from financial assets measured at fair value through other comprehensive income	-	16,435	-	16,435
Unrealized losses from financial assets measured at fair value through other comprehensive income of associates accounted for using equity method	-	(149,269)	-	(149,269)
December 31, 2018	<u><b>\$ (1,328,874)</b></u>	<u><b>(32,425)</b></u>	<u><b>-</b></u>	<u><b>(1,361,299)</b></u>

(17) Share-based payment

The Company 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 Company. 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.

As of December 31, 2019 and 2018, the stock prices of the Company were \$382.5 and \$280.5, respectively. For the years 2019 and 2018, the amount of \$14,822 thousand and \$11,290 thousand, respectively, was recognized by the Company as compensation costs.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

(18) Earnings per Share (“EPS”)

A. Basic earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to the shareholders of the Company	<u>\$ 13,644,095</u>	<u>13,630,673</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	<u>435,237</u>	<u>437,183</u>
Basic earnings per share (dollars)	<u>\$ 31.35</u>	<u>31.18</u>

B. Diluted earnings per share

	<u>2019</u>	<u>2018</u>
Net income attributable to the shareholders of the Company	<u>\$ 13,644,095</u>	<u>13,630,673</u>
Weighted-average number of ordinary shares outstanding during the year (in thousands of shares)	435,237	437,183
Effect of the employee remuneration issued by stock (in thousands of shares)	<u>1,982</u>	<u>1,937</u>
	<u>437,219</u>	<u>439,120</u>
Diluted earnings per share (dollars)	<u>\$ 31.21</u>	<u>31.04</u>

(19) Revenue from contracts with customers

A. Details of revenues

	<u>2019</u>	<u>2018</u>
Primary geographical markets:		
Taiwan	\$ 5,644,062	6,392,425
USA	2,433,654	2,240,467
China	2,070,873	2,227,438
Japan	780,379	689,059
Other areas	<u>1,527,835</u>	<u>2,191,316</u>
	<u>\$ 12,456,803</u>	<u>13,740,705</u>
Major product categories:		
Semiconductor wafers	\$ 10,437,350	11,633,475
Semiconductor ingot	186,956	342,533
Others	<u>1,832,497</u>	<u>1,764,697</u>
	<u>\$ 12,456,803</u>	<u>13,740,705</u>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

B. Contract balances

	<b>December 31, 2019</b>	<b>December 31, 2018</b>	<b>January 1, 2018</b>
Contract liabilities	<b>\$ 2,036,201</b>	<b>3,388,779</b>	<b>2,948,294</b>

For details on accounts receivables and allowance for impairment, please refer to note 6(4).

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 years ended December 31, 2019 and 2018, which was included in the contract liability balance at the beginning of the period, was \$1,427,445 thousand and \$513,378 thousand, respectively.

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.

(20) Remuneration to employees and directors

In accordance with the articles of incorporation the Company should contribute from 3% to 15% of the profit as employee compensation and no higher than 3% as directors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration of each director and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the board of directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions. A resolution for employee remuneration in the form of shares 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 years ended December 31, 2019 and 2018, the Company accrued and recognized its employee remuneration amounting to \$622,810 thousand and \$504,801 thousand and directors' amounting to \$49,200 thousand and \$50,060 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. The amounts as stated in the Parent company only financial statements are identical to those of the actual distributions for 2019 and 2018.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

(21) Other gains and losses

	<b>2019</b>	<b>2018</b>
Foreign exchange gains (losses)	\$ (47,624)	40,711
Unrealized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	(287,032)	71,962
Realized gains (losses) on financial assets (liabilities) measured at fair value through profit or loss	227,572	55,164
Others	55,447	58,434
	<b>\$ (51,637)</b>	<b>226,271</b>

(22) Financial instruments

A. Credit risk

(a) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

(b) Concentration of credit risk

The main customers of the Company are from the silicon wafer and related industries. The Company generally sets credit limits to its customers according to their credit evaluations. Therefore, the credit risk of the Company is mainly influenced by the silicon wafer industry. As of December 31, 2019 and 2018, 70% and 62%, respectively, of the Company's accounts receivable (including related parties) were from the top 10 customers. Although there is a potential for concentration of credit risk, the Company routinely assesses the collectability of the accounts receivable and makes a corresponding allowance for doubtful accounts.

(c) Receivables securities

For credit risk exposure on notes and accounts receivables, please refer to note 6(4).

B. Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2019</b>							
Non-derivative financial liabilities							
Short-term borrowings \$	9,886,000	(9,892,576)	(9,892,576)	-	-	-	-
Notes and accounts payable (including related parties)	13,237,112	(13,237,112)	(13,237,112)	-	-	-	-
Lease liabilities	66,281	(73,257)	(4,080)	(3,863)	(3,842)	(11,526)	(49,946)
Derivative financial instruments							
Forward exchange contracts							
Outflows	215,730	(5,450,340)	(5,450,340)	-	-	-	-
Inflows	-	5,234,610	5,234,610	-	-	-	-
	<u>\$ 23,405,123</u>	<u>(23,418,675)</u>	<u>(23,349,498)</u>	<u>(3,863)</u>	<u>(3,842)</u>	<u>(11,526)</u>	<u>(49,946)</u>
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 to 12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2018</b>							
Non-derivative financial liabilities							
Short-term borrowings \$	5,042,000	(5,044,991)	(5,044,991)	-	-	-	-
Notes and accounts payable (including related parties)	13,336,621	(13,336,621)	(13,336,621)	-	-	-	-
Long-term 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	-	(4,655,900)	(4,655,900)	-	-	-	-
Inflows	76,475	4,729,400	4,729,400	-	-	-	-
	<u>\$ 18,885,096</u>	<u>(18,783,290)</u>	<u>(18,310,864)</u>	<u>(2,752)</u>	<u>(5,504)</u>	<u>(464,170)</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

C. Currency risk

- (a) Exposure to foreign currency risk

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

The Company's significant exposure to foreign currency risk was as follows:

	<b>December 31, 2019</b>		
	<b>Foreign currency</b>	<b>Exchange rate</b>	<b>NTD</b>
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 248,660	29.98	7,454,812
JPY	396,016	0.276	109,300
<u>Non-Monetary Items</u>			
JPY	18,000,000	0.276	Note
<u>Investment using equity method</u>			
USD	972,445	29.98	29,153,894
JPY	55,298,616	0.276	15,262,418
DKK	369,902	4.5	1,660,861
<u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	30,663	29.98	919,273
JPY	19,839,629	0.276	5,475,738
<u>Non-Monetary Items</u>			
JPY	1,000,000	0.276	Note

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	December 31, 2018		
	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>			
<u>Monetary Items</u>			
USD	\$ 211,942	30.715	6,508,799
JPY	839,682	0.2782	233,600
<u>Non-Monetary Items</u>			
JPY	17,000,000	0.2782	Note
<u>Investment using equity method</u>			
USD	879,494	30.715	27,013,672
JPY	48,734,986	0.2782	13,558,073
DKK	359,066	4.7	1,687,613
 <u>Financial liabilities</u>			
<u>Monetary Items</u>			
USD	36,851	30.715	1,131,878
JPY	20,825,307	0.2782	5,793,600

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, 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, 2019 and 2018, would have increased (decreased) the net income before income tax by \$11,691 thousand and \$1,831 thousand, respectively. The analysis is based on foreign currency exchange rate variances that the Company 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.

(Continued)

**GlobalWafers Co., Ltd.**  
**Notes to the Parent Company Only Financial Statements**

(c) Foreign exchange gain and loss on monetary items

	2019		2018	
	Foreign exchange gain and loss	Average Exchange rate	Foreign exchange gain and loss	Average Exchange rate
USD	\$ (98,148)	30.912	172,300	30.149
JPY	50,395	0.2760	(135,695)	0.2730
EUR	2,828	34.61	2,293	35.60
CNY	(2,704)	4.472	1,810	4.562
CHF	2	31.104	3	30.81
GBP	3	39.44	-	-

D. Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial liabilities.

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 Company's net income would have increased or decreased by \$21,239 thousand and \$7,976 thousand, for the years ended December 31, 2019 and 2018, respectively, assuming all other variable factors remain constant. This is mainly due to the Company's bank deposits and borrowings with variable rates.

E. Other price risk

For the years ended December 31, 2019 and 2018, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

	For the years ended December 31,			
	2019		2018	
	Other comprehensive income after tax	Net income	Other comprehensive income after tax	Net income
Prices of securities at the reporting date				
Increasing 5%	\$ -	-	2,582	4,500
Decreasing 5%	-	-	(2,582)	(4,500)

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

F. Fair value of financial instruments

(a) Fair value hierarchy

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 the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contract	\$ 784	-	784	-	784
Privately offered fund	95,163	-	-	95,163	95,163
	<b><u>\$ 95,947</u></b>	<b><u>-</u></b>	<b><u>784</u></b>	<b><u>95,163</u></b>	<b><u>95,947</u></b>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 2,067,325	-	-	-	-
Notes and accounts receivable (including related parties)	3,181,640	-	-	-	-
Other financial assets – current and non-current	3,008,938	-	-	-	-
	<b><u>\$ 8,257,903</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financial liabilities at fair value through profit or loss</b>					
	<b><u>\$ 216,514</u></b>	<b><u>-</u></b>	<b><u>216,514</u></b>	<b><u>-</u></b>	<b><u>216,514</u></b>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 9,886,000	-	-	-	-
Notes and accounts payable (including related parties)	13,237,112	-	-	-	-
Lease liabilities-current and non-current	66,281	-	-	-	-

(Continued)

## GlobalWafers Co., Ltd.

## Notes to the Parent Company Only Financial Statements

	<u>\$ 23,189,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>December 31, 2018</b>				
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets at fair value through profit or loss</b>					
Forward exchange contract	\$ 76,475	-	76,475	-	76,475
Stock listed on domestic market	90,000	90,000	-	-	90,000
Privately offered fund	64,697	-	-	64,697	64,697
	<u>\$ 231,172</u>	<u>90,000</u>	<u>76,475</u>	<u>64,697</u>	<u>231,172</u>
<b>Financial assets at fair value through other comprehensive income</b>	<u>\$ 51,636</u>	<u>51,636</u>	<u>-</u>	<u>-</u>	<u>51,636</u>
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 3,356,684	-	-	-	-
Notes and accounts receivable (including related parties)	3,957,996	-	-	-	-
Other financial assets – current and non-current	10,745	-	-	-	-
	<u>\$ 7,325,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities measured at amortized cost</b>					
Short-term borrowings	\$ 5,042,000	-	-	-	-
Notes and accounts payable (including related parties)	13,336,621	-	-	-	-
Long-term borrowings (including current portion of long-term borrowings payable)	430,000	-	-	-	-
	<u>\$ 18,808,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## (b) Valuation techniques for financial instruments measured at fair value

## i. Non-derivative financial instruments

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 Company, 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.

(Continued)



**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

## (23) Financial risk management

## A. Overview

The Company has exposures to the following risks from its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above-mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying Parent company only 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 Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company's audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company 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 Company's potential credit risk is derived primarily from cash and accounts receivable. The Company maintains its cash in various creditworthy financial institutions. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk for cash.

(Continued)

**GlobalWafers Co., Ltd.****Notes to the Parent Company Only Financial Statements**

For the year ended December 31, 2019, 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 Company 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 Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**(a) Currency risk**

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company'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 Company, primarily NTD, but also include USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company 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 Company holds variable-rate assets and liabilities, which cause the exposure to interest rate risk in cash flows.

**(24) 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 Company. The board of directors monitors the return on capital as well as the level of dividends to ordinary stockholders.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

The Company's debt-to-equity ratios at the end of the reporting periods were as follows:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Total liabilities	\$ 30,435,245	26,606,585
Less: cash and cash equivalents	<u>(2,067,325)</u>	<u>(3,356,684)</u>
Net debt	<b><u>\$ 28,367,920</u></b>	<b><u>23,249,901</u></b>
Total equity	<b><u>\$ 45,067,015</u></b>	<b><u>43,139,455</u></b>
Debt-to-equity ratio	<b><u>62.95%</u></b>	<b><u>53.89%</u></b>

Due to an increase in borrowings and a decrease in cash and cash equivalents, the debt-to-equity ratio increased.

(25) Investing and financing activities not affecting current cash flow

A. For acquiring right-of-use assets by lease, please refer to note 6(8).

B. Reconciliations of liabilities arising from financing activities were as follows:

	<b>January 1, 2019</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2019</b>
Long-term borrowings	\$ 430,000	(430,000)	-	-
Short-term borrowings	5,042,000	4,844,000	-	9,886,000
Lease liabilities	73,956	(7,424)	(251)	66,281
Accounts payable to related parties	<u>9,873,000</u>	<u>667,000</u>	<u>-</u>	<u>10,540,000</u>
Total liabilities from financing activities	<b><u>\$ 15,418,956</u></b>	<b><u>5,073,576</u></b>	<b><u>(251)</u></b>	<b><u>20,492,281</u></b>

	<b>January 1, 2018</b>	<b>Cash flows</b>	<b>Foreign exchange movement and others</b>	<b>December 31, 2018</b>
Long-term borrowings	\$ 4,276,333	(3,846,333)	-	430,000
Short-term borrowings	10,121,350	(5,079,350)	-	5,042,000
Accounts payable to related parties	<u>6,492,600</u>	<u>3,380,400</u>	<u>-</u>	<u>9,873,000</u>
Total liabilities from financing activities	<b><u>\$ 20,890,283</u></b>	<b><u>(5,545,283)</u></b>	<b><u>-</u></b>	<b><u>15,345,000</u></b>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only 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 Company. As of December 31, 2019, it owns 51.17 percent of all shares outstanding of the Company and has issued the Parent company only 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 Parent company only financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Sino-American Silicon Product Inc. (“SAS”)	The parent company
Sunrise PV World Co. (SPW)	The subsidiary of the parent company
Actron Technology Corporation	Associate of the parent company
Crystalwise Technology Inc.	Associate of the parent company
GlobalSemiconductor Inc. (GSI)	Directly owned subsidiary of the parent Company
GWafers Singapore Pte. Ltd. (GWafers Singapore)	Directly owned subsidiary of the parent Company
Topsil Globalwafers A/S (Topsil A/S)	Directly owned subsidiary of the parent Company
Taisil Electronic Materials Corp. (Taisil)	Directly owned subsidiary of the parent Company
Kunshan Sino Silicon Technology Co., Ltd. (SST)	Indirectly owned subsidiary of the parent Company
GlobiTech Incorporated (GTI)	Indirectly owned subsidiary of the parent Company
GlobalWafers Japan Co., Ltd. (GWJ)	Directly owned subsidiary of the parent Company
Shanghai GrowFast Semiconductor Technology Co., Ltd. (Shanghai GrowFast)	Indirectly owned subsidiary of the parent Company
Topsil Semiconductor sp z o.o. (Topsil PL)	Indirectly owned subsidiary of the parent Company
GlobalWafers Singapore Pte. Ltd. (GWS)	Indirectly owned subsidiary of the parent Company
GlobalWafers B.V. (GWBV)	Indirectly owned subsidiary of the parent Company
MEMC Japan Ltd. (MEMC Japan)	Indirectly owned subsidiary of the parent Company

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

MEMC Electronic Materials, SpA (MEMC SpA)	Indirectly owned subsidiary of the parent Company
MEMC Electronic Materials France SarL (MEMC SarL)	Indirectly owned subsidiary of the parent Company
MEMC Electronic Materials GmbH (MEMC GmbH)	Indirectly owned subsidiary of the parent Company
MEMC Korea Company (MEMC Korea)	Indirectly owned subsidiary of the parent Company
MEMC LLC (MEMC LLC)	Indirectly owned subsidiary of the parent Company
MEMC Electronic Materials, Sdn Bhd (MEMC Sdn Bhd)	Indirectly owned subsidiary of the parent Company
SunEdison Semiconductor Technology (Shanghai) Ltd. (SunEdison Shanghai)	Indirectly owned subsidiary of the parent Company
MEMC Ipoh Sdn Bhd (MEMC Ipoh)	Indirectly owned subsidiary of the parent Company

(3) Key management personnel compensation

Key management personnel compensation comprised of:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 169,832	79,977
Post-employment benefits	705	707
Share-based payments	-	14,732
	<b><u>\$ 170,537</u></b>	<b><u>95,416</u></b>

The Company provided a car costing \$1,500 thousand, and two cars costing \$2,240 thousand, for key management use in 2019 and 2018, respectively.

(4) Significant transactions with related parties

A. Sales

The amounts of significant sales by the Company related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 1,372	9,071
Other related parties	229,325	244,481
	<b><u>\$ 230,697</u></b>	<b><u>253,552</u></b>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

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 120 days after month-end both in 2019 and 2018, while those for related parties were 30 to 90 days after month-end and 30 to 135 days after month-end in 2019 and 2018 respectively.

**B. Purchases and process outsourcing**

The amounts of purchases and process outsourcing by the Company from related parties were as follows:

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ 877,825	669,431
Subsidiary - GWJ	5,998,428	6,564,463
Subsidiary - SST	1,969,639	2,661,905
Subsidiary - GTI	2,074,272	1,944,060
Other subsidiaries	1,248,973	1,028,611
	<b><u>\$ 12,169,137</u></b>	<b><u>12,868,470</u></b>

The prices of purchases and process outsourcing were determined by market rates.

The payment terms to third parties were 0 to 120 days after next month-end both in 2019 and 2018, while those to related parties were 30-90 days after month-end and 30 days after next month-end in 2019 and 2018 respectively.

**C. Receivables from related parties**

The receivables from related parties were as follows:

<b>Items</b>	<b>Categories</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Receivable from related parties	Parent company	\$ 634	711
Receivable from related parties	Other related parties	48,111	64,949
		<b><u>\$ 48,745</u></b>	<b><u>65,660</u></b>

**D. Payables to related parties**

The payables to related parties were as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

<u>Items</u>	<u>Categories</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Payable to related parties	Parent company	\$ 220,875	161,758
Payable to related parties	Subsidiary -GWJ	1,365,605	1,714,488
Payable to related parties	Other subsidiaries	<u>693,422</u>	<u>1,072,748</u>
		<u><b>\$ 2,279,902</b></u>	<u><b>2,948,994</b></u>

E. Loans to Related Parties

The loans to related parties were as follows:

<u>Relationship</u>	<u>2018</u>				
	<u>Highest Balance</u>	<u>Actual Utilized</u>	<u>Balance as of December 31</u>	<u>Interest rate</u>	<u>Interest income</u>
Subsidiary	<u><b>\$ 2,500,000</b></u>	<u>-</u>	<u>-</u>	<b>1.5%</b>	<u>-</u>

As of December 31, 2018, the receivable from the above transactions had been fully received

No loans to related parties in 2019.

F. Borrowings from Related Parties

The borrowings from related parties were as follows:

<u>Relationship</u>	<u>2019</u>		
	<u>Balance as of December 31</u>	<u>Interest rate</u>	<u>Interest expense</u>
Subsidiaries	<u><b>\$ 10,540,000</b></u>	<b>0.48%~1.5%</b>	<u><b>109,306</b></u>

<u>Relationship</u>	<u>2018</u>		
	<u>Balance as of December 31</u>	<u>Interest rate</u>	<u>Interest expense</u>
Subsidiaries	<u><b>\$ 9,873,000</b></u>	<b>0.47%~1.5%</b>	<u><b>88,930</b></u>

The interest payable to related parties were amounted \$21,707 thousand and \$20,133 thousand as of December 31, 2019 and 2018 respectively.

G. Guarantee

For the years ended 2019 and 2018, the highest balance of the Company provided guarantees for loans taken out to related parties were as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

<u>Relationship</u>	<u>2019</u>	<u>2018</u>
Subsidiary	NTD	0 NTD 200,000
Subsidiary	JPY	0 JPY 1,000,000
Subsidiary	USD	60,000 USD 160,000
Subsidiary	DKK	25,000 DKK 25,000

As of Decemebr 31 2019 and 2018, the balance of the Company provided guarantees for loans taken out to related parties were as follows :

<u>Relationship</u>	<u>2019</u>	<u>2018</u>
Subsidiary	USD	60,000 USD 60,000
Subsidiary	DKK	25,000 DKK 25,000

H. Payment on behalf of others

The receivables from related parties generated from material purchases, insurance and utilities payments and manpower support of related parties as of December 31, 2019 and 2018 were \$369 thousand and 367 thousand ; the payables to related parties for above transaction as of December 31, 2019 and 2018 were \$4,212 thousand and 1,378 thousand repectively.

I. Transactions of property, plant and equipment

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

	<u>For the years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Parent company	\$ 18,300	627,309
Subsidiaries	10,663	14,995
	<u>\$ 28,963</u>	<u>642,304</u>

As of December 31, 2019, the prepayment of equipment was \$8,127 thousand. As of December 31, 2018, the payables from the above transactions was \$205 thousand.

- (b) Disposal amounts of property, plant and equipment to related parties was summarized as follows:

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

	<b>For the years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Parent company	\$ -	50
Subsidiaries	-	11,772
	<b>\$ -</b>	<b>11,822</b>

As of December 31, 2018, the receivable from the above transactions had been fully received.

**J. Others**

- (a) The Company's sales to related parties was regarded as transfer of inventory. In the financial report disclosure, the revenue and related costs were eliminated and were not regarded as the Company's sales and costs. The transactions for the year ended 2019 and 2018 were amounted as follows:

<b>Relationship</b>	<b>2019</b>	<b>2018</b>
Subsidiaries	<b>\$ 9,792,152</b>	<b>10,140,550</b>

The revenue of the Company purchased materials on behalf of subsidiaries were amounted \$768,294 thousand and 777,249 thousand for the year ended 2019 and 2018 respectively.

The commission revenue of the Company from subsidiaries recognized as service revenue were \$38,805 thousand and 42,918 thousand for the year ended 2019 and 2018 respectively.

The receivable from the above transactions were as follows:

<b>Account</b>	<b>Relationship</b>	<b>2019.12.31</b>	<b>2018.12.31</b>
Account receivables from related parties	Subsidiaries	<b>\$ 1,497,739</b>	<b>1,778,759</b>

- (b) The Company's royalties from subsidiaries were as follows :

<b>Relationship</b>	<b>2019</b>	<b>2018</b>
Subsidiaries	<b>\$ 1,014,643</b>	<b>936,274</b>

<b>Account</b>	<b>Relationship</b>	<b>2019.12.31</b>	<b>2018.12.31</b>
Account receivables from related parties	Account receivables from related parties	<b>\$ 216,597</b>	<b>154,120</b>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

- (c) The Company provides other services for related parties, including service support, machine usage, human resources and plant lease, etc. Details of related other income and receivables from related parties were as follows:

		<u>For the years ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
Parent company		\$ 14,175	56,321
Subsidiaries		17,837	21,181
Other related parties		<u>645</u>	<u>910</u>
		<u><b>\$ 32,657</b></u>	<u><b>78,412</b></u>

<u>Items</u>	<u>Categories</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Receivable from related parties	Parent company	\$ 1,371	4,707
Receivable from related parties	Subsidiaries	3,165	6,770
Receivable from related parties	Other related parties	<u>129</u>	<u>442</u>
		<u><b>\$ 4,665</b></u>	<u><b>11,919</b></u>

- (b) The related parties charged the Company for their services, including administrative assistance, technical service, legal work appointment, and plant lease. Details of related other expenses and payables to related parties were as follows:

		<u>For the years ended December 31,</u>	
		<u>2019</u>	<u>2018</u>
Parent company		\$ 21,982	29,445
Subsidiaries		<u>148,987</u>	<u>48,889</u>
		<u><b>\$ 170,969</b></u>	<u><b>78,334</b></u>

<u>Items</u>	<u>Categories</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Payables to related parties	Parent company	\$ 5,708	5,464
Payables to related parties	Subsidiaries	<u>71,056</u>	<u>5,884</u>
		<u><b>\$ 76,764</b></u>	<u><b>11,348</b></u>

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

**8. Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Purpose of pledge</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Property, plant and equipment	Borrowings payable	\$ -	508,886
Refundable deposits (recognized in other financial assets — non-current)	Guarantee for the land lease contract with the Hsinchu Science Industrial Park Bureau	9,151	9,067
Time deposits (recognized in other financial assets — non-current)	Tax-Refunded Restricted Deposits for Returning Overseas Funds to Taiwan	2,998,120	-
		<u>\$ 3,007,271</u>	<u>517,953</u>

**9. Significant commitments and contingencies:**

(1) Significant unrecognized contractual commitments

- A. The purchase amounts for future delivery from suppliers under the existing agreements were as follows:

(Unit: currency in thousands)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
USD	<u>\$ -</u>	<u>14,083</u>
EUR	<u>\$ 3,779</u>	<u>7,623</u>

- B. As of December 31, 2019 and 2018, the significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$5,406,980 thousand and \$9,051,153 thousand, respectively.
- C. As of December 31, 2019 and 2018, a guarantee letter for the Customs Administration and Research and Development which was the Company requested a bank to issue amounted \$9,000 thousand and \$22,200 thousand, respectively.
- D. The Company 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. As of December 31, 2019 and 2018, a guarantee letter for the customer which was the Company requested a bank to issue amounted \$111,871 thousand and \$117,233 thousand, respectively.

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

E. The Company has made an application of the Management, Utilization, and Taxation of Repatriated Offshore Funds Act to the tax authorities on November 28, 2019 and February 21, 2020. The application was approved and the fund was repatriated. Up to 5% of the funds could be withdrawn and freely utilized. The remaining 95% can only be withdrawn for the investments approved by the Ministry of Economic Affairs, R.O.C. upon the elapse of five full years after the date of depositing the fund into a segregated foreign exchange deposit account. The Company has made an application to utilize the fund for capital investment. The fund is planned to utilize for factory extension, purchase of factory's facilities and other related capital expenditure.

(2) Contingent liabilities: None

**10. Losses due to major disaster: None**

**11. Subsequent Events:**

The Company's board of directors approved on December 27, 2019 a plan of reorganization so that the Company would merge with Taisil, a 99.99% equity held subsidiary. The Company would be the existing company and Taisil was dissolved after merging, on February 1, 2020.

**12. Other:**

A summary of the employee benefits, depreciation, and amortization expenses, by function is as follows:

By item	By function					
	For the years ended December 31,					
	2019			2018		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Employee benefits						
Salary	354,485	663,099	1,017,584	514,676	466,922	981,598
Labor and health insurance	31,885	16,669	48,554	24,638	14,906	39,544
Pension	12,600	9,798	22,398	12,449	8,764	21,213
Others	19,346	8,925	28,271	19,980	7,592	27,572
Director remuneration	-	51,160	51,160	-	52,310	52,310
Depreciation	153,153	44,053	197,206	87,381	62,593	149,974
Amortization	317,931	-	317,931	317,931	-	317,931

The employee number and benefits additional information were as follows:

	2019	2018
Employee number	<u>643</u>	<u>657</u>
Non-employee directors	<u>5</u>	<u>5</u>
Average	<u>\$ 1,750</u>	<u>1,641</u>
Average salary	<u>\$ 1,595</u>	<u>1,506</u>
Change in average salary	<u>5.91%</u>	

(Continued)

**GlobalWafers Co., Ltd.**

**Notes to the Parent Company Only Financial Statements**

**13. Other disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: Please refer to Table 1.
- (ii) Guarantees and endorsements for other parties: Please refer to Table 2.
- (iii) Securities held as of December 31, 2019 (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: Please refer to Table 4.
- (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 5.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: 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).

(b) Information on investees (excluding information on investees in Mainland China): Please refer to Table 8.

(c) Information on investment in Mainland China:

- (i) The names of investees in Mainland China, the main businesses and products and other information: Please refer to Table 9(1).
- (ii) Limitation on investment in Mainland China: Please refer to Table 9(2).
- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of Parent company only financial statements, are disclosed in the “Information on significant transactions”.

**(14) Segment information:**

Please refer to GlobalWafers Co., Ltd. 2019 consolidated financial statements.

(Continued)

**GlobalWafers Co., Ltd.**  
**Loans to other parties**  
**For the year ended December 31, 2019**

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		
1	GWJ	The Company	Intercompany Loan	Yes	4,420,500	4,140,000	4,140,000	0.47909%~0.53909%	1	5,998,428	Business between two parties	-	-	-	5,998,428	15,279,926
1	GWJ	MEMC Japan	Intercompany Loan	Yes	294,700	276,000	-	0.56909%	2	-	Operating capital	-	-	-	15,279,926	15,279,926
2	MEMC SpA	GWS	Intercompany Loan	Yes	2,759,640	2,620,020	2,047,302	3.559%	2	-	Operating capital	-	-	-	11,849,317	11,849,317
3	Taisil	The Company	Intercompany Loan	Yes	6,400,000	6,400,000	6,400,000	1.5%	2	-	Operating capital	-	-	-	7,091,890	7,091,890
4	GTI	MEMC LLC	Intercompany Loan	Yes	632,000	599,600	-	3.51%	2	-	Operating capital	-	-	-	9,486,787	9,486,787
5	GWS	GlobalWafers B.V.	Intercompany Loan	Yes	3,050,000	2,998,000	2,998,000	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706
5	GWS	The Company	Intercompany Loan	Yes	10,792,800	10,792,800	-	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706
5	GWS	GlobalWafers Inc.	Intercompany Loan	Yes	3,258,826	3,258,826	3,258,826	2.5%	2	-	Operating capital	-	-	-	25,151,706	25,151,706

Note 1: The nature of financing purposes:

(1) Represents entities with business transaction with the Company.

(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.**  
**Guarantees and endorsements for other parties**  
**For the year ended December 31, 2019**

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	45,067,015	117,950	112,250	33,675	-	0.25%	135,201,045	Y	N	N
0	The Company	GWS	2	45,067,015	1,896,000	1,798,800	384,827	-	3.99%	135,201,045	Y	N	N
1	GTI	MEMC LLC	2	47,433,935	474,000	449,700	97,831	-	4.74%	47,433,935	N	N	N

Note 1: The character of guarantees and endorsements are coded as follows:

- (1) The issuers are coded "0".
- (2) The investee is 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 securities 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.

Note 6: The Company made a guarantee payment for its import VAT amounting \$9,000 thousand.

(Continued)

**GlobalWafers Co., Ltd.**

**Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures)**

**December 31, 2019**

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, mandatorily measured at fair value	-	95,163	3.85%	95,163	3.85%	
GWBV	Overseas securities held	None	Financial assets at fair value through profit or loss	-	1,876,656	-	1,876,656	-	

(Continued)

**GlobalWafers Co., Ltd.**

**Individual securities acquired or disposed of with accumulated amounts exceeding the lower of than NT\$300 million or 20% of the capital stock  
For the year ended December 31, 2019**

Table 4

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance		
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount	
GWBV	Overseas securities held	Financial assets at fair value through profit or loss	-	None	-	-	-	1,876,656	-	-	-	-	-	-	1,876,656

(Continued)

**GlobalWafers Co., Ltd.**

**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, 2019**

Table 5

(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			
MEMC Korea	Property, plant and equipment	October 5, 2018	1,788,848	To the progress of the project	Sungdo Eng. Company	Non-parties Company	-	-	-	-	Fair value	For operating purpose	None
MEMC Korea	Property, plant and equipment	September 2018	323,297	To the progress of the project	L. Keeley Construction	Non-parties Company	-	-	-	-	Fair value	For operating purpose	None

(Continued)

## GlobalWafers Co., Ltd.

**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, 2019**

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	877,825	6%	Net 30 days from the end of the month upon issuance of invoice	-	-	(220,875)	(9)%	
The Company	GTI	Indirectly subsidiaries	Purchase	2,074,272	14%	Net 60 days from the end of the month upon issuance of invoice	-	-	(310,922)	(12)%	
The Company	SST	Indirectly subsidiaries	Purchase	1,969,639	13%	Net 60 days from the end of the month upon issuance of invoice	-	-	(265,059)	(10)%	
The Company	GWJ	Directly subsidiaries	Purchase	5,998,428	40%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(1,365,605)	(53)%	
The Company	Topsil A/S	Directly subsidiaries	Purchase	620,593	4%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(42,126)	(2)%	
The Company	GWS	Directly subsidiaries	Purchase	585,759	4%	Net 60 days from the end of the month upon issuance of invoice	-	-	(58,237)	(2)%	
Taisil	The Company	Directly subsidiaries	Purchase	1,324,609	11%	Net 60 days from the end of the month upon issuance of invoice	-	-	(249,946)	(8)%	
GWS	The Company	Directly subsidiaries	Purchase	549,011	4%	Net 60 days from the end of the month upon issuance of invoice	-	-	(177,954)	(6)%	
Actron Technology Corporation	The Company	Associate of the parent company	Purchase	229,325	2%	Net 60 days from the end of the month upon issuance of invoice	-	-	(48,111)	(2)%	
MEMC Korea	The Company	Indirectly subsidiaries	Purchase	778,020	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(109,525)	(4)%	
MEMC SpA	The Company	Indirectly subsidiaries	Purchase	847,708	7%	Net 60 days from the end of the month upon issuance of invoice	-	-	(139,596)	(5)%	
GTI	The Company	Directly subsidiaries	Purchase	3,294,333	26%	Net 45 days from the end of the month upon issuance of invoice	-	-	(256,098)	(9)%	
SST	The Company	Indirectly subsidiaries	Purchase	886,190	7%	Net 30 days from the end of the month upon issuance of invoice	-	-	(72,513)	(2)%	
GWJ	The Company	Directly subsidiaries	Purchase	1,681,018	13%	Net 60 to 90 days from the end of the month upon issuance of invoice	-	-	(426,609)	(14)%	

(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)	
Topsil	The Company	Indirectly subsidiaries	Purchase	442,842	3%	Net 30 to 60 days from the end of the month upon issuance of invoice	-	-	(62,464)	(2)%	
GWS	MEMC LLC	Indirectly subsidiaries	Purchase	1,113,615	6%	Net 60 days from the end of the month upon issuance of invoice	-	-	(210,402)	(7)%	
GWS	MEMC LLC	Indirectly Subsidiaries	Sale	(556,291)	(2)%	Net 60 days from the end of the month upon issuance of invoice	-	-	75,379	2%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Purchase	1,686,518	8%	Net 60 days from the end of the month upon issuance of invoice	-	-	(221,284)	(7)%	
GWS	MEMC Sdn Bhd	Indirectly subsidiaries	Sale	(661,023)	(3)%	Net 60 days from the end of the month upon issuance of invoice	-	-	75,452	2%	
GWS	MEMC SpA	Indirectly subsidiaries	Purchase	3,831,532	19%	Net 60 days from the end of the month upon issuance of invoice	-	-	(509,008)	(17)%	
GWS	MEMC SpA	Indirectly subsidiaries	Sale	(3,436,429)	(15)%	Net 60 days from the end of the month upon issuance of invoice	-	-	593,826	19%	
GWS	MEMC Korea	Indirectly subsidiaries	Purchase	1,486,461	7%	Net 60 days from the end of the month upon issuance of invoice	-	-	(201,533)	(7)%	
GWS	MEMC Japan	Indirectly subsidiaries	Purchase	4,382,815	22%	Net 60 days from the end of the month upon issuance of invoice	-	-	(707,117)	(23)%	
GWS	MEMC Japan	Indirectly subsidiaries	Sale	(1,572,917)	(7)%	Net 60 days from the end of the month upon issuance of invoice	-	-	210,912	7%	
GWS	Taisil	Indirectly subsidiaries	Purchase	6,982,787	35%	Net 60 days from the end of the month upon issuance of invoice	-	-	(1,041,120)	(34)%	
GWS	Taisil	Indirectly subsidiaries	Sale	(524,118)	(2)%	Net 60 days from the end of the month upon issuance of invoice	-	-	173,631	5%	

Note: The aforementioned inter-company transactions have been eliminated in the Consolidated financial statements.

(Continued)

## GlobalWafers Co., Ltd.

## Receivables from related parties with amounts exceeding the lower than NT\$100 million or 20% of the capital stock

December 31, 2019

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	256,098	11.33	-	-	256,098	-
The Company	GWJ	Directly subsidiaries	426,609	3.80	-	-	181,827	-
The Company	GWS	Indirectly subsidiaries	177,954	5.72	-	-	177,954	-
The Company	MEMC Korea	Indirectly subsidiaries	109,525	3.66	-	-	79,480	-
The Company	MEMC SpA	Indirectly subsidiaries	139,596	5.24	-	-	139,596	-
The Company	Taisil	Directly subsidiaries	249,946	8.21	-	-	249,946	-
Taisil	The Company	Directly subsidiaries	6,400,000	-	-	-	-	-
				(Note 3)				
SAS	The Company	Parent Company	220,875	4.59	-	-	220,875	-
GTI	The Company	Indirectly subsidiaries	310,922	6.65	-	-	310,922	-
SST	The Company	Indirectly subsidiaries	265,059	4.85	-	-	236,851	-
GWJ	The Company	Directly subsidiaries	1,365,605	3.89	-	-	857,018	-
GWS	GlobalWafers B.V.	Indirectly subsidiaries	2,998,000	-	-	-	-	-
				(Note 3)				
GWS	MEMC Japan	Indirectly subsidiaries	210,912	8.89	-	-	210,912	-
GWS	MEMC SpA	Indirectly subsidiaries	593,826	7.67	-	-	593,826	-
GWS	GWJ	Indirectly subsidiaries	3,258,826	-	-	-	-	-
				(Note 3)				
GWJ	The Company	Directly subsidiaries	4,140,000	-	-	-	-	-
				(Note 3)				
GWS	Taisil	Indirectly subsidiaries	173,631	3.42	-	-	173,631	-
MEMC Sdn Bhd	GWS	Indirectly subsidiaries	221,284	8.33	-	-	221,284	-
MEMC SpA	GWS	Indirectly subsidiaries	509,008	8.16	-	-	509,008	-
MEMC SpA	GWS	Indirectly subsidiaries	2,047,302	-	-	-	-	-
				(Note 3)				
MEMC Korea	GWS	Indirectly subsidiaries	201,533	7.63	-	-	201,533	-
MEMC Japan	GWS	Indirectly subsidiaries	707,117	4.94	-	-	-	-
Taisil	GWS	Indirectly and directly subsidiaries	1,041,120	7.34	-	-	-	-
MEMC LLC	GWS	Indirectly subsidiaries	210,402	6.74	-	-	210,402	-

Note 1: As of February 25, 2020, the amount had been received.

Note 2: The aforementioned inter-company transactions have been eliminated in the Consolidated financial statements.

Note 3: Receivables from related-party for financing purpose.

(Continued)

**GlobalWafers Co., Ltd.**  
**Information on investees (excluding information on investees in Mainland China)**  
**For the year ended December 31, 2019**

Table 8

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of Ownership	Carrying value				
The Company	GW1	Cayman	Investment activities	2,241,668 (USD73,423)	2,241,668 (USD73,423)	90,000	100.00%	4,360,907	100.00%	2,074,206	2,074,206	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%	1,521,431	100.00%	202,929	202,929	Subsidiary
The Company	GWJ	Japan	Manufacturing and trading of silicon wafers	5,44	5,448,015	128	100.00%	15,262,418	100.00%	1,904,017	1,903,960	Subsidiary Notes 2 and 3
The Company	GWafers Singapore	Singapore	Investment activities	11,966,930	11,966,930	364,000	67.20%	23,271,556	100.00%	5,553,670	4,249,594	Subsidiary
The Company	Topsil A/S	Denmark	Manufacturing and trading of silicon wafers	1,964,069 (DKK407,600)	1,964,069 (DKK407,600)	1,000	100.00%	1,660,861	100.00%	64,061	51,353	Subsidiary
The Company	HONG-WANG Investment Co., Ltd.	Taiwan	Investment activities	309,760	200,000	30,976	30.98%	571,929	30.98%	65,636	20,331	Associate
The Company	Taisil	Taiwan	Manufacturing and trading of silicon wafers and sale	14,504,816	14,504,663	9,999	99.99%	17,705,613	99.99%	3,546,184	3,536,769	Associate
GW1	GWafers Singapore	Singapore	Investment activities	5,411,947	5,411,947	177,674	32.80%	4,360,907	32.80%	5,553,670	-	Notes 2 and 3
GWJ	MEMC Japan	Singapore	Manufacturing and trading of silicon wafers	373,413 (JPY100,000)	373,413 (JPY100,000)	750	100.00%	3,066,944	100.00%	227,673	-	Notes 2 and 3
Topsil A/S	Topsil PL	Poland	Manufacturing and trading of silicon wafers	-	-	0.1	100.00%	-	100.00%	13,719	-	Notes 2 and 3
GWafer Singapore	GWS	Singapore	Investment activities	14,671,320 (USD436,398)	14,671,320 (USD436,398)	299,445	100.00%	25,151,706	100.00%	6,223,239	-	Notes 2 and 3
GWS	GWBV	Netherlands	Investment activities	6,413,892 (USD162,723)	6,413,892 (USD162,723)	0.1	100.00%	40,918,549	100.00%	3,547,609	-	Notes 2 and 3
GWBV	MEMC SpA	Italy	Investment, marketing and trading activities	6,732,641 (USD204,788)	6,732,641 (USD204,788)	65,000	100.00%	11,849,317	100.00%	1,425,916	-	Notes 2 and 3
GWBV	MEMC BV	Netherlands	Investment activities	2,430,141 (USD73,918)	-	-	%	-	%	414,476	-	Notes 2 and 3
MEMC SpA	MEMC SarL	France	Trading	1,316 (USD40)	1,316 (USD40)	0.5	100.00%	807	100.00%	753	-	Notes 2 and 3
MEMC SpA	MEMC GmbH	Germany	Trading	4,622 (USD141)	4,622 (USD141)	0.002	100.00%	4,817	100.00%	(617)	-	Notes 2 and 3
MEMC SpA	MEMC BV	Netherlands	Investment activities	-	2,430,141 (USD73,918)	-	%	-	100.00%	414,476	-	Notes 2 and 3
MEMC BV	MEMC Korea	Korea	Manufacturing and trading of silicon wafers and sale	-	2,427,650 (USD73,842)	-	%	-	%	1,270,737	-	Notes 2 and 3

(Continued)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Highest Percentage of Ownership during the year	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2019	December 31, 2018	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)	25,200.0	100.00%	15,373,703	60.00%	1,270,737	-	Notes 2 and 3
GWBV	GTI	Korea	Manufacturing of epitaxial wafers and silicon wafers	2,779,849 (USD91,262)	2,779,849 (USD91,262)	1	100.00%	9,486,787	100.00%	947,639	-	Notes 2 and 3
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%	740,576	100.00%	75,835	-	Notes 2 and 3
GWBV	MEMC Ipoh	Malaysia	Manufacturing and trading of silicon wafers and sale	93,907 (USD1,323)	146,624 (USD3,020)	612,300	100.00%	3,807	100.00%	236	-	Notes 2 and 3
GTI	MEMC LLC	United states	Research and development, manufacturing and trading of silicon wafers	543,384 (USD17,839)	543,384 (USD17,839)	-	100.00%	4,263,233	100.00%	178,816	-	Notes 2 and 3

Note 1: A limited company.

Note 2 The investees are indirect subsidiaries of the Company. GWafer Singapore had been restructured so the Company and GWI held 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. In June 18, 2019, MEMC BV was transferred to GWBV and was liquidated in September 2019. MEMC Korea was transferred from GWBV and MEMC BV to GWBV.

Note 3 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 4 The aforementioned inter-company transactions have been eliminated in the Consolidated financial statements.

(Continued)

**GlobalWafers Co., Ltd.**

**The names of investees in Mainland China, the main businesses and products and other information  
For the year ended December 31, 2019**

Table 9

(In Thousands of New Taiwan Dollars)

## (1) The names of investees in Mainland China, the main businesses and products, and other information

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019	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)	195,307	100%	100%	195,307	1,425,100	-
SunEdison Shanghai	Trading business	7,527 (RMB1,500)	Note 2	Note 2	-	-	Note 2	(557)	100%	100%	(557)	8,914	-
GF	Sale and marketing	9,756 (RMB2,000)	Note 3	-	-	-	-	(21,528)	60%	60%	(12,917)	7,627	-

## (2) Limitation on investment in Mainland China

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
The Company	713,300 (USD21,729)	818,233 (USD25,000) (Note 5)	27,043,950 (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, 2019

Note 7: Retained earnings transferred to capital was included.

### Attachment 3. Affiliation Report

#### Statement

It is hereby declared that the 2019 Affiliation (from January 1, 2019 to December 31, 2019) was prepared pursuant to the “Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises”, and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Hereby declared above.

GlobalWafers Co., Ltd.



Chairperson: Hsiu-Lan Hsu



March 17, 2020

## Independent Auditors' Report on the Affiliation Report

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

We have conducted the review on the 2019 Affiliation Report of GlobalWafers Co., Ltd. in accordance with the letter of Securities and Futures Bureau, Financial Supervisory Commission (formerly known as Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan) under Tai-Cai-Cheng(6)-Zi No. 04448 dated November 30, 1999. The review is conducted in order to provide our comments on whether the 2018 Affiliation Report of GlobalWafers Co., Ltd. was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and whether there are any significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to the 2018 financial statements.

Our review result shows that no violation of said Affiliation Report of the "Criteria Governing Preparation of Affiliation Reports, Affiliated Business Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" or no significant inconsistencies between the information disclosed in the Report and the supplementary information disclosed in the notes to financial statements for the above period were found.

KPMG CPA

Accountants :

Securities authority: Financial supervision  
approved and certified certificate Six No.  
document No. 0940129108  
Financial supervision  
audit No. 1060005191

March 17, 2020

GlobalWafers Co., Ltd.

Affiliation Report

2019

I. Relationship between the controlling company and its subordinates

Unit: Shares

Name of controlling company	Cause of control	Shareholding and pledges by the controlling company			Appointment of members of the controlling company as the directors, supervisors, or managerial officers	
		Number of shares held	Shareholding ratio	Number of shares pledged	Job title	Name
Sino-American Silicon Products Inc.	Holding a majority of the total number of shares with voting power issued by the subordinate	222,727,000	51.17%	0	Director Director	Ming-Kuang Lu Tang-Liang Yao

II. Transaction situation

The transaction situation between the Company and the controlling company, Sino-American Silicon Products Inc., is stated as following:

Purchase/Sales:

Unit: NTD thousands

Status of transactions with the controlling company				Terms of transactions with the controlling company		General terms and conditions for transactions		Cause of variance	Accounts/notes receivable (payable)		Overdue accounts receivable			Remarks
Purchase (sales)	Amount	Ratio in total purchase (sales)	Gross profit for sales	Unit price (NT\$)	Credit term	Unit price (NT\$)	Credit term		Balance	% of total accounts /notes receivable (payable)	Amount	Manner of Handling	Allowance for bad debt	
Sales	(1,372)	(0.01%)	(736)	Note 1	O/A 30 days~ O/A 60 days	Per the contract	O/A 0 day~ O/A 120 days		634	0.02%				
Purchase	877,825	5.77%	-	Note 2	O/A 30 days EOM	Per the contract	O/A 0 day~ O/A 120 days EOM		(220,875)	(8.51%)				

Note 1: The sales primarily refer to the sales for semiconductor chips and ingots. Therefore, there was no significant difference from the general sales price and terms & conditions.

Note 2: The purchase primarily refers to the purchase of production materials. Therefore, there was no significant difference from the general purchase price and terms & conditions.

(1) Status of transaction of property:

Unit: NTD thousands

Type of transaction (Acquisition or disposition)	Property name	Transaction date or the date when the event occurred	Trade amount	Delivery or payment terms	Status of payment collection	Gain or loss on disposition (Note 1)	The reasons why trading counterparts are controlling companies	Previous data transfer (Note 2)				The methods for determining the transactions (Note 3)	Price references	Purpose of acquisition or disposition, and status of utilization thereof	Other matters agreed
								Owner	Affiliation with the Company	Transfer date	Amount				
Acquisition	equipment	July 2019	18,300	O/A 30 days EOM	Already paid in full amount	-	Transfer of assets	-	-	-	-	Inter-affiliate transfer	Fair value	For business	-

Note 1: Not required, in the case of acquisition of property.

Note 2: (1)The controlling company’s original acquisition data should be disclosed if it is acquisition; the subsidiary’s original acquisition data should be disclosed if it is disposal.

(2) The relationship between the owner and the controlling company and the subsidiary should be specified.

(3)Previous transaction information of the related party should be listed in the same column if the transaction party is also related party in the previous transaction.

Note 3: The preparer should explain the decision making level of the transaction.

(2) Capital financing: None.

(3) Assets leasing: None.

Unit: NTD thousands

Type of transaction (rent or lease)	Property		Duration of lease	Nature of lease (Note 1)	Basis for determination of the rent	Method of collection (payment)	Comparison with regular rent levels	Current total rent	Status of current collection/payment	Other matters agreed (Note 2)
	Name	Location								
Rented out	Plant	2F and 4F, No. 8. Industrial East Road 2, Science Based Industrial Park, Science-Based Industrial Park B1~4F, No. 21, Kezhong Rd., Zhunan Township, Miaoli County	January 2019~ December 2019  February 2018~ January 2020	Operating lease	Regular rent level	Collected on a monthly basis	No significant difference	1,540	Normal	None.

Note 1: The preparer should explain whether the nature of this transaction is capital lease or operating lease.

Note 2: If there are other encumbrances on the ownership, such as superficies, pledges, and easement, the preparer should disclose such conditions.

(4) Status of other important transactions:

Unit: NTD thousands

Status of transactions with the controlling company			Comparison between the terms and conditions for the general transactions and transactions with the controlling company
Title	Amount	Unpaid accounts stated as accounts receivable (payable)-related party	
Payment on behalf of others	-	103	No significant difference
Receipts under custody	-	(810)	No significant difference
Other revenue	12,635	1,300	No significant difference
Other expenditure	21,982	(5,708)	No significant difference

III. Endorsements/guarantees: None