

Stock Code: 1605

Walsin Lihwa Corporation

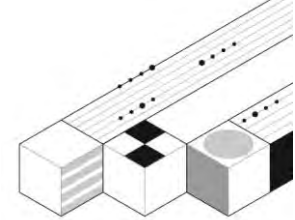
2017 Annual Report

Printed on March 30, 2018

For related information, please visit:

<http://www.walsin.com>

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



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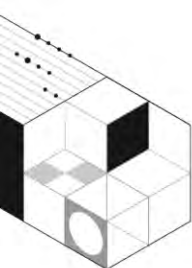
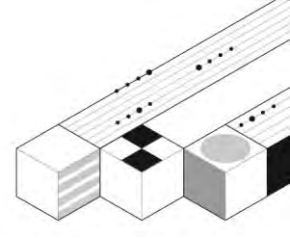


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I Letter to Shareholders

Dear Shareholders,

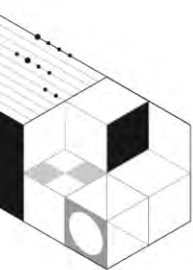
The year 2017 was a bountiful year for the Company. The global economy recovered steadily, prices of international raw materials trended higher and major economies such as the US, Europe and mainland China had better than expected investment activity and trade performance. Hence, the overall operation of the Company also registered steady growth. In 2017, the manufacturing business units continued to make steady profits while the real estate division also completed the delivery of some residential products in the current year, registering profits. In recent years, besides steady operations, the Company has also successively carried out the three corporate-oriented actions for corporate governance, environmental protection and social integration, so as to implement our sustainable corporate culture and social responsibility. We are grateful to our customers, suppliers, partners and shareholders for the full support and recognition given to us.

Accomplishments in 2017

In 2017, the Company's stainless steel products sales volume increased to 810,000 metric tons due to the gradual balance between supply and demand in the market. With the contribution of the real estate sales revenue and higher raw material prices, our net consolidated revenue in 2017 reached approximately NT\$167.793 billion. Consolidated operating gross profit was approximately NT\$12.005 billion and after-tax net profit was approximately NT\$6.56 billion or NT\$1.97 per share.

Wire and Cable Business:

The production capacity for the copper wire division was fully utilized for steady profits. The power cable division on the one hand enhanced existing product sales by strengthening customer service. On the other, it increased the sales of cables for the environmental protection and green energy industries, thereby steadily growing profits.



Stainless Steel Business:

Steel production reach production capacity for the stainless steel division in Taiwan. The stainless steel division in mainland China benefited from environmental protection promotion and production capacity control. Along with market supply and demand balance between and better volumes and prices, its overall profits grew.

Real Estate Business:

The Xinyi Building where our Taipei headquarters is located maintained full occupancy, resulting in steady profits for leasing operations. Nanjing Walsin Centro has adopted rolling development, with completion in 2017 of construction of the “Jingyuan” residential project on Lot D, with the housing delivery for the first phase of approximately 28,000 square meters and presale for the second phase of approximately 23,000 square meters; first phase office buildings Nos. 3 and 4 on Lot AB also completed construction and were delivered in early 2018.

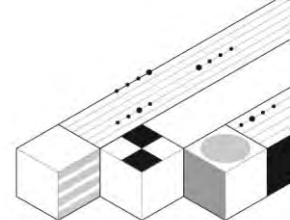
Summary of 2018 Business Plan

Wire and Cable business:

The copper wire division will grasp changes in raw material prices and capital costs and continue to optimize customers and products mix, so as to maintain steady profits. The power cable unit is facing stagnation of the domestic market in Taiwan. In the future, we will strive to expand the development and sales of products in such areas as environmental protection, green energy and port machines, while continuing to improve customer service and increase market share.

Stainless Steel Business:

The stainless steel division in Taiwan will solve the bottleneck in the production process and capacity through input of capital. In addition to improving product quality, it will also invest in the development of new steel grades and thse expansion of product sizes and specifications, so as to meet future customer needs and improve profitability. The stainless steel division in mainland China will, through input of capital, improve product quality and optimize products and customers portfolios, so as to further enhance operational performance.



Real Estate Business:

Phase II housing delivery for and Phase III sales plan for the Nanjing Walsin Centro “Jingyuan” residential product on Lot D will be arranged in accordance with changes in the Nanjing government's sales policy. For Phase II on Lot AB, the construction of office building No. 1 linked to the shopping mall is expected to be completed by 2020 and the construction planning for the Phase III office building will be completed in 2018. The shopping mall “Hua Cai Tian Di” on Lot AB is scheduled to open at the end of 2018.

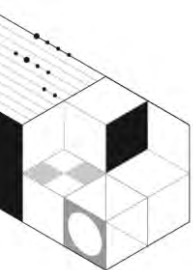
Future corporate development strategy under the influence of the environments in external competition, legal regulations and overall business operation

Looking into this year, the global economy will be expected to continue its momentum from 2017 and continue its recovery. The world's major economies, including the US, mainland China, the EU and Japan, will continue to maintain their optimistic economic outlook. However, the follow-up effects of new policies in the US and China, including US tax reform, financial easing and infrastructure development, coupled with mainland China's environmental protection audits and the potential US-China trade war risks will add a plethora of variables to the 2018 global political and economic situation. Adhering to the belief of "commitment to business integrity and pursuit for excellence", our Company will continue to optimize product quality, enhance customer service and strive to run the existing businesses well. Moreover, we will also advance with the times, make good use of technological development and intelligent tools and fully build related construction, so as to continuously accumulate the core competitiveness of sustainable development in a rapidly changing industrial environment for gradual, upgraded transformation and better profits.

Chairman

鍾佑倫



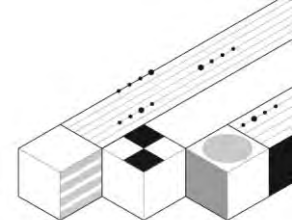


II Company Profile

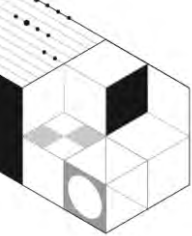
1. Date of establishment December 2, 1966

2. Company History & Evolution

- 1966 Walsin Wire & Cable Co., Ltd. established.
- 1969 Walsin and Lihwa merged and renamed as Walsin Lihwa Wire & Cable Co., Ltd.
- 1970 Formed technological partnerships with Western Electric in the U.S. and Fujikura in Japan and began production of plastic insulation telephone cable.
- 1972 Began production of EP rubber high-voltage cables.
The Company's shares were listed on the Taiwan Stock Exchange.
- 1977 Completed the Yangmei plant for SCR copper rod production, with annual manufacturing capacity of 50,000 metric tons of oxygen-free copper rods.
- 1982 Expanded SCR production facilities to increase annual manufacturing capacity to 100,000 metric tons of oxygen-free copper rods.
- 1987 Construction of the Yangmei plant completed.
Entered the semiconductor IC industry by investing in Winbond Electronics Corp. and Sumi-Pac Corp.
- 1991 Invested in PT. Walsin Lippo Industries in Indonesia to expand aluminum wire business into the Southeast Asian market.
- 1992 Company renamed Walsin Lihwa Corporation.
Electronics division merged with the acquired Wanbang Electronics to form the new Walsin Technology Corp.
Established plants in Shanghai and Jiangyin to produce power cables and steel cables, thus beginning a new chapter in China investment.
- 1993 Expanded into the stainless steel industry by forming Walsin Cartech Specialty Steel, a joint venture with Carpenter Technology Corp. in the U.S.
Established the Wuhan wire and cable plant for optical communication cable production.
- 1995 Formed Walsin (China) Investment Co., Ltd. and set up four operating locations in China's major cities, including Hangzhou, Shanghai and Nanjing, for the production of power cables, bare copper wires and fiber optic cables.
- 1997 Established specialty steel plants in Changshu and in Baihe, Shanghai, for the production and sale of seamless steel tubes and straight steel bars.
Formed HannStar Board Corp. to expand into the PCB industry.
- 1998 Acquired and incorporated the assets of Walsin Cartech into the company.
Conducted enterprise re-engineering and full implementation of the SAP enterprise resource management system.
Expanded into the TFT-LCD industry by forming HannStar Display Corp.
- 2000 Established the Dongguan plant for bare copper wire production.
- 2002 Expansion of Yenshui specialty steel plant was carried out to include slab steelmaking facilities.



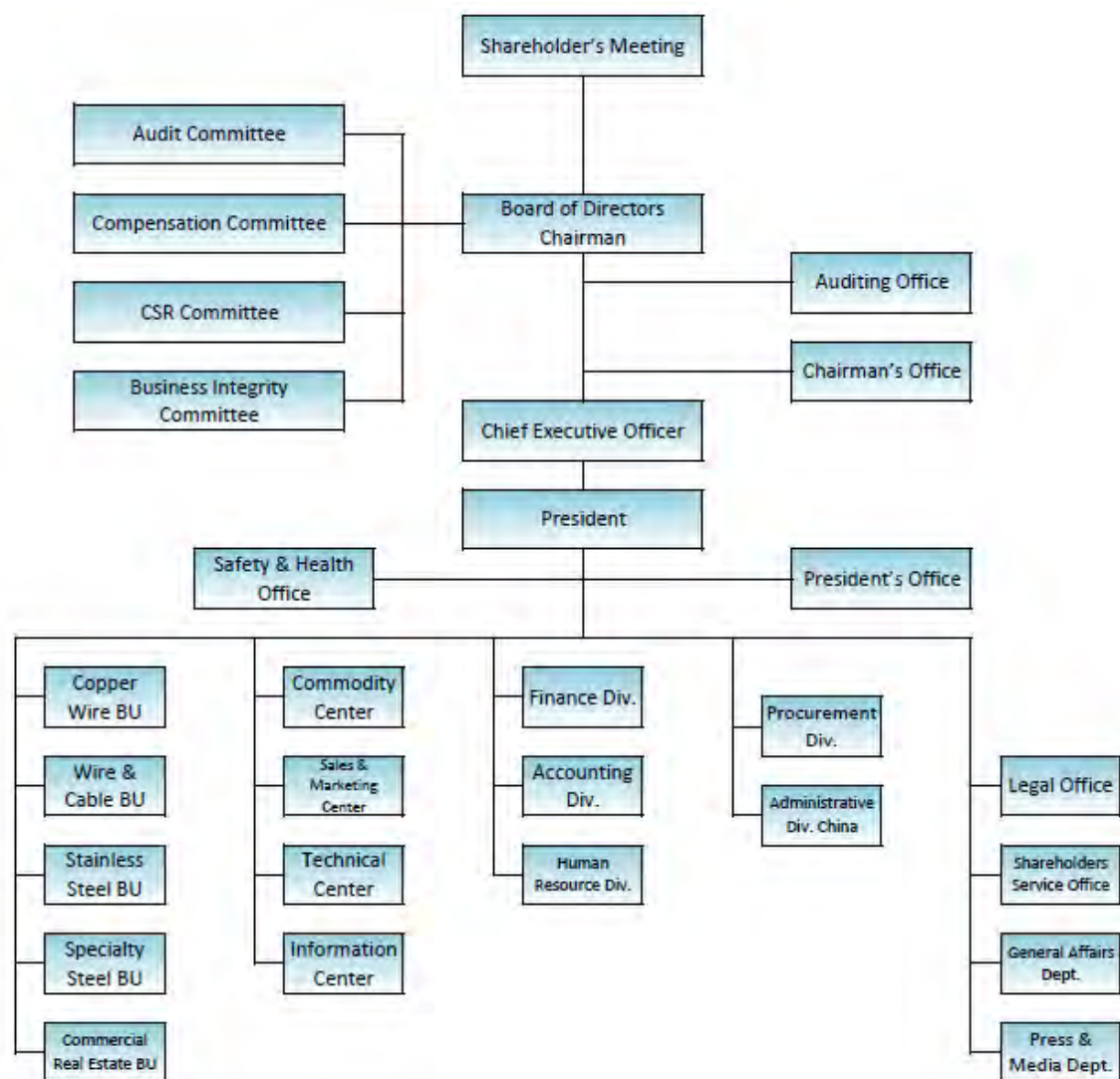
- 2003 With Yenshui specialty steel plant beginning slab production, the company expanded into the stainless steel plate market.
- 2005 Set up new plants in Nanjing, Changshu and Jiangyin to produce copper products as well as seamless steel pipes and steel wire products.
 Shanghai and Hangzhou power cable plants completed expansion and increased production capacity; began mass production of 220kV EHV cables.
 Expansion of Yenshui specialty steel plant to include slab steelmaking facilities was completed.
- 2006 New copper production plant in Nanjing completed, with annual production capacity of 250,000 metric tons. Total copper production increased from 400,000 to 650,000 metric tons.
 Development of 500kV EHV cables for Hangzhou power plant was invested and received certification.
 The Company's consolidated revenue exceeded NT\$100 billion.
- 2007 Expanded steel production capacity by acquiring stake in Yantai Huanghai Iron and Steel Co., Ltd.
 Changshu specialty steel plant passed review by the National Nuclear Safety Administration and received certification for nuclear power plant sales.
 Hangzhou power cable plant began expansion efforts and construction of the second VCV process tower and added high voltage cable production lines.
- 2008 Expansion of Yantai plant for stainless steel manufacturing process; added new stainless steel billet products.
- 2009 Yantai stainless steel plant completed transformation of stainless steel manufacturing processes; stainless steel and high-grade alloy steel products were added.
 Changshu plant's seamless steel tube production began Phase 2 expansion to increase production capacity.
 Completion of the new A6 building in Xinyi Development Zone and the relocation of Walsin Lihwa headquarters.
- 2010 Nanjing Walsin Centro began construction in Nanjing's Hexi Newtown. A multi-purpose commercial center spanning one million square meters will be developed over several phases.
 Partnered with Nanjing municipal government to create the Nanjing Taiwan Trade Mart, thus establishing a cross-Straits commercial trading platform.
- 2012 Construction of two office buildings in C1 land plot of Nanjing Walsin Centro completed and transferred to the Jiangsu Branch of the China Development Bank and the Nanjing Branch of China Guangfa Bank.
- 2013 Cold rolled steel coil production officially commenced at the Taichung Harbor stainless steel roll plant.
- 2014 First batch of premium residential buildings in C2 land plot in Nanjing Walsin Centro delivered; phased development of D and AB land plots planned.
- 2016 The Company marked its 50th anniversary.
- 2017 Taiwan and China, have recorded steady increase in overall steelmaking and annual production of 710,000 metric tons.



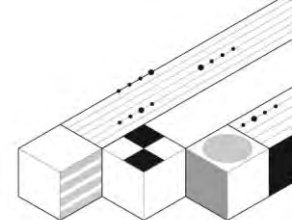
III Corporate Governance Report

1. Organizational Chart

(1) Company Organization Chart (March 30, 2018)

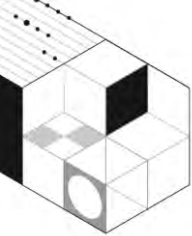


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(2) Principal Duties of Various Departments

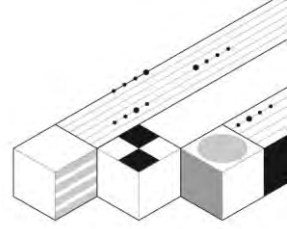
Department	Job Duties & Functions
Audit Committee	Assisting the Board of Directors in decision-making and supervising matters, including the correctness and accuracy of the Company's financial statements, the engagement (dismissal), independence and performance of attesting CPA, internal control, legal compliance and risk management.
Compensation Committee	Drafting and periodically reviewing the performance evaluation of board directors and managers, as well as the policy, system, standard and structure of compensation. Periodically evaluating and determining the compensation for board directors and managers.
CSR Committee	Formulating corporate social responsibility vision and strategy; inspecting the Group's overall as well as various committees' steering and overseeing implementation performances via regular meetings; annual CSR results to be submitted to the Board of Directors in the following year
Business Integrity Committee	Responsible for the formulation of business integrity policies & preventive measures and overseeing implementation; reporting to the Board of Directors on a regular basis
Auditing Office	Responsible for planning and auditing internal auditing systems.
Safety and Health Office	Responsible for the management of the Company's safety & health, environmental protection, policing & fire prevention, energy conservation and carbon reduction
Copper Wire BU	The manufacturing, improvement in production technologies and engineering management of copper rods and wires that power cable and wire industries use as basic raw materials for conductors
Insulated Wire & Cable BU	The manufacturing, improvement in production technologies and engineering management of related products such as various low-, medium- and high-voltage PVC cables, cross-linking PE cables, specialty & professional fire-resistant, fire-retardant, low-smoke and halogen-free cables for different industries, rubber cables, communication cables, related materials for cable insulation, as well as other plastic accessories
Stainless Steel BU	The manufacturing, improvement in production technologies and engineering management of related products such as stainless steel slabs (ingots), hot-rolled steel coils, cold-rolled steel coils, hot-rolled rods and cold drawn straight bars
Specialty Steel BU	The manufacturing, improvement in production technologies and engineering management of related products such as stainless steel slabs (ingots), hot-rolled steel coils, cold-rolled steel coils, hot-rolled rods, cold drawn straight bars, stainless steel seamless pipes and alloy steel pipes, including ordinary fluid pipes, heat-exchanging pipes, boiler pipes, instrumentation tubes, steel wires for pre-stressed concrete, stranded steel wires, zinc-plated steel wires for bridge cables, zinc-plated stranded steel wires, PE for bridge bracing cables and epoxy-coated stranded steel wires
Commerce & Real Estate BU	Developing composite commercial properties, real estate management, etc.
Commodity Center	Responsible for the procurement transactions of raw materials, management and control of raw material price risks and other related matters.
Marketing & Sales Center	Responsible for the functions of marketing, business operation and business operation management of the Company's various BUs
Technology Center	Organization of the Company's core technical capabilities, promotion of intelligence, establishment of knowledge management system and development of new business models and business opportunities.
Information Center	Establishment of information system for Industry 4.0 business operation, establishment of reliable/safe information system environment, realization of platform for cloud information service and establishment of big data analysis.
Finance Div.	Responsible for capital allocation and utilization, financial planning, investment management, risk management and other related matters.
Accounting Div.	Accounting, asset management, credit management, operating analysis, etc.
Human Resources Div.	Organization planning, drafting of human resources policies and employment and performance reviews, performance management, personnel administration, remuneration and benefits, learning and development, employee relations, establishment of a human resources system, etc.
Procurement Div.	Procurement management and planning, raising procurement capabilities, promotion of procurement operations, etc.
Administration Div., China	Acting as the provider of financial, accounting, information and tax-related management and services to overseas BUs in accordance with Headquarters' policies.
Legal Office	Responsible for avoiding and reducing legal risks faced by the Company in order to protect tangible and intangible assets.
Shareholders Service Office	Managing the Company's share-related affairs.
General Affairs Dept.	Responsible for general affairs, managing vehicles and other various administrative affairs, etc.
Press and Media Dept.	Maintaining the Company's corporate image, communicating with the media, internal communication, etc.



2. Profiles of Board Directors, President, Vice Presidents, Assistant Vice Presidents and Department Heads

(1) Information on Directors

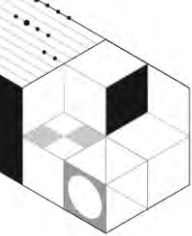
Title	Nationality or Registration Country	Name	Gender	Term Began	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children		
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	
Chairman	R.O.C.	Yu-Lon Chiao	Male	May 26, 2017	3 years	April 10, 1981	45,961,773	1.35%	45,961,773	1.37%	19,638,314	0.58%	
Vice Chairman	R.O.C.	Yu-Hwei Chiao	Female	May 26, 2017	3 years	May 31, 2005 (Note1)	91,969,006	2.71%	91,969,006	2.73%	0	0.00%	
Director	R.O.C.	Yu-Cheng Chiao	Male	May 26, 2017	3 years	April 10, 1981	39,508,661	1.16%	39,508,661	1.17%	19,032,428	0.57%	
Director	R.O.C.	Yu-Heng Chiao	Male	May 26, 2017	3 years	April 18, 1990	58,092,197	1.71%	57,912,197	1.72%	12,965,390	0.39%	



December 31, 2017

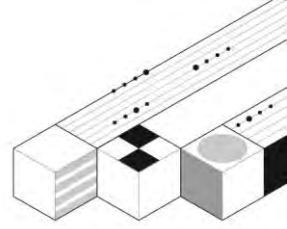
	Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor who are Spouse or Relative within Second Degree		
	Number of shares	Percentage			Position	Name	Relationship
	0	0.00%	Business Administration Department, University of Washington; The Company's former President and Vice Chairman.	Chairman of Concord Venture Capital Group Vice Chairman of Hangzhou Walsin Power Cable & Wire Co., Ltd. and Jiangsu Taiwan Development Co., Ltd.; Director of Walton Advanced Engineering, Inc., Ltd.; Director and Vice President Commissioner of and subsidiaries of Walsin Lihwa Corporation.	Vice Chairman Director Director Director	Yu-Hwei Chiao Yu-Cheng Chiao Yu-Heng Chiao Wei-Shin Ma	Younger sister Older brother Younger brother Sister-in-law
	0	0.00%	MBA at College of Notre Dame; Former Company clerk, secretary, deputy manager of Finance Dept., special assistant to the President, assistant vice president of Investment Dept., assistant vice president of Financial Dept., head of Financial Investment Dept., assistant vice president of Commodity Center and Financial Investment Management Center, President of Insulated Wire & Cable BU.	Chairman of Nanjing Walsin Metal Co., Ltd.; Board Director of Renowned International Co., Ltd., Jiangying Walsin Steel Cable Co. Ltd., Walsin Lihwa Holding Co., Ltd., Walsin Specialty Steel Holding Co., Ltd. and Walsin Specialty Steel Corporation; President of Chin-Xin Investment Co., Ltd.	Chairman Director Director Director	Yu-Lon Chiao Yu-Hwei Chiao Yu-Heng Chiao Wei-Shin Ma	Older brother Older brother Younger brother Sister-in-law
	0	0.00%	University of Washington Masters of Electrical Engineer and Business Administration The Company's former chairman.	Chairman of Winbond Electronics Corporation, Chin-Xin Investment Co., Ltd and Nuvoton Technology Corp; Director of Walsin Technology Corporation, Jincheng Construction Co., Ltd., United Industrial Gases Co., Ltd., Songyong Investment Co., Ltd., Baystar Holdings Ltd., Marketplace Management Limited, Newfound Asian Corporation, Peaceful River Corporation, Pigeon Creek Holding Co., Ltd., Winbond Electronics Corporation America, Winbond Int'l Corporation, Landmark Group Holdings Ltd. and Nuvoton Investment Holding Ltd. Supervisor of MiTAC Holdings Corporation; CEO of Winbond Electronics Corporation; Manager, Goldbond LLC; Independent Director & convener of the Compensation Committee at Taiwan Cement Corp.; Independent Director & member of the Compensation Committee at Synnex Technology International Corporation;	Chairman Vice Chairman Director Director	Yu-Lon Chiao Yu-Heng Chiao Yu-Heng Chiao Wei-Shin Ma	Younger brother Younger sister Younger brother Sister-in-law
	0	0.00%	Golden Gate University, Master of Business Administration The Company's former vice president and vice chairman.	Chairman of Walsin Technology Corporation, Walton Advanced Engineering, Inc., HannStar Board Corp., Global Brands Manufacture, Prosperity Dielectrics Co., Ltd., Info-Tek Corp., HannStar Color Co. Ltd., VVG Co. Ltd., HannStar Board Corporation (Jiangyi); Director of Yu Yue Corporation, Sheng Cheng Industry and An Xin e-Commerce	Chairman Vice Chairman Director Director	Yu-Lon Chiao Yu-Hwei Chiao Yu-Cheng Chiao Wei-Shin Ma	Older brother Older sister Older brother Sister-in-law





Corporate Governance Report

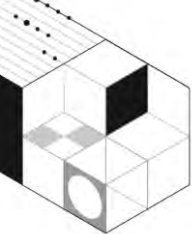
Title	Nationality or Registration Country	Name	Gender	Term Began	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children	
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Director	R.O.C.	Hui-Ming Cheng	Male	May 26, 2017	3 years	June 10, 2002	1,000,000	0.03%	1,000,000	0.03%	0	0.00%
Director	R.O.C.	Wei-Shin Ma	Female	May 26, 2017	3 years	June 11, 2014	244,033	0.01%	244,033	0.01%	58,486,784	1.74%
Director	R.O.C.	Chin-Xin Investment Co., Ltd	-	May 26, 2017	3 years	Legal Person: June 11, 2014 (Note2)	178,002,000	5.24%	182,761,000	5.43%	0	0.00%
		Representative: Tung-Yi Chan	Male			Representative: May 26, 2017	0	0.00%	0	0.00%		
Independent Director	R.O.C.	Steve Ruey-Long Chen	Male	May 26, 2017	3 years	May 26, 2017	0	0.00%	0	0.00%	0	0.00%
Independent Director	R.O.C.	Ming-Ling Hsueh	Male	May 26, 2017	3 years	June 11, 2014	0	0.00%	0	0.00%	0	0.00%



December 31, 2017

	Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor who are Spouse or Relative within Second Degree		
	Number of shares	Percentage			Position	Name	Relationship
	0	0.00%	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Los Angeles Former CFO at HTC Corporation	The Company's President; Director of Winbond Electronics Corporation, Da-Sheng Venture Capital Co., Ltd., Da-Sheng Yi-I Venture Capital Co., Ltd., Da-Sheng Si Venture Capital Co., Ltd., Acme Electronics Corporation, Gogoro Inc. and Gogoro Taiwan Limited.	None	None	None
	0	0.00%	Ph.D., College of Humanities and Social Sciences of National Tsing Hua University, Peking University, Master of Business Administration for Senior Managers, University of California (Berkeley), Department of East Asian Languages; Chairman of Yuanta Securities Investment Trust Corporation; Special Assistant to Chairman of Yuanta Securities Corporation; Chairman of HannStar Display Corp.	Chairman of HannsTouch Solution Inc., Xingshiyuema Investment Co., Ltd., Yuemayihao Investment Co., Ltd.; Yuemaerhao Investment Co., Ltd., Hannspre, Inc., White Stone Management Consultancy; Director of HannStar Color Co. and Winbond Electronics Corporation	Chairman Vice Chairman Director Director	Yu-Lon Chiao Yu-Hwei Chiao Yu-Cheng Chiao Yu-Heng Chiao	Brother-in-law Sister-in-law Brother-in-law Brother-in-law
	0	0.00%	Doctor of Science in Electrical Engineering, University of California, Berkeley, Master of Management Science, Stanford University; BCD Semiconductor CEO	President of Winbond Electronics Corporation; Chairman of Winbond Electronics (Suzhou) Limited. and Winbond Technology LTD; Director of Walton Advanced Engineering, Inc., Mobile Magic Design Corp., Pine Capital Investment Limited, Miaowanlianxin Co., Ltd., Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Marketplace Management Limited, Pigeon Creek Holding Co., Ltd., Newfound Asian Corp., Baystar Holdings Lts.; CEO of Mobile Magic Design Corp.	None	None	None
	0	0.00%	Department of Applied Economics, National Chung Hsing University; Minister of MOEA; Chairman of Institute for Information Industry and Commerce Development Research Institute	Chairman of Powerchip Technology Corporation and Sinocon Foundation! Taiwan Inc.; Secretary general of Cross-Strait CEO Summit; Director of Powergate Optical Inc., Chijen Technology Development Co., Ltd., Asia Cement Corporation, HannStar Board Corporation and Bank of Panhsin ; Independent Director of China Petrochemical Development Corporation., FORMOSA CHEMICALS & FIBRE CORPORATION and Inventec Corporation.	None	None	None
	0	0.00%	Soochow University, Master in Accountancy; Bloomsburg University of Pennsylvania, Master of Business Administration; PwC Taiwan Director; Executive Director of Taiwan Corporate Governance Association .	Independent Director of Yuanta Financial Holdings & Yuanta Commercial Bank, TTY Biopharm and Lite-On Technology Corporation.	None	None	None





Title	Nationality or Registration Country	Name	Gender	Term Began	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children	
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Independent Director	R.O.C.	King-Ling Du	Male	May 26, 2017	3 years	June 11, 2014	0	0.00%	0	0.00%	15,000	0.00%
Independent Director	R.O.C.	Shiang-Chung Chen	Male	May 26, 2017	3 years	June 11, 2014	0	0.00%	0	0.00%	0	0.00%

Note 1: Yu-Hwei Chiao served on the Company's Board between May 31, 2005 and June 10, 2014 and from May 25, 2016 until now.

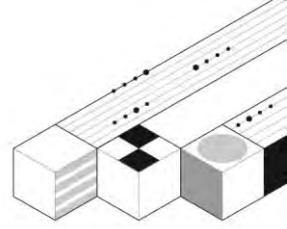
Note 2: Chin-Xin Investment Co., Ltd served on the Company's Board between May 31, 2005 and June 10, 2014 and from May 26, 2015 until now.

Note 3: Audit Committee established on May 26, 2017 to replace supervisors. Directors who were dismissed upon the expiration of term of office on May 26, 2017: Jih-Chang Yang, Wu-Shung Hong; Supervisors: Wen-Yuan Chu, Walsin Technology Corporation and Representative Yeu-Yuh Chu and In-Shek Hsu. °

1. Major shareholders of institutional shareholder

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	December 31, 2017
		Shareholding
Chin-Xin Investment Co., Ltd	Winbond Electronics Corp.	37.69%
	Walsin Lihwa Corporation	37.00%
	Huali Investment Corp.	4.43%
	Yu-Cheng Chiao	3.14%
	Yu-Lon Chiao	3.14%
	Yu-Heng Chiao	3.14%
	Yu-Chi Chiao	3.14%
	Yushiang Investment Co., Ltd.	2.81%
	Walsin Technology Corporation.	1.86%
	HannStar Board Corporation	1.34%

Note: Top ten shareholders of institutional shareholder.



December 31, 2017

	Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor who are Spouse or Relative within Second Degree		
	Number of shares	Percentage			Position	Name	Relationship
	0	0.00%	Mississippi State University, Masters in Mechanical Engineering; New York University, financial management research; Stanford University, Advance marketing research; U.S. representative of China Steel Corporation (Steel Division, U.S. Purchasing Group of Executive Yuan), Deputy General Manager of Business Department, Engineering Department, Corporate Planning Department, and Executive Deputy General Manager; General Manager, Kaohsiung Rapid Transit Corporation; Chairman, China Ecotek Corporation.	Director of Sheh Fung Screws Co., Ltd and Green River Holding Co., Ltd. Independent Director of Ta Liang Technology Co., Ltd. and Sheh Kai Precision Co., Ltd.	None	None	None
	0	0.00%	The School of Industrial Engineering at Purdue University; President of Mercuries Data Systems Ltd.	Chairman and President of Mercuries Data Systems Ltd.; Chairman of Mercuries Insurance Agent Co., Ltd., Wayia.com Inc. and Hipact Tech Inc.; Director of Mercuries Holdings Corporation, Mercuries Data Systems Ltd., Shang-Ling Investment Inc., Shang-Hong Investment Inc. and EASYCARD Corporation; Supervisor of Digicentre Co., Ltd. and Powertec Energy Corp.; Independent Director of Teco Image Systems Inc. and Keyware Electronic, Corp.	None	None	None

2. Major Shareholders in Previous Table who are Institutional Investors and their Major Shareholders

December 31, 2017

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Winbond Electronics Corporation	Walsin Lihwa Corporation	22.21%
	Chin-Xin Investment Co., Ltd	5.03%
	The New Labor Pension Fund	1.60%
	Yu-Cheng Chiao	1.59%
	Merrill Lynch International Investment Account under the custody of HSBC	1.55%
	Vanguard Emerging Market Securities Index Fund Account under the custody of Standard Chartered Bank	1.27%
	Dimensional Emerging Market Evaluation Fund under the custody of Citibank (Taiwan)	1.12%
	Morgan Stanley International Account under the custody of HSBC	1.10%
	LGT Bank (Singapore) Investment Fund under the custody of Chase Bank	1.07%
	Pai-Yung Hong	0.98%

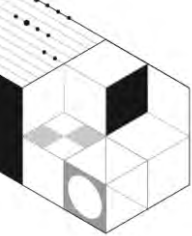
Note: Top ten shareholders of institutional shareholder.

March 27, 2018

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Walsin Lihwa Corporation	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	7.89%
	Winbond Electronics Corporation	5.94%
	Chin-Xin Investment Co., Ltd	5.43%
	Yu-Hwei Chiao	2.73%
	Norges Bank Investment Fund under the custody of Citibank (Taipei).	1.75%
	Yu-Heng Chiao	1.72%
	Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered	1.63%
	Yu-Chi Chiao	1.52%
	Walsin Lihwa Employee Welfare Committee	1.43%
	Pai-Yung Hong	1.42%

Note: Top ten shareholders of institutional shareholder.



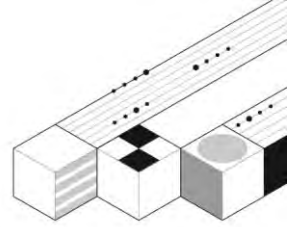


Corporate Governance Report

December 31, 2017

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Huali Investment Corp.	HannStar Color Co. Ltd.	100%
Xushiang Investment Co., Ltd.	-	-
Walsin Technology Corporation	Walsin Lihwa Corporation	18.30%
	The New Labor Pension Fund	8.13%
	HannStar Board Corporation	7.20%
	The Old Labor Pension Fund	4.64%
	Global Brands Manufacture Ltd.	2.76%
	Walton Advanced Engineering, Inc.	2.75%
	Kim Eng Securities Private Co., Ltd. investment account under the custodianship of Citibank	2.71%
	Mercuries Life Insurance Inc.	2.66%
	Yu-Heng Chiao	2.48%
	Norges Bank investment account under the custodianship of JP Morgan Chase Bank	2.41%
HannStar Board Corporation	Walsin Technology Corporation	20.31%
	Walsin Lihwa Corporation	13.09%
	Chin-Xin Investment Co., Ltd	3.85%
	Pai-Yung Hong	2.00%
	Morgan Stanley International Account under the custodianship of HSBC	1.83%
	BNP Paribas Singapore Branch under the custody of HSBC	1.62%
	HannStar Color Co. Ltd.	1.40%
	Fuh Hwa Digital Economy Account	1.33%
	Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	1.23%
	Guo-Ming Wang	1.07%

Note: Top ten shareholders of institutional shareholder.



3. Work experience, Professional Knowledge and Independence of Directors

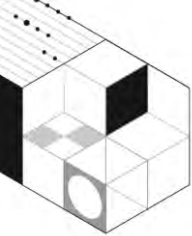
December 31, 2017

Qualification Name	Whether Possessing at least 5 Years of Work Experience and the Following Specialized Qualifications			Meets the Following Independence Criteria (Note)										Number of Other Public Companies in which the Director also Serves as an Independent Director
	An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10	
Yu-Lon Chiao	No	No	Yes									✓	✓	0
Yu-Hwei Chiao	No	No	Yes							✓		✓	✓	0
Yu-Cheng Chiao	No	No	Yes	✓								✓	✓	2
Yu-Heng, Chiao	No	No	Yes	✓	✓				✓	✓		✓	✓	0
Hui-Ming Cheng	No	No	Yes		✓	✓	✓		✓	✓	✓	✓	✓	0
Wei-Shin Ma	No	No	Yes	✓	✓				✓	✓	✓	✓	✓	0
Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓		0
Steve Ruey-Long Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Ling Hsueh	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
King-Ling Du	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shiang-Chung Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Note: If the Director meets any of the following criteria in the two years before being elected or during the term of office, please check "☑" in the corresponding boxes.

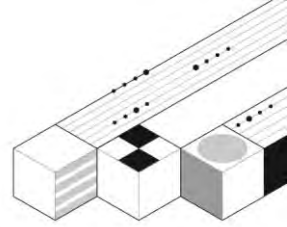
- (1) Not an employee of the Company or any of its affiliates;
- (2) Not a Director or Supervisor of the Company's affiliates (the same does not apply if the person is an independent director of a company or its parent company, or any subsidiary that have been established in accordance with this regulation or related local laws and regulations).
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.
- (4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks in the top five shareholders.
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the afore-mentioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company. excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
- (8) Not having a marital relationship or a relative within the second degree of kinship to any other Director of the Company.
- (9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.





(2) Profile of President, Vice Presidents, Assistant Vice Presidents and Department Heads

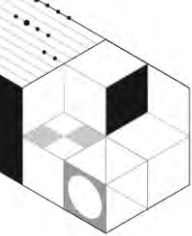
Title	Nationality	Name	Gender	Date appointed	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in Name of Others		
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	
President	R.O.C.	Hui-Ming Cheng	Male	April 28, 2011	1,000,000	0.03%	0	0.00%	0	0.00%	
Vice President	R.O.C.	Juei-Lung Chen	Male	July 1, 2010	100,800	0.00%	0	0.00%	0	0.00%	
Vice President	R.O.C.	Ben Lin	Male	May 1, 2010	700,000	0.02%	2,735	0.00%	0	0.00%	
Served concurrently by a vice president Commerce & Real Estate BU Head	R.O.C.	Fred Pan	Male	July 16, 2007	107,300	0.00%	0	0.00%	0	0.00%	
Specialty Steel BU Head	R.O.C.	C.C. Chen	Male	May 1, 2010	244,722	0.01%	0	0.00%	0	0.00%	
Stainless Steel BU Head	R.O.C.	Tian-Rong Chen	Male	August 28, 2012	25,300	0.00%	0	0.00%	0	0.00%	
Insulated Wire & Cable BU Head	R.O.C.	Jin-Renn Leu	Male	August 13, 2014	40,900	0.00%	11,000	0.00%	0	0.00%	
Copper Wire BU Head	R.O.C.	Witty Liao	Male	August 13, 2014	70,963	0.00%	0	0.00%	0	0.00%	



December 31, 2017

	Education/Work Experience	Other Current Positions at Other Companies	Manager who is Spouse or Relative within the Second Degree			Shares Acquired by Managers under Employee Stock Options
			Title	Name	Relationship	
	Master in Business Administration, Kelley School of Business at Indiana University. Master in Science in Chemical Engineering, University of California, Former CFO at HTC Corporation	Director of Da-Sheng Venture Capital Co., Ltd., Da-Sheng Yi-I Venture Capital Co., Ltd., Da-Sheng Si Venture Capital Co., Ltd., Acme Electronics Corporation and Gogoro Inc.	None	None	None	None
	Industrial Management Dept. of Tung Fang Design Institute; Former Head and Chief Marketing Officer of Sales Div. of Stainless Steel BU.; vice president of Specialty Steel BG.	Chairman of Walsin Precision Technology Sdn. Bhd.; Director of Kuang Tai Metal Industrial Co.	None	None	None	None
	Statistics Dept., National Taipei University; Statistics Dept., National Taipei University; former Credit Assistant Mgr. at ABN AMRO Bank; Fx Transactions Assistant, Vice GM of Credit Lyonnais SA; Fx Transactions Vice GM of Royal Bank of Canada; Manager of Metals Section, Head of Metals Dept., Head of Metals Division, Vice GM of Copper BG.	Director of Nan Jing Walsin Metal Co., Ltd. and Dawnredwood Limited.	None	None	None	None
	MBA of US Tulane University; Former Deputy Chief of Accounting Div. of Namchow, Head of Accounting Div. of Royal Foods, Finance Chief of Marketing of Philips Taiwan Semiconductor, Finance Chief of Sales of Philips Asia Pacific Semiconductor, the Company's Accounting Division head.	Chairman of Nanjing Walsin Property Management Co., Ltd.; Director of Walsin International Investment, Joint Success Enterprises Limited; Director and President of Jincheng Construction Co., Ltd., Walsin China Investment Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd.; President of Walsin (Nanjing) Real Estate Development Co., Ltd.	None	None	None	None
	Master of Accounting Graduate School, National Taiwan University; Audit Team Leader of Deloitte Touche Tohmatsu Limited, Financial Assistant Vice President of Promisedland, Partner of GACPA, Partner of Tianyao United Accountants, the Company's Manager of Performance Analysis Dept. of Financial Service Center, Head of Financial Service Center, Deputy Chief of Financial Service Center, Head of Accounting Div., Head of Management Div., China. Executive vice president of Specialty Steel BG; Head of Yantai BU	Chairman & President of Jiangyin Walsin Steel Cable Co., Ltd.; Chairman of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd.; Director of Walsin International Investment, Walsin China Investment Co., Ltd.; Supervisor of Shaanxi Tianhong Silicon Industrial Co., Ltd.	None	None	None	None
	Master of Mechanical Engineering Graduate School of National Taiwan University of Science and Technology.	Director of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd.	None	None	None	None
	Masters, Department of Electrical Engineering, Yuan Ze University; The Company's Quality Assurance Department engineer; Section Chief of Inspection Section /Wire & Cable Manufacturing Section; Assistant Manager of Optical Communication Division/Communication Technology Division; Manager of Communication Technology/Quality Assurance Technology Division, Electrical Production/Communication Operation Division; Director of Xinzhuan BU; head of Insulated Wire & Cable BU.	Director of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Chung Tai Technology Development Engineering Co., Ltd.	None	None	None	None
	Mechanical and Electro-Mechanical Engineering, Tamkang University; Sales Assistant Manager of Da Hong Corporation, Sales Engineer at Qun-Xin Co. Ltd., Sales Representative of the Company's Private Power Section in the Business Department, Section Chief of Business Dept. Public Power Section/Copper Wire Section, Vice Manager/Manager of Nanjing Walsin, Head of Nanjing Walsin Business Division, Marketing Head of Copper Wire Material Business Division, Head of Nanjing Walsin Sales Division, and Head of Copper Wire Material Business Division.	Chairman of Dongguan Walsin Wire & Cable Co., Ltd.; Vice Chairman of Jiangyin Walsin Steel Cable Co., Ltd.; Director of Nan Jing Walsin Metal Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	None	None	None	None





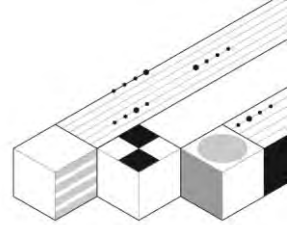
Corporate Governance Report

Title	Nationality	Name	Gender	Date appointed	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in Name of Others		
					Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage	
Chief Information Officer	R.O.C.	Gean_Wei Liou	Male	May 15, 2017	1,000	0.00%	0	0.00%	0	0.00%	
Chief Technology Officer	R.O.C.	Shih_Ming Wang	Male	August 4, 2017	0	0.00%	0	0.00%	0	0.00%	
Chief Marketing Officer	R.O.C.	Kevin Niu	Male	December 4, 2017	0	0.00%	0	0.00%	0	0.00%	
Head of Financial Dept.	R.O.C.	Sophi Pan	Female	November 1, 2015	13,100	0.00%	0	0.00%	0	0.00%	
Head of Accounting Dept.	R.O.C.	Nora Lin	Female	September 1, 2014	53,404	0.00%	0	0.00%	0	0.00%	

Note 1: Date appointed is the first time appointed department heads.

Note 2: Newly served as the Chief Information Manager since May 15, 2017; Newly assumed Chief Information Officer effective from August 4, 2017.

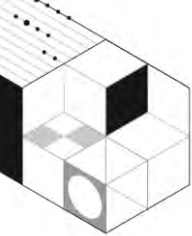
Subsequent Note: Mr. Richard Wu newly served as Chief Accounting Manager since March 1, 2018.



December 31, 2017

	Education/Work Experience	Other Current Positions at Other Companies	Manager who is Spouse or Relative within the Second Degree			Shares Acquired by Managers under Employee Stock Options
			Title	Name	Relationship	
	Master of Science in Industrial and Systems Engineering, USC; former Manager of TSMC IT Technology Department and Division Chief of TSMC Solid-state lighting Div.	None	None	None	None	None
	PhDs in Mechanical Engineering; former Technical Advisory Consultant of Precision Machinery Research & Development Center; Engineering Consultant of Santung Aerospace Technology Co., Ltd.; Chair of Chung Yuan Innovation & Incubation Center, Patent & Technology Transfer Center; Vice CEO and Chief Supervisor of Operation Center of Industry-Academia	Director of Yuema CYCU Foundation and Pack & Proper Co., Ltd.	None	None	None	None
	Ph.D., Carnegie Mellon University, Pittsburgh, USA; former Vice President of CTBC BANK Securities Dept. and KGI Group Derivatives Dept.	None	None	None	None	None
	Bachelor of Accounting from National Chengchi University; The Company's former project manager; controller, manager of the Investment Management Division and manager of the Cost Analysis Division of Walsin IEI Co., Ltd.	Director of Walsin IEI Co., Ltd., Min Maw Precision Industry Corp., Global Investment Holdings, Borrego Solar Systems, Inc.; Supervisor of Chung Tai Technology Development Engineering Co., Ltd.; Supervisor of Xi'an Walsin Metal Products Co., Ltd., Xi'an Lv Jing Technology Co., Ltd., Xi'an Walsin Opto-electronic Limited, Xi'an Walsin United Technology Co., Ltd., Shaanxi LED Co., Ltd.; Walsin Lippo Industries; P.T. Walsin Lippo Kabel Director; Green Lake Capital, LLC. Co-Manager; Touch Micro-System Technology Corp. liquidator.	None	None	None	None
	Bachelor of Accounting from National Taiwan University; Auditing Assistant Manager of Deloitte Touche Tohmatsu Limited, Financial Manager of China Merchant Ltd., Dunpin Chemical Ltd., Manager of the Company's Investment Management Division, Controller of Wire & Cable BG, Insulated Wire & Cable BU and Micro Optical-Mechanical-Electronic BG, Head of Financial Department.	Chairman and President of Xi'an Walsin United Technology Co., Ltd., Xi'an Lv Jing Technology Co., Ltd., Xi'an Walsin Metal Products Co., Ltd. and Xi'an Walsin Opto-electronic Limited; Director of Shaanxi Tianhong Silicon Industrial Co., Ltd., Ace Result Global Limited and Walsin Precision Technology Co., Ltd.; Supervisor of Nan Jing Walsin Metal Co., Ltd., Walsin China Investment Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Dongguan Walsin Wire & Cable Ltd., Jiangying Walsin Steel Cable Co., Ltd., Nanjing Walsin Expo Exhibition Co., Ltd., Nanjing Taiwan Trade Mart Management Co., Ltd., Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Walsin Lihwa (Changzhou) Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd., Walsin (Nanjing) Real Estate Development Co., Ltd. and Nanjing Walsin Property Management Co., Ltd.; Supervisor of Min Maw Precision Industry Corp. and Walsin IEI Co., Ltd.	None	None	None	None





3. Remunerations to Directors, Supervisors, President and Vice Presidents in the Most Recent Year

(1) Remuneration to Directors (including Independent Directors)

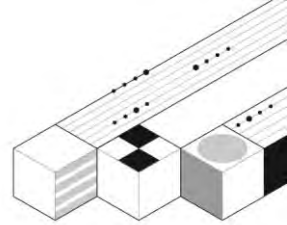
Title (Note 1)	Name (Note 1)	Directors Remuneration								Ratio of total (A), (B), (C) and (D) to after-tax loss (Note 15) (%)		
		Remuneration (A) (Note 5)		Pension (B)		Remuneration to Directors (C) (Note 6)		Business expense (D) (Note 7)				
		Company	All Companies In Financial Statements (Note 10)	Company	All Companies In Financial Statements (Note 10)	Company	All Companies In Financial Statements (Note 10)	Company	All Companies In Financial Statements (Note 10)	Company	All Companies In Financial Statements (Note 10)	
Chairman	Yu-Lon Chiao	41,001,797	41,001,797	0	0	47,623,287	47,675,667	7,277,580	7,307,580	1.4619	1.4632	
Vice Chairman	Yu-Hwei Chiao											
Director	Yu-Cheng Chiao											
Director	Hui-Ming Cheng											
Director	Yu-Heng Chiao											
Director	Wei-Shin Ma											
Director	Jih-Chang Yang (Note 2)											
Director	Wu-Shung Hong (Note 2)											
Independent Director	Ming-Ling Hsueh											
Independent Director	King-Ling Du											
Independent Director	Shiang-Chung Chen											
Independent Director	Steve Ruey-Long Chen (Note 3)											
Legal Person Director and Representative	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan (Note 4)											

* Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: 0

Table of Remuneration Ranges

Range of Remuneration Paid to Directors	Names of Directors			
	Aggregate of First Four Remunerations (A+B+C+D)		Aggregate of First Seven Remunerations (A+B+C+D+E+F+G)	
	The Company (Note 12)	Included in Financial Statements All companies (Note 13)	The Company (Note 12)	All Companies in Consolidated Statements (Note 14)
<NT\$2,000,000	Jih-Chang Yang; Wu-Shung Hong; Tung-Yi Chan	Jih-Chang Yang; Wu-Shung Hong; Tung-Yi Chan	Jih-Chang Yang; Wu-Shung Hong; Tung-Yi Chan	Jih-Chang Yang; Tung-Yi Chan
NT\$2,000,000 ~ NT\$5,000,000	Yu-Cheng Chiao; Hui-Ming Cheng; Yu- Heng Chiao; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Steve Ruey-Long Chen; Chin-Xin Investment Co., Ltd	Yu-Cheng Chiao; Hui-Ming Cheng; Yu- Heng Chiao; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Steve Ruey-Long Chen; Chin-Xin Investment Co., Ltd	Yu-Cheng Chiao; Yu-Heng Chiao; Wei-Shin Ma; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Steve Ruey-Long Chen; Chin-Xin Investment Co., Ltd	Wu-Shung Hong; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Steve Ruey-Long Chen; Chin-Xin Investment Co., Ltd
NT\$5,000,000 ~ NT\$10,000,000				
NT\$10,000,000~NT\$15,000,000				
NT\$15,000,000~NT\$30,000,000	Yu-Hwei Chiao	Yu-Hwei Chiao	Yu-Hwei Chiao	Yu-Hwei Chiao and Wei-Shin Ma
NT\$30,000,000~NT\$50,000,000	Yu-Lon Chiao	Yu-Lon Chiao	Yu-Lon Chiao and Hui-Ming Cheng	Yu-Lon Chiao, Yu-Cheng Chiao, Hui-Ming Cheng
NT\$50,000,000~NT\$100,000,000				Yu-Heng Chiao
> NT\$100,000,000				
Total	14	14	14	14

This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.

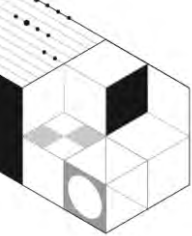


Unit: NT\$

	Remuneration Received as Employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to After-tax Income (Note 15) (%)		Remuneration from Re-investments other than Subsidiaries (Note 11)
	Salary, Bonus and Special Allowance (E) (Note 8)		Pension (F)		Employee Bonus (G) (Note 9)						
	Company	All Companies In Financial Statements (Note 10)	Company	All Companies In Financial Statements (Note 10)	Company		All Companies In Financial Statements (Note 10)		Company	All Companies In Financial Statements (Note 10)	
					Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
	39,993,675	41,372,128	361,440	361,440	908,000	0	948,000	0	2.0909	2.1138	118,983,723

- Note 1: This Table lists incumbent Directors in 2017 and their respective remuneration.
- Note 2: Mr. Jih-Chang Yang and Mr. Wu-Shung Hong were dismissed upon the expiration of term of office at the annual shareholders' meeting on May 26, 2017.
- Note 3: Mr. Steve Ruey-Long Chen was newly- elected as Independent Director at the annual shareholders' meeting on May 26, 2017.
- Note 4: Chin-Xin Investment Co., Ltd (Tung-Yi Chan) was newly- elected as Legal Person Director at the annual shareholders' meeting on May 26, 2017.
- Note 5: The Company's Independent Directors and Directors who are authorized by the Board of Directors to regularly involve in the Company's operation may receive remuneration; the amount of remuneration shall be reviewed in accordance with Director's participation and value contributed in the Company's operation, together with reference of international and domestic industrial practice, by the Remuneration Committee and submitted to the Board of Directors for approval.
- Note 6: Remunerations to Directors in 2017 approved by the Board of Directors have been listed.
- Note 7: Refers to the expenses incurred by Directors in 2017 to perform relevant duties (including transportation, attendance fees, special disbursements and various allowances).
- Note 8: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, transportation subsidies, special allowance, various allowances and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock option, restricted new shares to employees and shares acquired from participation in cash capital increase option and so forth, received by Directors who are also employees (including as President, vice president, managers and employees) in 2017. The amount excludes Director Wu-Shung Hong's company car, with a book value of NT\$0. In addition, the Company's remuneration to drivers totaled NT\$3,244,393 /year.
- Note 9: Refers to Directors also working as an employee (including as President, vice president, managers and employees) and receiving employee bonus (including stocks and cash) in 2017; employee bonus for 2016 was approved by the Board of Directors.
- Note 10: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).
- Note 11: a. This field shows the amount of related remunerations a Director of the Company receives from investees other than subsidiaries of the Company.
b. The remuneration refers to remuneration, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Director of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.
- Note 12: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.
- Note 13: For the remuneration paid to Directors of the Company by all companies in the consolidated statements (including the Company), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.
- Note 14: For the remuneration paid to Directors of the Company by investees (including the Company itself), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.
- Note 15: After-tax net income refers to the after-tax net income of individual financial statement in 2017.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation



(2) Remuneration to Supervisors

Title (Note 1)	Name (Note 1)	Supervisors’ Remuneration				
		Remuneration (A)		Bonus (B) (Note 2)		
		Company	All Companies In Financial Statements (Note 4)	Company	All Companies In Financial Statements (Note 4)	
Supervisors	Wen-Yuan Chu	0	0	3,376,713	3,376,713	
Supervisors	In-Shek Hsu					
Institutional Supervisors and Representative	Walsin Technology Corporation Representative: Yeu- Yuh Chu					

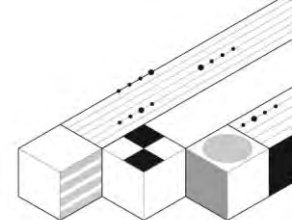
Table of Remuneration Ranges

Range of Remuneration Paid to Supervisors	Names of Supervisors	
	Aggregate of First Three Remunerations Items (A+B+C)	
	Company (Note 6)	All Re-investments (Note 7)
<NT\$2,000,000	Wen-Yuan Chu; In-Shek Hsu; Walsin Technology Corporation; Yeu-Yuh Chu	In-Shek Hsu; Walsin Technology Corporation; Yeu-Yuh Chu
NT\$2,000,000 ~ NT\$5,000,000		Wen-Yuan Chu; Yeu-Yuh Chu
NT\$5,000,000 ~ NT\$10,000,000		
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
> NT\$100,000,000		
Total	4	4

(3) Remunerations to President and Vice Presidents

Title (Note 1)	Name (Note 1)	Remuneration (A)		Pension (B) (Note 5)		Bonus and Special Allowances (C) (Note 6)		
		Company	All Companies In Financial Statements (Note 8)	Company	All Companies In Financial Statements (Note 8)	Company	All Companies In Financial Statements (Note 8)	
President	Hui-Ming Cheng	33,612,663	35,027,788	2,355,292	2,355,292	57,375,770	57,626,150	
Vice President	Fred Pan							
Vice President	Ben Lin							
Vice President	Juei-Lung Chen							
Chief Information Officer of Information Center	Gean_Wei Liou (Note 2)							
Chief Technology Officer of Technology Center	Shih_Ming Wang (Note 3)							
Chief Marketing Officer of Marketing Center	Kevin Niu (Note 4)							
Head of Copper Wire BU	Witty Liao							
Head of Wire & Cable BU	Jin-Renn Leu							
Head of Stainless Steel BU	Tian-Rong Chen							
Head of Specialty Steel BU	C.C. Chen							

This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.



Unit: NT\$

	Supervisor's Remuneration		Ratio of total (A), (B) and (C) to After-tax Income (%) (Note 8)		Remuneration from Re-investments other than Subsidiaries (Note 5)
	Business Expenses (C) (Note 3)				
	Company	All Companies In Financial Statements (Note 4)	Company	All Companies In Financial Statements (Note 4)	
	342,999	342,999	0.0567	0.0567	6,470,359

Note 1: This table lists incumbent Supervisors in 2017 and their respective remuneration.

Note 2: Remunerations to Supervisors for 2017 approved by the Board of Directors have been listed.

Note 3: Refers to the expenses incurred by Supervisors in 2016 to perform relevant duties (including transportation, special disbursements and various allowances).

Note 4: Refers to the total pay to the Company's Supervisors from all companies in the consolidated statements (including the Company).

Note 5: a. This field shows the amount of related remunerations a Supervisor of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration refers to remuneration, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Supervisor of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 6: For the remuneration paid to Supervisors of the Company by the Company, names of every Supervisor shall be disclosed in their corresponding range within the remuneration schedule.

Note 7: For the remuneration paid to Supervisors of the Company by investees (including the Company itself), names of every Supervisor shall be disclosed in their corresponding range within the remuneration schedule.

Note 8: After-tax net income refers to the after-tax net income of individual financial statement in 2017.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

Unit: NT\$

	Employee Bonus (D) (Note 7)				Ratio of total (A), (B), (C) and (D) to After-tax Income (%) (Note 12)		Remuneration from Re-investments other than Subsidiaries (Note 9)
	Company		All Companies In Financial Statements (Note 8)		Company	All Companies In Financial Statements (Note 8)	
	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
	4,045,300	0	4,045,300	0	1.4846	1.5100	477,000



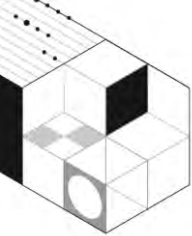


Table of Remuneration Ranges

Range of Remuneration Paid to President and Vice Presidents	Names of President and Vice Presidents	
	The Company (Note 10)	All Re-investments (Note 11)
<NT\$2,000,000		
NT\$2,000,000 ~ NT\$5,000,000	Shih_Ming Wang; Kevin Niu; Jin-Renn Leu	Shih_Ming Wang; Kevin Niu; Jin-Renn Leu
NT\$5,000,000 ~ NT\$10,000,000	Yu-Hwei Chiao; Ben Lin; Juei-Lung Chen; Gean_Wei Liou; Witty Liao; Tian-Rong Chen; C.C. Chen	Ben Lin; Juei-Lung Chen; Gean_Wei Liou; Witty Liao; Tian-Rong Chen; C.C. Chen
NT\$10,000,000 ~ NT\$15,000,000	Fred Pan	Fred Pan
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000	Hui-Ming Cheng	Hui-Ming Cheng
NT\$50,000,000 ~ NT\$100,000,000		
> NT\$100,000,000		
Total	11	11

Note 1: This Table discloses a summary of the payments managers ranked vice president or above received in 2017.

Note 2: The Board of Directors appointed Mr. Gean_Wei Liou as Chief Information Officer on May 15, 2017.

Note 3: The Board of Directors appointed Mr. Shih_Ming Wang as Chief Information Officer on August 1, 2017.

Note 4: The Board of Directors appointed Mr. Kevin Niu as CEO on December 4, 2017.

Note 5: Refers to pension set aside pursuant to the law.

Note 6: Refers to various bonuses, incentives, company car rental fees, vehicle subsidies, special allowance and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock options, restricted new shares to employees and shares acquired from participation in cash capital increase options and so forth, received by managers ranked vice president or above in 2017. In addition, the Company's remuneration to drivers totaled NT\$1,066,807/year.

Note 7: Refers to employee bonuses (including stock and cash bonuses) approved by the Board of Directors for distribution to managers ranked vice president (and equivalents) or above.

Note 8: Discloses the total pay to manager's ranked vice president (and equivalents) or above from all companies in the consolidated statements (including the Company).

Note 9: a. This field shows the amount of related remuneration managers ranked vice president (and equivalents) or above received from investees other than subsidiaries of the Company.

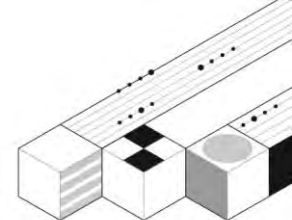
b. The remuneration refers to pay, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by the Company's managers ranked vice president (and equivalents) or above while serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

Note 10: For the remuneration the Company has paid, names of every manager ranked vice president (and equivalents) or above shall be disclosed in their corresponding range within the remuneration scale.

Note 11: For the remuneration paid to managers ranked vice president (and equivalents) above by all investees (including the Company), names of every manager shall be disclosed in their corresponding range within the remuneration scale.

Note 12: After-tax net income refers to the after-tax net income of individual financial statement in 2017.

* The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.



(4) Distribution of Employee Bonus to Managers

March 5, 2018

	Title	Name	Stock bonus	Cash Bonus	Total	Percentage of the Total to After-tax Net Income (%)
2017	President	Hui-Ming Cheng	0	4,471,000	4,471,000	0.0682
	Vice President	Fred Pan				
	Vice President	Ben Lin				
	Vice President	Juei-Lung Chen				
	Chief Information Officer of Information Center	Gean_Wei Liou				
	Chief Technology Officer of Technology Center	Shih_Ming Wang				
	Chief Marketing Officer of Marketing Center	Kevin Niu				
	Head of Copper Wire BU	Witty Liao				
	Head of Insulated Wire & Cable BU	Jin-Renn Leu				
	Head of Stainless Steel BU	Tian-Rong Chen				
	Head of Specialty Steel BU	C.C. Chen				
	Head of Accounting Dept.	Nora Lin (Note)				
	Head of Financial Dept.	Sophi Pan				

Subsequent Note: Ms. Nora Lin's job was adjusted on March 1, 2018 and Mr. Richard Wu served as Chief Accounting Manager accordingly.

※ This Table lists managers in active duty as of the end of 2017 and their summarized 2017 employee bonus for managers approved by the Board of Directors.

※ After-tax net income refers to the after-tax net income of individual financial statement in 2017.

(5) Analysis of remunerations to Directors, Supervisors, President and vice presidents as a percentage of earnings in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

1. Analysis of remunerations to Directors, Supervisors, President and vice presidents as a percentage of earnings in the last two years:

Title	Total Remunerations as Percentage (%) of After-tax Net Income (Losses)			
	2017		2016	
	Company	Companies in Consolidated Financial Statements	Company	Companies in Consolidated Financial Statements
Director	2.09	2.11	1.97	2.01
Supervisors	0.06	0.06	0.15	0.15
President and Vice President	1.48	1.45	2.13	2.17

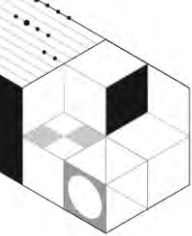
2. Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

The Company's policy for remunerating its directors and supervisors is formulated based on the Company Law and the Company's regulations. The Company's operating strategy, profitability, future development and industry condition have also been taken into account. The Compensation Committee usually submits a proposal, which is passed at a board meeting before the policy takes effect.

Remuneration policy toward President, vice presidents and equivalent managers is formulated based on operating strategy, profitability, performance and contribution to the Company. Prevailing market salary level is also taken into account. The policy is submitted by the Compensation Committee and takes effect after it is passed at a Boarding meeting.

The said principles may be adjusted based on economic conditions, the Company's future development, profitability and operating risks.





4. Corporate Governance Status

(1) Overview of Board of Directors Operation

The Company re-elected Directors of the 18th term of office at the shareholders' meeting on May 26, 2017. Newly elected directors assumed office upon the election. The Board of Directors totally held 7 meetings in 2017, with 4 meetings held prior to the re-election and 3 meetings held after.

The Board of Directors held 4 meetings in 2017 prior to elections at the shareholders' meeting on May 26, 2017.

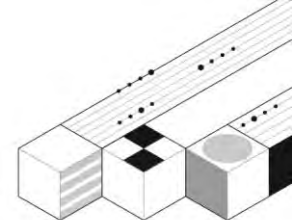
1. The attendance records for Directors and Supervisors are as follows:

Title	Name	Attended in Person	Attended by Proxy	Attendance Percentage (%)	Remarks
Chairman	Yu-Lon Chiao	4	0	100%	Re-elected
Vice Chairman	Yu-Hwei Chiao	4	0	75%	Re-elected
Director	Yu-Cheng Chiao	3	0	75%	Re-elected
Director	Yu-Heng Chiao	3	1	100%	Re-elected
Director	Hui-Ming Cheng	4	0	50%	Re-elected
Director	Jih-Chang Yang	2	0	50%	Dismissed
Director	Wu-Shung Hong	4	0	100%	Dismissed
Director	Wei-Shin Ma	3	1	75%	Re-elected
Independent Director	Ming-Ling Hsueh	4	0	100%	Re-elected
Independent Director	King-Ling Du	4	0	100%	Re-elected
Independent Director	Shiang-Chung Chen	3	1	75%	Re-elected
Supervisor	Wen-Yuan Chu	3	0	75%	Dismissed
Supervisors	Walsin Technology Corporation Representative: Yeu-Yuh Chu	3	0	75%	Dismissed
Supervisors	In-Shek Hsu	3	0	75%	Dismissed

2. The attendance records for Independent Directors are as follows:

✓: Attended in Person; ◎: Attended by Proxy; x: Absent

17 th Term	18 th Meeting January 13, 2017	19 th Meeting February 17, 2017	20 th Meeting April 7, 2017	21 st Meeting May 5, 2017
Ming-Ling Hsueh	✓	✓	✓	✓
King-Ling Du	✓	✓	✓	✓
Shiang-Chung Chen	◎	✓	✓	✓



The Board of Directors held 3 meetings in 2017 after elections at the shareholders' meeting on May 26, 2017.

1. The attendance records for Directors and Supervisors are as follows:

Title	Name	Attended in Person	Attended by Proxy	Attendance Percentage (%)	Remarks
Chairman	Yu-Lon Chiao	3	0	100%	Re-elected
Vice Chairman	Yu-Hwei Chiao	2	1	67%	Re-elected
Director	Yu-Cheng Chiao	3	0	100%	Re-elected
Director	Yu-Heng Chiao	2	0	67%	Re-elected
Director	Hui-Ming Cheng	3	0	100%	Re-elected
Director	Wei-Shin Ma	2	1	67%	Dismissed
Director	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan	3	0	100%	Newly elected
Independent Director	Steve Ruey-Long Chen	3	0	100%	Newly elected
Independent Director	Ming-Ling Hsueh	3	0	100%	Re-elected
Independent Director	King-Ling Du	3	0	100%	Re-elected
Independent Director	Shiang-Chung Chen	2	0	67%	Re-elected

2. The attendance records for Independent Directors are as follows:

✓: Attended in Person; ◎: Attended by Proxy; ×: Absent

18 th Term	1 st Meeting May 26, 2017	2 nd Meeting August 4, 2017	3 rd Meeting November 2, 2017
Steve Ruey-Long Chen	✓	✓	✓
Ming-Ling Hsueh	✓	✓	✓
King-Ling Du	✓	✓	✓
Shiang-Chung Chen	×	✓	✓

Other details that need to be recorded in meeting minutes:

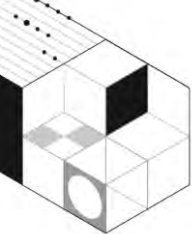
1. In the event of the occurrence of any of the following scenarios with the operation of the Board of Directors, the dates of meetings, session number, resolution, opinions of all Independent Directors and the Company's subsequent action in response to these opinions shall be clearly stated:

(1) Matters and items stipulated in Article 14-3 of the Securities and Exchange Act.

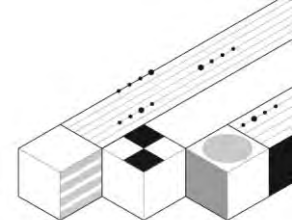
December 31, 2017

Board of Directors Meeting	Content of Proposal and Resolution	Independent Directors' Opinion(s)	Company's Handling of Independent Directors' Opinion(s)	Independent Directors with Recorded or Written Opposing or Reserved Opinion(s)
17 th Term 18 th Meeting January 13,	Proposal: Proposal to decrease the Company's capital by US\$11.3 million to lower idle funds in foreign subsidiaries Resolution: Proposal passed.	None	None	None



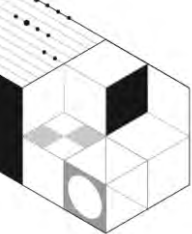


Board of Directors Meeting	Content of Proposal and Resolution	Independent Directors' Opinion(s)	Company's Handling of Independent Directors' Opinion(s)	Independent Directors with Recorded or Written Opposing or Reserved Opinion(s)
	Proposal: Request approval for loans in the amounts of US\$253.48 million and RMB1.9 billion between subsidiaries. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal for the Company to donate NT\$2 million to HannStar Cultural and Educational Foundation. Resolution: Proposal passed. Recusal: Wei-Shin Ma	None	None	None
	Proposal: Advice on Chairman's and Vice Chairman's 2016 performance bonus. Resolution: Proposal passed. Recusal: Yu-Lon Chiao, Yu-Hwei Chiao	None	None	None
	Proposal: Proposal to review manager's performance as well as 2016 bonuses and compensation. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	Proposal: Advice on Company's distributions for 2016 employee and director/supervisor remunerations. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	Proposal: Proposal to prepare the Company's management's reports on the internal control system for 2016. Resolution: Proposal passed.	None	None	None
17 th Term 19 th Meeting February 17, 2017	Proposal: Motion to approve the annual compensation to the commissioned accounting firm Deloitte Touche Tohmatsu Limited as well as assess the independence of certified public accountants. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to lift the non-competition ban for the Company's Directors of the 18 th term. Resolution: Proposal passed. Recusal: Yu-Lon Chiao, Yu-Hwei Chiao, Yu-Cheng Chiao, Yu-Heng Chiao, Wu-Shung Hong (on behalf of Wei-Shin Ma), Ming-Ling Hsueh, King-Ling Du, Shiang-Chung Chen	None	None	None
	Proposal: Proposal to revise the Company's Operating Procedures of Acquisition or Disposal of Assets Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to revise the Company's Operating Procedures of Fund Lending to a third party, guarantee and Procedures for Financial Derivatives Transactions. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to participate in Powertec Energy Corp. cash capital increase by no more	None	None	None



Board of Directors Meeting	Content of Proposal and Resolution	Independent Directors' Opinion(s)	Company's Handling of Independent Directors' Opinion(s)	Independent Directors with Recorded or Written Opposing or Reserved Opinion(s)
	than NT\$460 million. Resolution: Proposal passed. Recusal: King-Ling Du			
	Proposal: Disposal of 4 th office building in Phase I of AB plot of Walsin (Nanjing) Development Co., Ltd. Resolution: Proposal passed.	None	None	None
17 th Term 20 th Meeting April 7, 2017	Proposal: Proposal to lift the non-competition ban for the Company's Directors of the 18 th term. Resolution: Proposal passed. Recusal: Yu-Lon Chiao	None	None	None
17 th Term 21 st Meeting May 5, 2017	Proposal: Proposal to participate in Powertec Energy Corp. cash capital increase by no more than NT\$693 million. Resolution: Proposal passed. Recusal: King-Ling Du	None	None	None
	Proposal: Proposal to amend the Company's internal control system regulations and internal control principles for equity financing cycle operations. Resolution: Proposal passed.	None	None	None
18 th Term 1 st Meeting May 26, 2017	Proposal: Proposal to appoint Independent Directors Mr. Ming-Ling Hsueh, Mr. King-Ling Du and Mr. Shiang-Chung Chen as members of the Company's 3 rd Compensation Committee with term of office from May 26, 2017 to May 25, 2020 (i.e. the expiration date of current Board of Directors' term). Resolution: Proposal passed. Recusal: Ming-Ling Hsueh, King-Ling Du	None	None	None
18 th Term 2 nd Meeting August 4, 2017	Proposal: Proposal to amend the "Compensation Committee Charter", the "Regulations for Payments of Remunerations to the Directors, Supervisors, Members of Functional Committees", the "Regulations for the Performance Appraisal of the Board of Directors" of the Company Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to revise the "Method for Interested Persons to Advise and Appeal to Supervising Unit" Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve Walsin Lihwa Holding Co., Ltd. revolving loan to the Company in the amount of US\$200 million. Resolution: Proposal passed.	None	None	None
18 th Term 3 rd Meeting November 2, 2017	Proposal: Proposal to participate in Winbond Electronics Corp. 2017 cash capital increase. Resolution: Proposal passed. Recusal: Yu-Cheng Chiao, Tung-Yi Chan	None	None	None





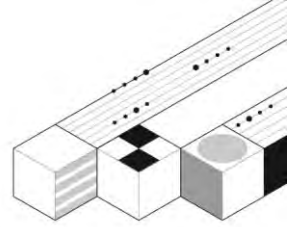
Board of Directors Meeting	Content of Proposal and Resolution	Independent Directors' Opinion(s)	Company's Handling of Independent Directors' Opinion(s)	Independent Directors with Recorded or Written Opposing or Reserved Opinion(s)
	Proposal: In order to obtain residential development land, Walsin (Nanjing) Development Co., Ltd. intends to participate in the land listing and transfer held by the Land Reserve Center of Jiangyin Administration. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to amend the Regulations for Payments of Remunerations to the Directors and Members of Functional Committees, the relevant appendix of Regulations for the Performance Appraisal of the Board of Directors, the Regulations for the Performance Appraisal of Managers and the Attachments of Regulations for Remuneration of the Company. Resolution: Proposal passed.	None	None	None

(2) In addition to the foregoing, there were other matters to be resolved by directors board meetings about which an independent director expressed objections or reservations that had been included in records or stated in writing: Not applicable

2. Director recusals due to conflicts of interests totaled 10 times.

December 31, 2017

No.	Term/Meeting Date	Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not
1	17 th Term 18 th Meeting January 13, 2017	Wei-Shin Ma	Proposal for the Company to donate NT\$2 million to HannStar Cultural and Educational Foundation	Served as the chairman of the foundation	Recused as provided by law
2	17 th Term 18 th Meeting January 13, 2017	Yu-Lon Chiao, Yu-Hwei Chiao	Advice on Chairman's and Vice Chairman's 2016 performance bonus	Personally interested	Recused as provided by law
3	17 th Term 18 th Meeting January 13, 2017	Hui-Ming Cheng	Proposal to review manager's performance as well as 2016 bonuses and compensation	Served as the Company's manager	Recused as provided by law
4	17 th Term 19 th Meeting February 17, 2017	Hui-Ming Cheng	Advice on Company's distributions for 2016 employee and director/supervisor remunerations	Personally interested	Recused as provided by law
5	17 th Term 19 th Meeting February 17, 2017	Yu-Lon Chiao, Yu-Hwei Chiao, Yu-Cheng Chiao, Yu-Heng Chiao, Wu-Shung Hong (on behalf of Wei-Shin Ma), Ming-Ling Hsueh, King-Ling Du, Shiang-Chung Chen	Proposal to lift the non-competition ban for the Company's Directors of the 18 th term	Personally interested	Recused as provided by law



No.	Term/Meeting Date	Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not
6	17 th Term 19 th Meeting February 17, 2017	King-Ling Du	Proposal to participate in Powertec Energy Corp. cash capital increase by no more than NT\$460 million	Served as the Company's director	Recused as provided by law
7	17 th Term 20 th Meeting April 7, 2017	Yu-Lon Chiao	Proposal to lift the non-competition ban for the Company's Directors of the 18 th term	Personally interested	Recused as provided by law
8	17 th Term 21 st Meeting May 5, 2017	King-Ling Du	Proposal to participate in Powertec Energy Corp. cash capital increase by no more than NT\$693 million	Served as the Company's director	Recused as provided by law
9	18 th Term 1 st Meeting May 26, 2017	Ming-Ling Hsueh, King-Ling Du	Proposal to appoint Independent Directors Mr. Hsueh Ming-Ling, Mr. King-Ling Du and Mr. Shiang-Chung Chen as members of the Company's 3 rd Compensation Committee with term of office from May 26, 2017 to May 25, 2020 (i.e. the expiration date of current Board of Directors' term)	Personally interested	Recused as provided by law
10	18 th Term 3 rd Meeting November 2, 2017	Yu-Cheng Chiao, Tung-Yi Chan	Proposal to participate in Winbond Electronics Corp. 2017 cash capital increase	Served as the Company's director and president	Recused as provided by law

3. Evaluation of achievement of enhancing the Board's performance (e.g. establishing an Audit Committee and increasing information transparency):

(1) Formulation of regulations related to the corporate governance: In addition to explicitly stating the powers and duties of the Board of Directors in the company's articles of incorporation, the Company also follows rules and regulations including the "Board of Directors Procedural Regulations", "Guidelines for the Ethical Conduct of Directors and Supervisors", "Procedures for the Processing of Critical Internal Information", "Corporate Governance Principles and Practice", "Corporate Management Integrity Principles", "Behavioral Guidelines and Operation Procedures for Honest Practices", "Guidelines for the Ethical Conduct of Employees", "Procedures for Stakeholder Complaints and Recommendations for the Supervising Department", "Practical Guidelines for Corporate Social Responsibility" and "Corporate Social Responsibility Policies" in order to strengthen operations of the Board of Directors as well as corporate governance.

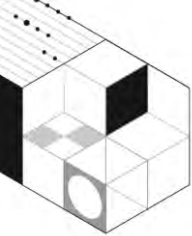
(2) The Company has determined a method for appraising the Board's performance on October 28, 2015 and has, since 2015, circulated a performance questionnaire to all Directors of the Board every December. Besides evaluating the performance of the whole Board, Directors also evaluate themselves.

The overall performance self-evaluation of our Board of Directors covers the following five major aspects:

- I. The degree of participation in our Company's operation,
- II. Improvement of the Board's decision-making quality,
- III. Composition and structure of the Board,
- IV. Directors' selection and continuing education
- V. Internal control.

The measurements of the performance evaluation of board members cover the following six major aspects:





- I. The degree of participation in our company's operation,
- II. The grasp of the corporate goals and missions,
- III. The cognition of director's duties
- IV. Directors' professional expertise and continuing education,
- V. Internal control
- VI. Internal relations building and communications

After receipt of all returned questionnaires in December of every year, our dedicated unit will conduct analysis according to the foregoing methods and report the results to the Board of Directors and provide suggestions for improvement on the deficiency, if any. The methods and evaluation results will be also published in our official website.

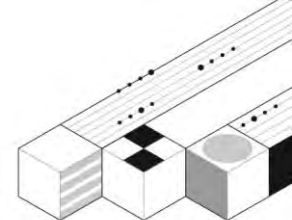
The latest (2017) Board of Directors' performance self-evaluation results go as follows:

- I. Board of Directors' overall average score 99.4 points (full score 100 points)
- II. Board members' overall average score 98.2 points (full score 100 points).

The details of the foregoing performance evaluation and the follow-up improvements were reported to the Board of Directors on January 19, 2018.

According to our "Regulations for the Evaluation of the Board of Directors' Performance", such evaluation will be conducted at least once every three years by an external professional independent organization or a team of external experts and scholars, and at the end of each year, the performance evaluation of the year shall be conducted. The 2018 performance is planned to be evaluated by the external appraisal institution in the fourth quarter and such evaluation results will be reported to the Compensation Committee and the Board of Directors in the first quarter of 2019.

- (3) Adopting the performance evaluation of the functional committees: In accordance with the "Regulations for the Evaluation of the Performance of the Board of Directors (including Functional Committees) and Their Remunerations" formulated by the Compensation Committee based on the latest version published by the Competent Authority, our functional committees' members in December every year evaluate themselves by the assessment indicators to measure the corporate leadership strategic directions and oversee the corporate operational performance in an effort to improve shareholders' long-term value.
- (4) Actively participating in corporate governance: In recent years, our company has actively participated in the promotion of the corporate governance and the transparency in information disclosure. It was ranked in the top 20% of since 2014 till 2016 Corporate Governance Evaluation Results. In 2017, Walsin Lihwa was listed as the top 5% outstanding companies by the 4th Corporate Governance Evaluation. The Company will continue to strive for better and to actively participate in the activities of the corporate governance evaluation, our company has formed a project to improve corporate governance matters and enhance corporate governance capabilities.
- (5) In order to bring into play the functions and decision-making qualities of the Board of Directors, our company regularly holds strategic meetings on a quarterly basis to enable the directors to understand our financial and business conditions and the formulation of major business strategies and the implementation of related plans. In addition, quarterly operational meetings are also held to help directors understand the operational content through reporting by operating units, so as to improve the performance of the Board of Directors. In the meantime, the directors may provide their effective guidance out of their expertise and experience to the operating units during such meetings.
- (6) Authorizing independent directors to utilize their own expertise and participate often in our company's investment assessment projects and matters relevant to corporate governance. Since May 26, 2017, the Audit Committee has been formally established after the Shareholders Meeting.



- (7) On the MOPS and our official website, we voluntarily disclose the related law and regulations which we follow, the important resolutions adopted at Board meetings and the relevant information to help shareholders understand our activities and to raise transparency in our corporate information.

(II) Operation of the Audit Committee or supervisors' participations in the operation of the Board of Directors

The Audit Committee operations:

1. The current Audit Committee met a total of 4 times in 2017, which the independent directors attending as follows:

December 31, 2017

Title	Name	Personally Attended	Attended by Proxy	Attendance rate (%)	Remarks
Convener	Ming-Ling Hsueh	4	0	100%	
Member	Steve Ruey-Long Chen	4	0	100%	
Member	King-Ling Du	4	0	100%	
Member	Shiang-Chung Chen	2	2	50%	

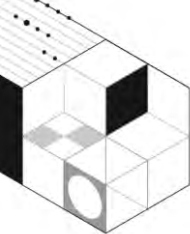
Other matters that need to be recorded in meeting minutes:

- (1) If any of the following circumstances occurs during the operation of the Audit Committee, the Board meeting date, meeting number, the proposal contents, the resolution of the Audit Committee and our company's handling of the Audit Committee's opinions shall be clearly described.

- Items listed in Article 14-5 of the Securities Exchange Act:

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions
1 st Term 2 nd Meeting 2017/07/26	18 th Term 2 nd Meeting 2017/08/04	Proposal: The Company's consolidated balance sheet, consolidated income statement, consolidated statement of equity changes and consolidated statement of cash flow for the 2nd quarter of 2017 are submitted for review and approval. Resolution: Proposal passed.
		Proposal: It is proposed to revise our Company's "Regulations for the Interested Parties to Make Suggestions or Complaints to the Supervisory Unit". Resolution: Proposal passed.
		Proposal: It is proposed that Walsin Lihwa Holdings Ltd. agree to lending our Company a revolving fund of up to US\$200 million. Resolution: Proposal passed.
		Our Company's handling of the Audit Committee's opinions: All the attending directors agreed to passage.
1 st Term 3 rd Meeting 2017/10/25	18 th Term 3 rd Meeting 2017/11/02	Proposal: The 2018 Audit Plan is proposed for review and approval. Resolution: Proposal passed.
		Proposal: The amendment to the internal audit regulations is proposed for review and approval. Resolution: Proposal passed.





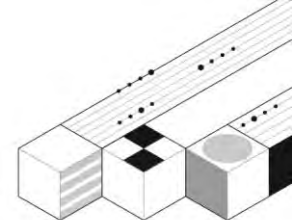
Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions
		<p>Proposal: In order to obtain residential development land, Walsin (Nanjing) Development Co., Ltd. intends to participate in the land listing and transfer held by the Land Reserve Center of Jiangyin Administration.</p> <p>Resolution: Proposal passed.</p> <p>Proposal: It is planned to participate in Winbond Electronics Corporation's issuing new shares for cash capital increase in 2017.</p> <p>Resolution: Proposal passed.</p> <p>Our company's handling of the Audit Committee's opinions: All the attending directors agreed to passage.</p>
1 st Term 4 th Meeting 2017/11/02	18 th Term 3 rd Meeting 2017/11/02	<p>Proposal: The participation in Winbond Electronics Corporation's issuing new shares for cash capital increase in 2017 was passed by the 3rd meeting of the Audit Committee of the 1st term. According to Article 14 of the "Guidelines for Handling Acquisition and Disposal of Assets by Public Companies", the information relevant to the trading among the interested parties is further submitted for review and approval.</p> <p>Resolution: Proposal passed.</p> <p>Our company's handling of the Audit Committee's opinions: All the attending directors agreed to passage.</p>

- Except for the foregoing items, the items that were not approved by the Audit Committee but were resolved by more than two-thirds of all directors: No such situation.

(2) Independent directors avoiding conflicts of interests shall be described with such directors' names, contents of the resolutions, reasons for not being involved and their vote for the resolutions stated: No such situation.

(3) Communication between independent directors, the internal auditing person in charge and CPAs (which should include major events, methods, results, etc. as regards our company's financial and business conditions):

- Communication policy between independent directors, internal auditing person in charge and CPAs:
 - Our company has established an Audit Committee composed of all independent directors, which will meet at least twice a year with the CPAs. The CPAs report to the Audit Committee on the financial status of our company, the financial and overall operations of the subsidiaries at home and abroad and the internal control checking situation. A full communication shall be necessary if there are any material adjustments of entries or any amendments to law and directives, which will have influence the status of our accounts. In case of major irregularities, the meeting may be called at any time.
 - The Audit Committee completes its review by taking into accounts the consolidated financial statements of the Group and the audit opinion report which have been verified by CPAs.
 - The internal auditing person in charge shall meet with the independent directors regularly at least once a quarter to report on the internal audit implementations of our company and the internal control operations. In case of major irregularities, the meeting may be called at any time.



● Summary of previous communications between independent directors and CPAs:

Such communications were found good.

Date	Communication highlights
2017.2.13	1.The CPAs explained to the independent directors the key check items in the individual and consolidated financial statements for the year 2016. 2.The CPAs explained the annual financial and profit/loss situation for the year 2016 and discussed with the independent directors on the application of some accounting principles. 3.The CPAs discussed the issues raised by the participants. 4.The independent directors assessed and discussed the CPAs' annual remuneration, independence and competence.
2017.7.26	1.The CPAs explained the quarterly financial and profit/loss situation for the 2nd quarter of the year 2017 and discussed with the independent directors on the application of some accounting principles. 2.The independent directors asked the CPAs to explain whether or not their audit process had found any inconsistencies in the accounting principles of our company or any material deficiency in internal controls.

● Summary of previous communications between independent directors and the internal auditing person in charge:

The independent directors of our company had good communication with such person on the auditing implementations and effectiveness.

Date	Communication highlights
2017.2.13	The quarterly report on the auditing implementations for the 4th quarter of 2016.
2017.4.21	The quarterly report on the auditing implementations for the 1st quarter of 2017.
2017.7.26	1. The quarterly report on the auditing implementations for the 2nd quarter of 2017. 2. Amendments to the Regulations for the Interested Parties to Make Suggestions and Complaints.
2017.10.25	1. The quarterly report on the auditing implementations for the 3rd quarter of 2017. 2. Discussion on the 2018 Annual Audit Plan. 3. Amendments to the Regulations for the Internal Auditing.

Attendance of supervisors in the Board meetings:

1. The Board of Directors held 4 meetings in 2017 prior to elections at the shareholders' meeting on May 26, 2017.

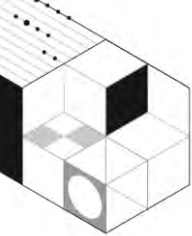
The attendance record of supervisors are as follow:

Title	Name	Actual Attendance	Actual Attendance Rate %	Remarks
Supervisor	Wen-Yuan Chu	3	75%	Dismissed
Supervisor	Walsin Technology Corporation Representative: Yeu-Yuh Chu	3	75%	Dismissed
Supervisor	In-Shek Hsu	3	75%	Dismissed

2. Other matters required to be recorded:

(1) Composition and responsibility of Supervisors: Supervisors are elected by the Shareholders Meeting according to the law. They shall periodically review the Company's internal audit reports and attend the





Board meetings to oversee their operation. Each year they review the relevant financial statements and submit them to the Shareholders Meeting.

- Status of communications between Supervisors, employees and shareholders:

When required for carrying out auditing operations, Supervisors may obtain information regarding the overall operation of the Company as well as its finances or financial risk situations through the internal auditing head, Finance Department head or Accounting Department head via meetings or telephone communications.

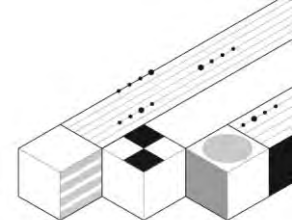
- Status of communications between Supervisors, internal auditing head and the CPA:

- Supervisors are to hold periodic meetings with the CPA at least once a year. The CPA is to report to the Supervisor on the Company's financial status, the financial statuses and overall operating statuses of the Company's subsidiaries at home and abroad, as well as the status of the internal control and auditing operations. Issues including whether or not there have been major entry adjustments as well as whether or not changes to any laws have affected the Company's books are to be thoroughly communicated; Meetings can be called at any time when major issues are encountered.
- Supervisors shall appoint the CPA to review the Company's financial statements, with review reports given to Supervisors for perusal.
- Internal auditing head shall meet with Supervisors at least once a quarter to provide reports regarding the status of the Company's internal auditing operations as well as the status of the company's internal control operations; Meetings can be called at any time when major issues are encountered.

(2) If Supervisors attending a Board meeting have opinions, the Company shall indicate the date and session of the meeting, the issues discussed, the resolutions passed and the Company's reaction to such opinions:
Not applicable

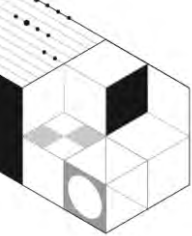
(3) Differences between our corporate governance and the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies and reason(s):

Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
1. Has the company set and disclosed the principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies?"	Yes		The Company has formulated the Corporate Governance Principles and Practice according to the "Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies" and disclosed them on the Company's website. http://www.walsin.com/walsin/userfiles/file/rule09_20180212.pdf	In line with the Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies
2. The Company's ownership structure and shareholders' equity				
(1) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	Yes		(1) Our Shareholders Service Office is in charge of handling various shareholder recommendations, queries and disputes. The Company also provides related contact details on the Company's website and in the annual report and has set up a stakeholder mailbox to collect stakeholders' questions and suggestions.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
(2) Has the company had a	Yes		(2) The Company periodically discloses the list of ultimate	

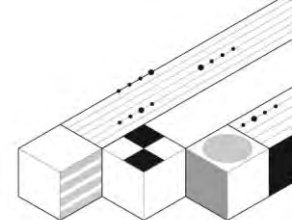


Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE-TPEx-listed Companies and Reason(s)
	Yes	No	Summary Description	
list of major shareholders who actually control the company or a list of ultimate controller of such shareholders?			controllers of its principal shareholders pursuant to the law.	
(3) Has the company established and implemented risk control/management and firewall mechanisms between the company and its affiliated firms?	Yes		(3) 1. The Company has drafted rules governing the supervision of its subsidiaries, which have been approved by the Board. 2. All of the Company's affiliates are subsidiaries; the Company directly or indirectly retains at least 50% of their shares. Business dealings with affiliates are treated as transactions with third parties. 3. The Company has drawn up rigorous rules governing the lending of funds and the providing of guarantees to its affiliates.	
(4) Has the company set internal regulations that prohibit the company's personnel from taking advantage of information that has not been disclosed to the public to purchase or sell securities?	Yes		(4) In order to establish an effective handling and disclosure mechanism for major internal information processing operations, so that unauthorized information leakage can be avoided, consistency and accuracy of information disclosed by the Company to the public can be maintained and insider trading can be prevented, the Company has established the "Procedures for Major Internal Information Processing Operations," for observation by all. In addition, the Company has made available copies of such procedures to the Company's Directors and Supervisors, incorporated them in the Company's internal regulations and uploaded an electronic copy to the Company's electronic bulletin board for the perusal by all managerial officers and employees at any time. The Company's Employee Code of Ethical Conduct and Director Code of Ethical Conduct were approved at the 4th session of the 18th Board of Directors on 2018/01/19 and 2015/04/01. Such codes are regulations pertaining to the prohibition of insider trading pursuant to the Company's internal regulations and the Securities and Exchange Act. These codes are incorporated in the Company's internal regulations and uploaded as an electronic copy to the Company's electronic bulletin board for the perusal by relevant personnel.	
3. The composition and duties of the Board				In line with the Corporate



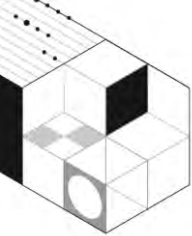


Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
(1) Has the Board of Directors devised a plan for a more diverse composition of the Board? If so, has the plan been implemented?	Yes		(1) The Company's "Corporate Governance Guidelines and Practices" already includes clear guidelines for diversifying the Board of Directors. When the Company re-elected its board members in 2017, it followed this principle of diversity and elected not only shareholders, but also industry elites and financial/accounting experts. In order to promote and realize gender equality, increase the number of women participating in the decision-making process, as well as to enhance the composition of the Board of Directors, we also have women on our Board of Directors. Diversification of the Board of Directors' members has been implemented as shown in Note 3.	Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
(2) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?	Yes		(2) The Company has established functional committees <ul style="list-style-type: none"> a. The Compensation Committee was established on September 27, 2011 and the "Regulations Governing the Organization of the Compensation Committee" was drew up. b. The 1st session of the 18th Board of Directors on May 26, 2017 set up the Audit Committee and set up "Audit Committee Charter". c. Besides the committee established according to the laws, the Company's 7th session of the 17th Board of Directors on April 29, 2015 further set up the CSR Committee and the Integrity Management Committee. 	
(3) Has the company established methods for appraising the performance of the Board of Directors as well as actual procedures for executing the appraisals? If so, has the company executed appraisals of the performance of the Board annually?	Yes		(3) To improve our corporate governance, on October 28, 2015, the 10th session of the 17th Board of Directors approved the proposal of the Compensation Committee to amend and divide the "Regulations Governing the Performance Appraisal and Remunerations for the Board of Directors (Including Functional Committees)" into the "Regulations for the Board of Directors' Performance Appraisal" and the "Regulations for the Payment of Remunerations to Directors, Supervisors and Members of Functional Committees". In accordance with the latest regulations, the Company's Board members in December of each year evaluate their own performance based on established indicators regarding the leadership in strategy direction and supervision of the Company's operation/management in an effort to improve shareholders' long-term value. On 2016/10/28, the 17th session of the 17th Board of	

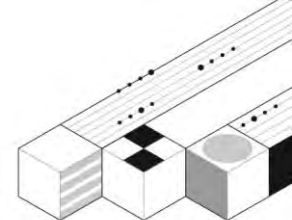


Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
(4) Has the company periodically evaluated the level of independence of the CPA?	Yes		<p>Directors amended the "Regulations for the Board of Directors' Performance Appraisal" by adding thereto the implementation of such appraisal: an external professional institution or a group of external experts and scholars better conducting appraisal at least once in three years, and the Board having to implement the performance appraisal annually when the current year ends. The 2nd session of the 18th Board of Directors on August 4, 2017 approved the amendment of the "Regulations for the Payment of Remunerations to Directors and Members of Functional Committees" and cancelled the position of Supervisors.</p> <p>(4) Before we appoint a new CPA annually, its independence shall be examined by the Audit Committee and Board of Directors for approval by resolution. In addition, we request the CPA to provide an "Impartiality and Independence Statement" each year. We have to confirm that except for the expenses paid to the CPA for certifying our financial statements and for handling certain financial, tax affairs, we have no other business dealings with the CPA and that their family members have not violated the independence requirements. Only after such confirmation, will we consider the CPA's appointment and the relevant expenses.</p> <p>Items for assessment of the CPA's independence are shown as Note 4.</p>	
4. Has the TWSE- or TPEX-listed company set up the dedicated or non-dedicated unit or staff in charge of the corporate governance-related affairs (including but not limited to providing information for the Directors and Supervisors to execute their duties, handling the affairs related to the Board meetings and the Shareholders Meeting as prescribed by law, handling the company's registration or its amendments, preparing the minutes of the	Yes		Our President's Office is responsible for the corporate governance-related affairs and centrally corporates with all other divisions in handling such affairs. Besides, both our Legal Office and Shareholders Service Office are jointly responsible for the affairs relevant to the Board's meetings and the Shareholders Meeting, preparation of such meetings' minutes, the Company's registration and its amendments, etc.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.





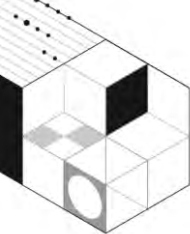
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
Board meetings and the Shareholders Meeting, etc.)?				
5. Has the company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a dedicated stakeholder area on the company's website, as well as appropriately responded to important CSR issues that stakeholders are concerned about?	Yes		<p>1. The Company has been maintaining open communication channels with interested parties that include customers, shareholders, banks it has business dealings with, employees, suppliers, communities, competent authorities, or persons so connected with the Company. Communication channels can be found on the Company's internal and external websites as well as in its annual reports, to facilitate understanding of the Company's CSR issues that stakeholders are concerned about, so that appropriate responses can be made.</p> <p>2. The Company has established the "Procedures for Stakeholder Complaints and Recommendations", through which stakeholders can communicate with the Company directly, propose constructive advice and file complaints.</p> <p>The Company has a contact channel on its website designated to stakeholders; a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions and file complaints to the Company. Information received shall be handled by the Auditing Office.</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
6. Has the company appointed a professional shareholders service agency to handle affairs related to the Shareholders Meeting?	Yes		The Company has handled such affairs by itself since March 1993.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
7. Information disclosure (1) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance statuses? (2) Has the company adopted other ways to disclose information (e.g., maintaining an English-language website, appointing responsible	Yes Yes		<p>(1) Please visit Walsin Lihwa Corporation's Chinese/English website: http://www.walsin.com</p> <p>(2) The Company has a dedicated department for collecting its information and periodically updating its website. The Company has implemented one-spokesperson policy, with one or more deputy spokespersons. It has also established the "Procedures for Major Internal Information Processing Operations" that requires</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.



Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
people to handle corporate information collection and disclosure, appointing spokespersons, webcasting investor's conferences, etc.)?			management as well as employees to properly keep financial as well as business secrets. We also require that personnel follow the "Corporate Governance Principles and Practices". Any change of our spokesperson or deputy spokespersons shall immediately be made public. The Company's website regularly discloses major announcements, transactions with key stakeholders and investors conferences at: http://www.walsin.com/walsin/page.do?menuId=65	
8. Has the company had other information that is helpful for understanding the status of corporate governance (including but not limited to employee rights and interests, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	Yes		1. Please read "(5) Implementation of Corporate Social Responsibility" of this year's Annual Report for information concerning the Company's systems, measures, implementation of employee rights and interests, investor relations, supplier relations and rights of interested parties. 2. Please read "3. Corporate Governance Report-Status of Corporate Governance (8)," "Financial Condition and Review and Analysis of Financial Performance and Risks 6" and "3. Corporate Governance Report-(6) The status of the Company fulfilling its honest operation promise and the measures it has taken" of this year's Annual Report for Directors and Supervisors seeking further education, risk management policies and risk evaluation standards, implementation of customer policies and liability insurance taken out for Directors and Supervisors.	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. 1. With respect to the 2016 Corporate Governance Evaluation results, our improvements in 2017 are as follows: We established the Audit Committee and convened two investor conferences. 2. Matters to be improved by priority and the measures: We will continue to pay attention to such matters as the work safety, environmental pollution and product safety; we plan to amend the dividend policy.				

Note 1: The company shall provide explanations in the summary description box, regardless of whether actual governance is ticked "Yes" or "No."

Note 2: The corporate governance self-evaluation report mentioned here refers to the corporate governance evaluation conducted and explained by the company itself and is a report on how the company enforces corporate governance.



Note 3: Diversification of the Board of Directors' members has been implemented as follows

Title	Name	Gender	Diversification items								
			Administrative management	Industry knowledge	Economic and financial law	Industrial technology	Marketing	Procurement	International Commerce and Trade	Information technology	Green energy and environmental protection
Chairman	Yu-Lon Chiao	M	✓	✓		✓	✓				
Vice Chairman	Yu-Hwei Chiao	F	✓	✓			✓	✓			
Director	Yu-Cheng Chiao	M	✓	✓		✓				✓	
Director	Yu-Heng Chiao	M	✓	✓		✓				✓	
Director	Hui-Ming Cheng	M	✓	✓	✓						✓
Director	Tung-Yi Chan	M	✓	✓		✓				✓	
Director	Wei-Shin Ma	F	✓	✓			✓				
Independent Director	Ming-Ling Hsueh	M	✓	✓	✓						
Independent Director	King-Ling Du	M	✓	✓		✓	✓	✓			✓
Independent Director	Shiang-Chung Chen	M	✓	✓			✓			✓	
Chairman	Steve Ruey-Long Chen	M	✓	✓	✓				✓		

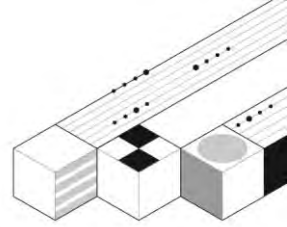
Note 4: Items for assessment of the CPA's independence

Appraisal Items	Results	Compliant with Independence?
1. Have the CPA and his family members had direct or significant/indirect relations with the company in financial interests?	No	Yes
2. Have the CPA and his family members had any financing or guarantee with the company or its directors?	No	Yes
3. Have the CPA and his family members had commercial relations with the company, its directors, supervisors and managers, which affects the CPA's independence.	No	Yes
4. Currently or in the most recent two years, has the CPA held the posts in the company, such as the director, supervisor, manager or any post which significantly influences the auditing work? Has the company promised its CPA any foregoing post?	No	Yes
5. During the auditing period, does the CPA have the direct blood relations, direct relations by marriage, or collateral blood relations within the second degree of kinship with the company's directors, supervisors, or managers?	No	Yes
6. During the auditing period, does any family member of the CPA hold the posts in the company, such as the director, supervisor, managers or any post which significantly influences the auditing work?	No	Yes
7. Has the CPA acted as a broker for the shares or other securities issued by the company?	No	Yes
8. Has the CPA acted as the company's defense attorney or represented the company to negotiate with any third party over any dispute?	No	Yes
9. Has the CPA received from the company or its directors, supervisors, managers, or major shareholders any offer or gift, the value of which exceeds the usual social etiquette standards?	No	Yes
10. Has the CPA's audit team implemented the necessary procedures regarding independence/conflicts of interests? Is there any violation of the independence or any unsettled conflict of interests?	No	Yes

Note: Family members: They mean the CPA's spouse (or cohabitant), minors or other dependents.

Close relatives: They mean the CPA's direct blood relatives, direct relatives by marriage and siblings.

Auditing period: It usually begins from the date on which the members of the audit team start auditing and ends on the date when the audit report is issued. If the audit case is cyclical, the cycle period belongs to the auditing period.



(4) Composition, duties and operation of the Compensation Committee:

On 2011/09/27, the Company established the Compensation Committee and drew up the "Regulations Governing the Organization of the Compensation Committee". The Compensation Committee is comprised of three members, who currently all are Independent Directors. The Committee is aimed at helping the Board establish and periodically review the performance appraisal of Directors and managers and the remuneration policy, system, standards and structure, as well as periodically review and determine the remunerations for Directors and managers.

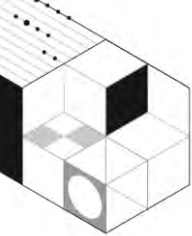
1. Information of the members of the Compensation Committee

Identity	Name	Whether Possessing at least 5 Years of Work Experience and the Following Specialized Qualifications			Meet the independence criteria (Note)								Number of Other Public Companies in which the Member also Serves as an on the Compensation Committee	Remarks
		An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university	A judge, public prosecutor, attorney, accountant, or other professional or technical specialist related to the needs of the Company who has passed a national examination and received a certificate	Having work experience in commerce, law, finance, or accounting or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	King-Ling Du	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	2	
Independent Director	Shiang-Chung Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Ming-Ling Hsueh	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	4	

Note: If the member meets any of the following criteria in the two years before being elected or during the term of office, please check "✓" in the corresponding box.

- (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. Except in the case of the company or its parent company, an independent director is set by the company in accordance with the Company Act of the R.O.C. or a local law in the foreign country.
- (3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minors and shares held under others' names, exceeds 1% of the total number of outstanding shares of the company, or ranks in the top ten shareholders of the company.
- (4) Not a spouse, relative within the second degree of kinship, or direct blood relative within the third degree of kinship of any of the persons in the preceding three paragraphs.
- (5) Not a director, supervisor or employee of a juristic-person shareholder that holds directly 5% or more of the total number of outstanding shares of the company or ranks in the top five shareholders.





- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the company.
- (7) Not a professional or an owner, partner, director, supervisor, manager together with his/her spouse, who provides commercial, legal, financial, accounting services or consultation to the company or any of its affiliates.
- (8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

2. Information on Operation of the Compensation Committee

- (1) The Company's Compensation Committee is comprised of three members.
- (2) Term for the current committee members: From May 26, 2017 until the end of the 18th Board of Directors term.
- (3) The Compensation Committee met six times in 2017 and the job titles and attendance records of the committee members are as follows:

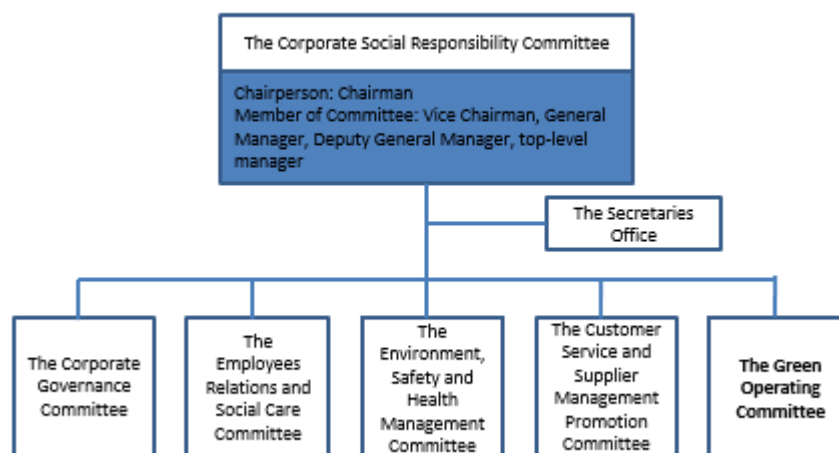
Title	Name	Attended in Person	Attended by Proxy	Attendance Rate (%)	Remarks
Convener	King-Ling Du	6	0	100%	
Member	Shiang-Chung Chen	4	2	67%	
Member	Ming-Ling Hsueh	6	0	100%	

- (4) Other details that need to be recorded:

Decisions made by the Compensation Committee for which certain committee members were against or had reservations that were recorded or expressed via written statements: None

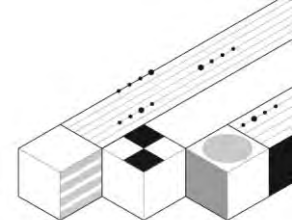
(V) Fulfillment of social responsibility

The relevant matters under charge and the organizational structure of the Corporate Social Responsibility Committee go as follows:



Duties of the Committees

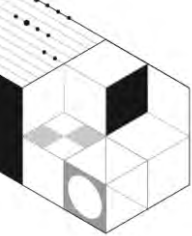
Department	Responsibility and function
The Corporate Social Responsibility Committee	It is our highest-leveled CSR organization which establishes our corporate sustainable development vision and strategy, reviews the overall operational directions of the Group and each functional committee through regular meetings and oversees the implementation results. It reports the annual CSR results to the Board of Directors in the following year.
The Corporate Governance Committee	It was established to build an effective corporate governance structure and related ethical standards and issues, so as to improve corporate governance.
The Employees Relations and Social Care Committee	It was established to promote and build a safe and healthy working environment for employees to fully utilize their talent for reasonable compensation and benefits. It also



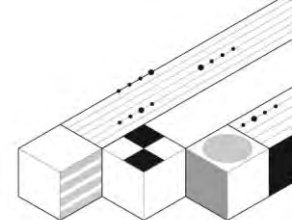
Department	Responsibility and function
	develops social care policies to actively participate in the public welfare, social cares and CSR education, so as to pay back to society with concrete, continuous action.
The Environment, Safety and Health Management Committee	It was established to formulate our environmental protection, safety and health policies, implement related plans, oversee and report on the implementation performance. Being composed of the heads of cross-business units and related departmental cadres, it carries out the interdepartmental integration and implementation promotion on related issues.
The Customer Service and Supplier Management Promotion Committee	It was established to formulate policies and implementation plans for the improvement of customer service quality and supplier management, oversee and report on the implementation performance. Being composed of the heads of cross-business units and related departmental cadres, it carries out the interdepartmental integration and implementation promotion on related issues.
The Green Operating Committee	It was established to formulate the green operation strategy. Based on the implementations of CSR, it is to identify green products and services with future value, including product design, material procurement, manufacturing, sales and service systems, etc., which are all green oriented.
The Secretaries Office	It is a staff unit established under the CSR Committee to collect and verify the needs of the interested parties, provide the CSR Committee with identification of key issues and prepare CSR reports as well as disclose the relevant information and promotions of CSR.

Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
I. Implementation of corporate governance (I) Has the company established a CSR policy or system and examination of its implementation results?	YES		(I) In order to fulfill our CSR as well as promote balance and sustainable development in economy, society and the ecological environment, we established the Walsin Lihwa CSR Policy in October 2014: Insisting on honesty and integrity to increase operational performance Enhance corporate governance to achieve sustainable corporate development Create a friendly environment and build an organization that always continues to learn and improve Provide a high-quality environment and ensure safety through sound management Implement environmental protection and energy conservation, leading the way towards greener production Fulfill our role as a corporate citizen and engage in efforts that benefit society In December 2014, we released our "Practical Guidelines for Corporate and Social Responsibilities" to serve as the guidelines to establish and execute related policies and the Board of Directors supervises the fulfillment of our social responsibilities, as well as continually reviews our progress and results. In	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.



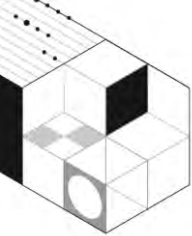


Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
(II) Has the company periodically provided educational training on CSR?	YES		<p>April 2015, after the Company's "CSR Committee" was founded, the Committee regularly reports the CRS status to the Board of Directors.</p> <p>(II) The Company's CSR Committee and other departments regularly host CSR lectures related to corporate governance, environmental protection, occupational safety and supply chain management for the Directors, Supervisors and employees. In 2017, the Company hosted 1 session of the Taiwan Stock Exchange (TWSE) "Corporate Governance Evaluation Indicators" seminar, open to all responsible personnel in relevant departments, to promote the requirements of governance evaluation. In order to improve the integration of the overall Company's environment protection and occupational safety and health management system, the Company has hosted 21 trainings sessions for ESH personnel of all plants on topics related to ISO14001, chemicals and operations.</p>	
(III) Has the company established a dedicated or non-dedicated department for fulfilling CSR, with the Board of Directors authorizing high-ranking managers to handle such efforts and report the relevant progress to the Board of Directors?	Yes		<p>(III) The Company established a "CSR Committee" after approval by the 7th session of the 17th Board of Directors in April 2015. The Committee is in charge of the strategies and the vision for a sustainable corporate operation. In order to ensure the CSR operation and management are well executed, the Committee has established functional sub-committees such as the "Corporate Governance Committee", the "ESH Management Committee", the "Green Operation Committee", the "Customer Service and Supplier Management Committee" and the "Employee Relations and Social Care Committee". In addition to regular CSR development updates to the Independent Director and the Directors, the Committee also reports the annual review of CSR operations to the Board of Directors; the 2017 CSR review and the 2018 plans are scheduled for a report in May 2018.</p>	
(IV) Has the company established reasonable salary/compensation policies, integrated employees performance appraisal system	Yes		<p>(IV) 1. The Company has established policies and regulations governing the remuneration to our managers and employees. We pay and compensate our employees based on market pay levels as well as individual</p>	

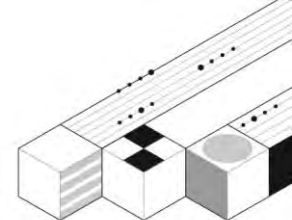


Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
with the CSR policy and established clear and effective reward and punishment systems?			<p>performance.</p> <p>2. To implement CSR, our managers have annual goals that include goals for environmental protection, work safety, as well as operational management. These same goals have also been applied to sales-related departments. At the end of the year, the performance shall be appraised according to the progress and results of these efforts.</p> <p>3. The company has established rewards and punishments systems for employees conduct.</p>	
<p>2. Developing a sustainable environment</p> <p>(I) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment?</p>	Yes		<p>(I) All of our plant sites set their annual goals and directions in terms of energy conservation at the beginning of each year. We also increase our energy utilization rates through saving water and reducing waste. In addition, our offices also actively promote energy conservation and carbon reduction, as well as the recycling and reuse of resources. Furthermore, we also make efforts to strengthen education in these areas for the employees.</p> <p>The raw materials used in Walsin Lihwa stainless steel products include: scrap stainless steel, scrap carbon steel, ferrochrome, ferronickel, steel slabs, steel coils, steel billets, steel bars and steel wire rods. The scrap stainless steel and the scrap carbon steel are all recycled and reused raw materials; the recycled materials occupy 45% of all the raw materials. Furthermore, the ferrochrome, ferronickel, steel slabs, steel coils, steel billets and steel bars, are recyclable raw materials, which can be recycled and reused after processing into final products; the reusable materials occupy 52% of all the raw materials. Thus, all the raw materials used in the stainless steel business are recycled or reusable; the two types together occupy 99% of the total raw materials.</p> <p>The raw materials used in Walsin Lihwa copper wire, wire and cable products include: copper, PVC particles, PE particles, plastic and copper bars. The copper is highly reusable, therefore</p>	<p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>

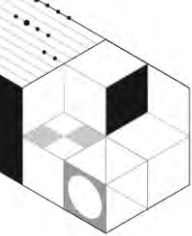




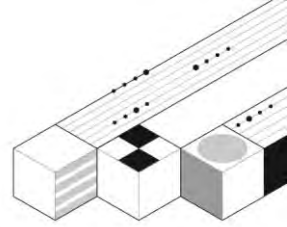
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
(II) Has the company established a proper environmental management system based on the characteristics of the industry?	Yes		<p>the reusable raw materials attain 80% of the raw materials.</p> <p>In terms of the recycling of packaging material, the wire and cable business recycles and reuses the material to reduce the impact of waste on the environment. The packaging materials mainly include: pallets, metal frames, metal shafts, wooden shafts and sealing plates. The recycle rate of packaging materials is nearly 80%.</p> <p>(II) The Company has managed the environment of all our plants at home and abroad pursuant to the Government's provisions. To conform with the international environmental conventions, our plants in Taiwan (Xinzhuang Plants 1 and 2, Yangmei Copper Wire Plant, Taichung Plant and Yanshui Plant) and in China (Shanghai Power plant, Nanjing Plant, Jiangyin Plant, Yantai Plant and Changshu Plant) have obtained ISO 14001:2004 environmental management certification. The Company have continued with improvements and enhanced environmental management performance in stages.</p>	
(III) Has the company taken note of any impacts climate change has had on its operations and engaged in measuring emissions of the greenhouse gases (GHGs), establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a GHGs reduction strategy?	Yes		<p>(III) We continually monitor any direct or indirect effects climate change may have on our operations. With regards to our products, our 600V PVC electric wire products obtained SGS carbon footprint certification, making us Taiwan's first company whose 600V PVC wire products have obtained carbon footprint certification. And to cope with climate change and global warming, GHGs reduction is an important means and their inventory can provide reduction basis. Reduction goals and priorities can be established based on the inventory results and the subsequent reduction process would become more efficient and the reduction results could be verified.</p> <p>Beginning in 2013, Walsin Lihwa has verified greenhouse gas emissions annually as a first step towards power-saving and carbon reduction (the 2016 - 2020 required carbon reduction rate is 5%) and has conducted carbon inventory and reduction as well as built the "Environmental Safety Information Platform - Ability for greenhouse gas inventory and product carbon inventory calculation"</p>	



Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
			where all the Taiwanese and overseas plants must complete range one and range two greenhouse gas inventory from the previous year and actively promoted inspections by external certification institutions in compliance with ISO 14064-1. After the Yanshui Plant received ISO14064-1 certification in 2015, the Taichung Plant also received ISO14064-1 certification. All the plants in Taiwan are planned to receive ISO14064-1 certification and the carbon footprint certification in 2019 and to establish overall product carbon inventory and management skills, as well as increase international competitiveness of our products.	
3. Safeguarding public welfare				In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Has the company established its management policies and procedures in accordance with relevant laws, regulations, as well as international conventions regarding human rights?	Yes		(I) The Company complies with relevant laws and regulations as well as the International Bill of Human Rights. It is dedicated to the protection of labor rights, including gender equality, freedom of association, the right to work and the prohibition of discrimination and the protection of the rights of the employees; it has also established relevant regulations.	
(II) Has the company established employee complaint channels as well as appropriately dealt with any such issues?	Yes		(II) The Company has established the "Procedures for Stakeholder Complaints and Recommendations". Employees may use the suggestion box or complaint hotline on the Company's website to offer constructive advice and file complaints. The Company train new employees during orientation training on the employee code of conduct and rules for executing their tasks so that they can understand our principles of integrity management. Additionally, we also introduce employees to a channel for suggestions, which is to encourage employees to report any suspicious activities or misconduct within the organization or between transacting parties; thereby damages caused by unlawful or irregular behavior will be prevented. The Company also regularly holds symposiums or labor-management meetings to ensure an unobstructed channel for communication.	
(III) Has the company provided a safe and healthy work environment for employees and provided education on	Yes		(III) The Company has had a safety & health management organization and management personnel, established safety work guidelines, standards for the safe operation of machinery	

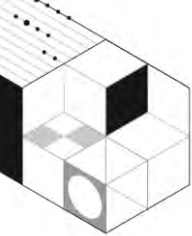


Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
safety and health for employees on a regular basis?			and equipment and periodically inspected various machines and relevant training in an effort to provide the employees with safety education and health examinations. In addition, workshops are held periodically to share safety knowledge with employees.	
(IV) Has the company established a mechanism for regular communications with the employees and keeping them informed in a reasonable manner of its operation changes that may have significant impact on them?	Yes		(IV) 1.The Company has trade unions and labor-management communication meetings, through which we can regularly discuss with the employees over labor-management issues. 2. The Company has constructed a Web portal (intranet communication platform for communication) that is updated twice a month, regularly publishes "Walsin People's e-Newsletter" to share important operation and management information and, through electronic bulletin board postings, announces or conveys the Company's important information, in order that the colleagues can immediately grasp the Company's latest news or activities. 3. The Company has set a corporate mailbox that provides a channel of communication between the employees and the Company.	
(V) Has the company established an effective career development and capability training program for its employees?	Yes		(V) Each year, the Company provides appropriate training courses and budgets according to the current job requirements and career development needs of the employees.	
(VI) Has the company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations and service processes?	Yes		(VI) We do not directly come into contact with the average consumers as the products we manufacture are not for end users. However, our company website provides information on the Company's news, product information and the phone numbers and emails of the responsible persons of various services. The Company has also established a stakeholder communication channel for filing complaints regarding consumer rights protection.	
(VII) In terms of the marketing and labeling of products and services, has the company followed relevant laws, regulations and international standards?	Yes		(VII) The marketing and labeling of our Company's products and services comply with laws and regulations of the ROC and the location where our products or services are sold, the international standards, or specific labeling requests by our customers.	
(VIII) Before doing business with suppliers, does the company assess whether or not the	Yes		(VIII) The Company has established evaluation mechanisms for the selection of our suppliers. We have also established plans for	



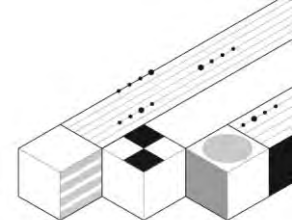
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
<p>suppliers have had previous records of adversely affecting the environment or society?</p> <p>(IX) Have the company's contracts with major suppliers included a clause that states that if the suppliers violate their CSR policies, resulting in significant impacts to the environment and society, the company has the right to terminate the contracts at any time?</p>	Yes		<p>implementing the CSR measures. Past records of the impact our potential suppliers have had on society and the environment are taken into consideration during these evaluations, which allows for an even more comprehensive supplier evaluation mechanism.</p> <p>(IX) The Company shall immediately terminate or rescind the contract with any supplier who is involved in violating the CSR policy. If there is any doubtful significant impact a supplier's products have on the environment and society, the supplier shall, within the time limit required by the Company, make improvements and handle the dispute on their behalf or our behalf. If the Company sustains any damage therefrom, the supplier shall take full responsibility and the clause of full responsibility shall be added to the current standard contract and any new purchase order, and such clause shall be included in the new or renewed contract. In addition, we request our key suppliers and new suppliers to sign and return to us a "Supplier Management Commitment to Social Responsibility" so that suppliers and we can jointly realize the commitment to CSR.</p>	
<p>4. Improved Information Disclosure</p> <p>Has the company disclosed relevant and reliable CSR information on its website as well as on the MOPS?</p>	Yes		<p>The Company discloses its corporate social responsibility in its annual reports and on its website. The Company's website has a dedicated CSR section in Chinese and English, which discloses an overview of the Company's CSR status related to the economy, the environment and society. The online CSR section also provides the CSR reports published after the annual shareholder's meeting. The reports are also uploaded to the Market Observation Post System for stakeholders to download and be informed regarding CSR.</p>	<p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.</p>





Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
5. If your company has established CSR principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe differences between the principles and their implementation: In December 2014, the Company has established, based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", CSR principles which has also been approved by the Board of Directors. In January 2018, the Board of Directors approved the first revision of the Company's "Corporate Social Responsibility Best Practice Principles" in accordance with the revision of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies". The "Corporate Social Responsibility Best Practice Principles" serves as the guidelines to establish and to execute related policies related to corporate governance, ESH management, customer service and supplier management, green operation, employee relations and social care. There are no discrepancies between the principles and actual practice.				
6. Other key information useful for explaining the status of CSR practices: (1) With regard to developing a sustainable environment, please refer to "Operating Status, Environmental Protection Expenditure Status" in the annual report. (2) With regard to the Company's observing relevant labor regulations by safeguarding the lawful rights and interests of its employees and providing a safe and healthy work environment for its employees, please refer to "Operating Status, Labor-Management Relations" in the annual report. (3) "Growth and integration with the local communities" is the philosophy in the social care of Walsin Lihwa. It is a continuous implementation focused in four directions: "Minority Support", "Environment Conservation", "Community Development", "Corporate Citizen". These include: "Illuminating the Corners of Taiwan": The Company has initiated the 5-year donation project "Illuminating the Corners of Taiwan" in the end of 2016 to give back to society. The projects hopes to pay it forward by offering 5 elementary and junior high schools in rural Taiwan with relatively low resources more comprehensive faculty, environment and equipment and to develop characteristic physical and musical education. "Elementary and Junior High School Newspaper Reading Project": This partnership between PSA Charitable Foundation and Mandarin Daily News sponsors the "Elementary and Junior High School Newspaper Reading Project" every year. In 2017, the newspaper subscription fee was sponsored for 525 students in 31 classes of 13 schools in Taoyuan, Taichung, Tainan and Kaohsiung City. "Hwacaitiandi 2017 Charity Event": In the spirit of the philosophy "Our Constant Dedication is Companionship", the Company's subsidiary Walsin (Nanjing) Development Co., Ltd. hosted 12 charity events in partnership with 12 organizations in 2017. "Baoshan Vegetation Project": In 2017, Walsin Lihwa signed a Letter of Intent with College of Agriculture and Natural Resources, National Chung Hsing University to install a screen-house and an outdoors nursery on the Company's farming and pasture land's "hillside conservation zone" in Baoshan, Hsinchu County. They are used for "indigenous plants conservation and collection" and "indigenous plants resources and management talent development", as well as promote Taiwan's forest germplasm conservation and indigenous plants revegetation projects. The Company also continues to support "Beach Cleaning Volunteers", "Children Are Us Bakery Volunteers", the plant location surrounding parks or streets greenification, maintenance and adoption and local community culture and care events. In 2017, the Company donated a set of equipment to the Yanshui District Office Library. The plants in Taiwan also hosts regular film viewings, events and seminars on ecological environment education and minority care and uses the intranet employee communication platform to announce CSR related information. (4) In 2018, Walsin Lihwa was listed as the top 5% outstanding companies by the Taiwan Stock Exchange 4th "Corporate Governance Evaluation". In the same year, the Yanshui Plant received the "Exercise Enterprise Certification Award" from the Sports Administration and the Xinzhuang Plant received the "Occupational Health Family Demonstration Company" Certification of Appreciation from the Occupational Safety and Health Administration, the "Illuminating the Corners of Taiwan" project received the "Model for Education Charity Donations" from the Yilan County Government and the Company received the 2017 TSCA Taiwan Corporate Sustainability Report Awards.				

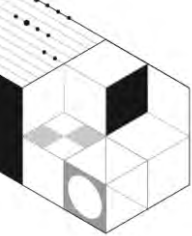
This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.



Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
(5) For details on the Company's other CSR related operations, please go to the Walsin Lihwa website CSR section (http://www.walsin.com/walsin/page.do?menuId=690) and read our 2017 CSR report.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: None Since Walsin Lihwa's 2015 CSR report, the Company has appointed Deloitte Taiwan to conduct third-party verification and the reports have all obtained the CPA limited assurance report. The third party CSR report assurance are conducted according to No. 1 Statements of Assurance Standards "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and "Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies". As of the publication date, the Company's 2017 CSR report is still being verified by Deloitte Taiwan and the a statement of verification is expected to be received in May 2018.				

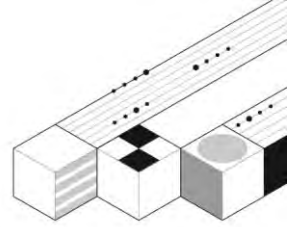
Note 1: always provide explanations in the summary description column, regardless of whether actual governance is ticked "Yes" or "No."

Note 2: If the company has prepared the CSR report, the summary description may just instead indicate the method to consult such report and the corresponding index page numbers.



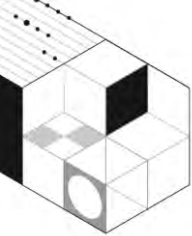
(6) The status of the company fulfilling its integrity management and the measures it has taken:

Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
I. Establishment of integrity policies and solutions				In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(I) Does the company state ethical corporate management policies and practices in its internal rules and external documents, as well as the commitment of the Board of Directors and management to actively implement management policies?	Yes		(I) Our Company has always insisted on honest business practices. We abide by the laws set forth by the government, implement our corporate governance principles and make our utmost effort to fulfill our corporate responsibilities. Our Board passed our "Principles for Honest Business Practices" and our "Behavioral Guidelines and Operation Procedures for Honest Practices" as the Company's policy for honest business practices. They are also disclosed on the Company's website to showcase our commitment to implementing and overseeing honest business policies.	
(II) Has the company established plans for preventing dishonest behavior? Has it clearly stated relevant operational procedures and behavioral guidelines within each plan? Has it implemented and executed these plans?	Yes		(II) 1. In accordance with the Company's "Principles for Honest Business Practices" and "Behavioral Guidelines and Operation Procedures for Honest Practices", it has established punishment policies and a complaint filing system for employees who violate relevant regulations, which is integrated with the employee performance evaluation. 2. The Company has formulated the "Director Code of Ethical Conduct" and "Employee Code of Ethical Conduct", which mandate that stakeholders must adhere to principles of honesty and integrity in order to ensure sound corporate governance. 3. The Company has formulated the "Regulations Governing the Handling of Business by Employees", stipulating that when performing their duties, employees shall not accept bribes or other improper benefits from companies, customers, competitors and suppliers, or bribe others. 4. We also communicate our collective values through the Company's intranet communication platform, thereby encouraging and strengthening the self-regulating attitudes and behavior of our employees.	
(III) Has the Company established measures to prevent the behaviors listed in Article 7 Item 2 of the "Ethical Corporate	Yes		(III) The provision and scope of Article 6 of the Company's Principles for Honest Business Practices have specifically encompassed the behavior listed in Article 7 Item 2 of the "Ethical	

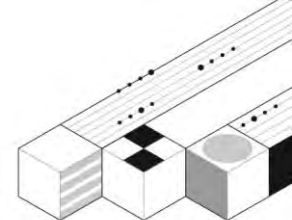


Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities with higher risk of dishonest behavior?			Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities with higher risks of dishonest behavior. The Company has reinforced relevant preventive measures by implementing internal regulations, establishing operating procedures, providing educational training, engaging in daily promotions and linking contract agreements with employee performance evaluation.	
2. Ensuring honest business practice (I) Has the company evaluated the honest business practices records of the companies it does business with as well as explicitly included honest business practices clauses in contracts?	Yes		(I) 1. The Company prevents transacting with companies with dishonest business practice records by adopting the following approaches: (1) When selecting a business partner, its past trading history and credit record shall be reviewed. When inviting bids, suppliers shall be informed of the principle of a fair, open and transparent supplier selection policy. (2) Entities we are selling to: Except for procurement projects from the government, the Company shall track the long-term credit information of distributors, with the reputation of new distributors obtained through credit reference agencies and other companies in the industry. 2. Including honest practice provisions in contracts: (1) Procurement contracts: We have either had honest business practices clauses added to the contracts or have the supplier sign an honest business practices statement. (2) Sales contracts: Honest business practices clauses have been added to all such contracts.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
(II) Has the company established a dedicated or non-dedicated department under the Board of Directors to ensure honest business practices? Does this department periodically report their status of implementation to the Board of Directors?	Yes		(II) Pursuant to Article 16 of our "Principles for Honest Business Practices", the Board of Directors resolved and set up an "Honest Business Practice Committee" in 2015. The Committee is responsible for establishing the integrity management policies and misconduct prevention programs and supervising the implementation thereof. It periodically meets at least once a quarter and regularly reports its implementation status to the Board of Directors annually. In an attempt to ensure the sound management of honest business practices, the Company shall establish a dedicated department under the Board of Directors, which shall be responsible for	



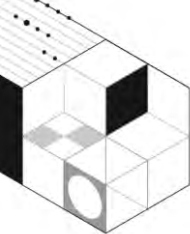


Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
			<p>establishing the integrity management policies and misconduct prevention programs and supervising the implementation thereof. It is mainly put in charge of the following items and shall regularly report to the Board of Directors:</p> <ol style="list-style-type: none"> 1. Assisting to integrate honesty and ethical values into the Company's operating strategies, as well as formulating related measures against corruption to ensure honest business practices. 2. Formulating programs to guard against dishonest behavior, as well as formulating related standard operating procedures and behavioral guidelines for work and business operations within each program. 3. Making plans for internal departments, organization and functions; installing a mechanism for mutual supervision and check & balance for business activities within the operating scope with higher risks of dishonest behavior. 4. Setting in motion and coordinating the promotion and training for honest policies. 5. Making plans for a complaint filing system while ensuring the effectiveness of implementation. 6. Assisting the Board of Directors and the management to examine and evaluate whether or not preventive measures to ensure the implementation of honest business practices have been working effectively; compiling regular reports based on the compliance assessment of related business procedures. <p>In 2017, the Honest Business Practice Committee met four times.</p> <p>Members of the Honest Business Practice Committee (with different functions):</p> <ol style="list-style-type: none"> 1. Secretariat (Human resource division): Assisting the Board of Directors and the management to examine and evaluate whether or not preventive measures to ensure the implementation of honest business practices have been working effectively; compiling regular reports based on the compliance assessment of related business procedures. 	

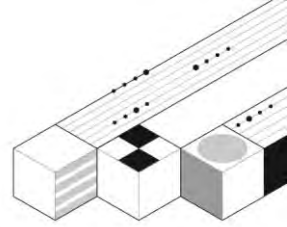


Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
(III) Has the company established policies to prevent conflicts of interest, implemented such policies and provided adequate channels of communication?	Yes		<p>2. Formulating behavior standard (Legal): Formulating programs to guard against dishonest behavior, as well as formulating related standard operating procedures and behavioral guidelines for work and business operations within each program.</p> <p>3. Reward and punishment (Human Resources): Establishing a clear and effective disciplinary system as basis for performance evaluation.</p> <p>4. Supervision and management (Auditing/Chief Control Officer)</p> <p>(1) Making plans for internal departments, organization and functions; installing a mechanism for mutual supervision and check & balance for business activities within the operating scope with higher risks of dishonest behavior.</p> <p>(2) Making plans for a complaint filing system while ensuring the effectiveness of implementation.</p> <p>5. Promotion and educational training (Human resources division): Setting in motion and coordinating the promotion and training for honest policies.</p> <p>(III) The Company has established the "Principles for Honest Business Practices" and "Behavioral Guidelines and Operation Procedures for Honest Practices" to regulate Directors, managers and employees in terms of obligations to the Company, external business activities, pecuniary transactions, avoidance of conflicts of interest and the management of classified information. The Company has a contact channel on its website that provides a means for filing complaints about violation of honest business practice, a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions to the Company. Information received shall be handled by the Auditing Office.</p>	
(IV) Has the company established effective accounting systems and internal control systems in order to ensure honest business practices and does it have its internal auditing department periodically perform audits or	Yes		<p>(IV) The Company actively works to ensure honest business practices. The Auditing Office (or hired CPA, when necessary) shall regularly audit relevant compliance statuses according to accounting policies, internal control policies, as well as other relevant regulations. The Auditing Office will periodically report its auditing results</p>	





Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
<p>have its CPA conduct audits?</p> <p>(V) Has the company periodically organized internal and external educational training on honest business practices?</p>	Yes		<p>during Board meetings.</p> <p>(V) During new-employee training, the Company periodically states its principles towards honest business practices. It also periodically holds courses on corporate governance as well as honest business practices and asks employees to participate. Our Company's Procurement Department also informs suppliers of our honest business practices principles in order to prevent dishonest business practices.</p> <p>A "Dedicated Area for Honest Business Practices" was set up on the employee portal website on May 15, 2017, allowing all employees to read and comprehend related information on honest business practices.</p> <p>In order to implement concrete measures for honest business practices and programs to guard against dishonest behavior, the Company proactively conducted employee training on topics relating to honest business practices as well as regulatory compliance at various plants in 2017:</p> <ol style="list-style-type: none"> 1. Jiangying plant: Two training sessions conducted; (1) the first session was attended by 31 persons and lasted two hours; (2) The second session was attended by 10 persons and lasted one hour. 2. Changshu plant: Two training sessions; (1) the first session was attended by 19 persons and lasted two hours; (2) The second session was attended by 14 persons and lasted two hours. 3. Xinzhuang plant 20 attendants for a duration of two hours 4. Taichung plant 55 attendants for a duration of two hours 5. Shangdian plant 30 attendants for a duration of three hours 	
<p>3. Status of the company's reporting mechanism</p> <p>(I) Has the company established concrete reporting and rewards systems, set up convenient reporting channels and appointed any appropriate, dedicated staffer to deal with the person who has been</p>	Yes		<p>(I) The Company's website provides a "Reporting Violations of Honest Business Practices" area, which allows people to file complaints about violations against honest business practices. There is also a "company mailbox" on the employee portal website, providing internal and external personnel with a means to file</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.

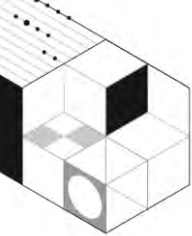


Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
reported?			complaints. The Auditing Office is responsible for handling related recommendations and violations. If the violations are verified, disciplinary action shall be taken in accordance with the Company's regulations.	
(II) Has the company established standard operating procedures for investigation as well as a related classified information mechanism for handling such reports?	Yes		(II) The Company has formulated the "Measures for Stakeholder Recommendations and Complaints," thereby protecting the identity as well as data of those who provide suggestions or feedback.	
(III) Has the company adopted any measure to protect the informers lest they be inappropriately treated?	Yes		(III) All reported cases are filed under the classified category, with a case opened to handle the issue. In addition, dedicated personnel are appointed to handling related tasks and issues in order to ensure the privacy of reporter and avoid unfair revenge or treatment.	
4. Improved Information Disclosure Has the company disclosed the content of its Principles for Honest Business Practices as well as related implementation results on its website and the MOPS?	Yes		The Company has established a Corporate Governance page on its website to disclose honest business practice-related information; it also discloses the implementation status of its honest business practice in the CSR report and also the Company's "Principles for Honest Business Practices," "Behavioral Guidelines and Operation Procedures for Honest Practices," "Director Code of Ethical Conduct," and "Employee Code of Ethical Conduct" on the MOPS.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.
5. If the company has established its ethical corporate management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE- and TPEx-listed Companies", please state the difference between such principles and implementation: In line with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies."				
6. Other key information useful for explaining the status of the implementation of honest business practices: (Such as the status of the Company's efforts to review and correct its Principles for Honest Business Practices): In February of 104, our company passed amendments to our Principles for Honest Business Practices in order to comply with the spirit of the newest Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. Our Board of Directors resolved and set up an "Honest Business Practice Committee" in April 2015 under the Board of Directors. The Committee is responsible for formulating integrity management policies and misconduct prevention programs and supervising the implementation thereof. It periodically meets at least once every quarter and regularly reports its implementation status to the Board of Directors annually.				

(VII) If the company has formulated corporate governance principles as well as other related regulations, it should disclose how they can be looked up: Our Company's corporate governance principles as well as relative regulations can be looked up on our Company website.

(VIII) Other important information helpful for improving understanding of the governance of the company:



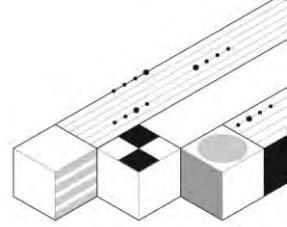


Corporate Governance Report

1. Further education on themes encompassing corporate governance the Company's Directors have received in the most recent year:

December 31, 2017

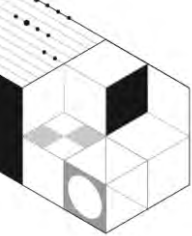
Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
Chairman	Yu-Lon Chiao	08/04/2017	08/04/2017	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	6hr
		04/07/2017	04/07/2017	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
Vice Chairman	Yu-Hwei Chiao	08/04/2017	08/04/2017	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	10.5hr
		04/07/2017	04/07/2017	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
		01/05/2017	01/05/2017	Taiwan Corporate Governance Association	Embracing the tide of change and rolling with it; greeting the new era of IoT and industry 4.0 The struggle between globalization and anti-globalization – Challenges to global economic and trade development	3hr	
		01/05/2017	01/05/2017	Taiwan Corporate Governance Association	The development of global economic trends – Economic outlook for 2017	1.5hr	
Directors	Yu-Cheng Chiao	2017/11/30	2017/11/30	Taiwan Corporate Governance Association	AI eating the world. What's the future of work? The past, present and future of artificial intelligence	3hr	16.5hr
		2017/11/30	2017/11/30	Taiwan Corporate Governance Association	Current international eco-political situations; Confucian management philosophies	3hr	
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	
		2017/07/06	2017/07/06	Taiwan Corporate Governance Association	Experience sharing on leadership changes– the power driving the transformation of Taipower Can IOT Make Semiconductor Great Again?	3hr	
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	Embracing the tide of change and rolling with it; greeting the era of IoT and industry 4.0 The struggle between globalization and anti-globalization – Challenges to global economic and trade development	3hr	
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	The development of global economic trends – Economic outlook for 2017	1.5hr	
Directors	Yu-Heng Chiao	2017/11/30	2017/11/30	Taiwan Corporate Governance Association	AI eating the world. What's the future of work? The past, present and future of artificial intelligence	3hr	9hr
		2017/11/30	2017/11/30	Taiwan Corporate Governance Association	Current international eco-political situations; Confucian management philosophies	3hr	
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
Directors	Hui-Ming Cheng	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	7.5hr
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	Embracing the tide of change and rolling with it; greeting the era of IoT and industry 4.0 The struggle between globalization and anti-globalization – Challenges to global economic and trade development	3hr	
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	The development of global economic trends – Economic outlook for 2017	1.5hr	
Directors	Wei-Shin Ma	2017/11/30	2017/11/30	Taiwan Corporate Governance Association	AI eating the world. What's the future of work? The past, present and future of artificial intelligence	3hr	12hr
		2017/11/30	2017/11/30	Taiwan Corporate Governance Association	Current international eco-political situations; Confucian management philosophies	3hr	
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	



Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
Corporate Director Representative	Tung-Yi Chan	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	7.5hr
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	Embracing the tide of change and rolling with it; greeting the era of IoT and industry 4.0 The struggle between globalization and anti-globalization – Challenges to global economic and trade development	3hr	
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	The development of global economic trends – Economic outlook for 2017	1.5hr	
Independent Directors	Steve Ruey-Long Chen	2017/08/21	2017/08/21	Securities and Futures Institute	When theories on the corporate secretary system meet practice – another discussion on new corporate governance systems after the overhaul of The Company Act	3hr	15hr
		2017/08/21	2017/08/21	Securities and Futures Institute	International and Taiwan's development against tax avoidance & countermeasures companies should adopt	3hr	
		2017/08/09	2017/08/09	Taiwan Corporate Governance Association	Corporate governance and criminal risks management	3hr	
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	
		2017/07/26	2017/07/26	Taiwan Corporate Governance Association	Legal Liability of Directors and Supervisors arising in Mergers and Acquisitions	3hr	
Independent Directors	Ming-Ling Hsueh	2017/09/20	2017/09/20	Securities and Futures Institute	Disclosure of material company information and the responsibilities of board directors	3hr	21hr
		2017/09/06	2017/09/06	Taiwan Securities Association	Insider trading and money laundering control	3hr	
		2017/08/29	2017/08/29	Taiwan Corporate Governance Association	Behind-the-scenes driving force for corporate governance – unveiling the mystery surrounding company secretaries	1hr	
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	
		2017/06/14	2017/06/14	Taiwan Securities Association	Organizational tenacity – opportunities and challenges facing financial digitalization	3hr	
		2017/04/28	2017/04/28	Taiwan Corporate Governance Association	Addendums & amendments to important financial regulations and trends – another discussion on the prevention of insider trading	3hr	
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
		2017/03/28	2017/03/28	Taiwan Corporate Governance Association	How can corporate operation deal with international risks? – (a makeup course for international relations)	1hr	
		2017/03/07	2017/03/07	Taiwan Securities Association	Addendums & amendments to important financial regulations and trends – another discussion on the constructive functionality of board directors	1hr	
Independent Directors	King-Ling Du	2017/11/01	2017/11/01	Taiwan Corporate Governance Association	Liabilities of board directors and supervisors for inaccurate financial statements	3hr	12hr
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	
		2017/08/02	2017/08/02	Taiwan Corporate Governance Association	Seeing through financial statements for hidden key messages	3hr	
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
Independent Directors	Shiang-Chung Chen	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	6hr
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	

2. For the attendance of Board meetings by Directors and Supervisors, please refer to "Corporate Governance Report. 4. Status of Corporate Governance (1), (2)."



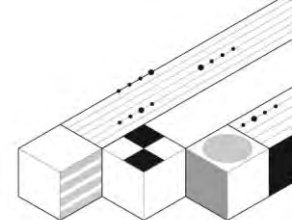


Corporate Governance Report

3. Further education in corporate governance participated by the Company's managers (including President, Vice President, Managers of BUs, Accounting head, Finance head, etc.) in 2017:

December 31, 2017

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Annual total
President	Hui-Ming Cheng	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	7.5hr
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	The development of global economic trends – Economic outlook for 2017	1.5hr	
		2017/01/05	2017/01/05	Taiwan Corporate Governance Association	Greeting the new era of IoT and industry 4.0 Rising up to the challenges and development in global economy and trade	3hr	
Served concurrently by a vice president Commerce & Real Estate BU Head	Fred Pan	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	6hr
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	
Vice President	Juei-Lung Chen	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	3hr
Chief information officer	Gean_Wei Liou	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	3hr
Chief technology officer	Shih_Ming Wang	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	3hr
Copper Wire BU Manager	Witty Liao	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	3hr
Stainless Steel BU Manager	Tian-Rong Chen	2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	3hr
Specialty Steel BU Manager	C.C. Chen	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	3hr
Head of Accounting Dept.	Nora Lin	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	6hr
		2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	
Head of Financial Dept.	Sophi Pan	2017/04/07	2017/04/07	Taiwan Corporate Governance Association	Corporate operation based on industry 4.0	3hr	6hr
		2017/08/04	2017/08/04	Taiwan Corporate Governance Association	Case sharing of knowledge management	3hr	



(9) Implementation Status of Internal Control System

1. Statement on Internal Control

Walsin Lihwa Corporation
Statement on Internal Control System

Date: February 23, 2018

In 2017, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2017, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been approved on February 23, 2018 by the Board, with none of the 10 Directors present opposing it.

Walsin Lihwa Corporation



Chairman: Yu-Long Chiao



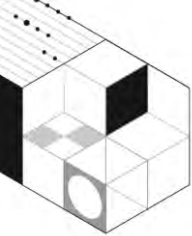
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President: Hui-Ming Cheng



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2. If CPAs are engaged to review the internal control system, their report shall be disclosed: None.

(10) In the most recent year, as of the day the annual report was prepared, the Company and its personnel have been penalized according to the law, the Company has penalized its personnel for having violated its internal control system, major deficiencies and corrective actions: None.

(XI) In the most recent year, resolutions passed at the AGM and board meetings, as of the day the annual report was prepared.

The Company hosted its 2017 AGM on May 26, 2017 at the 1st Floor Multimedia Conference Room, No.15, Alley 168, Xingshan Road, Neihu District, Taipei City. The following decisions, with implementation details, were made during the meeting:

Approvals, Discussions and Election Matters:

Motion No. 1

Description:	To accept our Company's 2016 Business Report, Balance Sheet, Consolidated Profit & Loss Statement, Changes in Equity Statement and Cash Flow Statement.
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was passed.
Implementation Status:	This was announced as an important resolution on the day of the Shareholders Meeting.

Motion No. 2

Description:	To accept our Company's 2016 Profit Distribution Table.
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was passed.
Implementation Status:	July 18, 2017 was the base date for dividend distribution and such distribution was completed on August 3, 2017. (Each share was issued a cash dividend of NT\$0.7.)

Motion No. 3

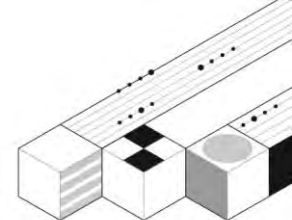
Description:	Amendments to our Company's Articles of Incorporation.
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was passed.
Implementation Status:	As provided by law, we applied for change in the corporate registration and such change was approved by the Ministry of Economic Affairs as evidenced by its letter Ref. Jing-Shou-Shang-Zi-Di No. 10601077170 dated 2017/06/16 and was published in our official website.

Motion No. 4

Description:	Amendments to our Company's "Rules of Procedures for Shareholders Meetings" and "Regulations for Election of Directors".
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was passed.
Implementation Status:	Relevant operations were handled in accordance with the revised regulations and the revised content was disclosed on the MOPS as well as our official website.

Motion No. 5

Description:	Amendments to our Company's "Regulations for the Acquisition and Disposal of Assets", "Regulations for Lending Capital to Others", "Regulations for Endorsements and Guarantees" and "Procedures for Derivatives Trading".
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was



	passed.
Implementation Status:	Relevant operations were handled in accordance with the revised regulations and the revised content was disclosed on the MOPS as well as our official website.

Motion No. 6

Description:	To elect our Company's directors of the 18th term.
Election results:	Directors: Yu-Lon Chiao, Yu-Hwei Chiao, Yu-Cheng Chiao, Yu-Heng Chiao, Hui-Ming Cheng, Wei-Shin Ma and Chin-Xin Investment Co., Ltd. Rep.: Tung-Yi Chan, totaling seven persons. Independent Directors: Steve Ruey-Long Chen, Ming-Ling Hsueh, King-Ling Du and Shiang-Chung Chen, totaling four persons.
Implementation Status:	These important election results were announced on the day of the Shareholders Meeting. The names of the new directors were approved by the Ministry of Economic Affairs as evidenced by its letter Ref. Jing-Shou-Shang-Zi-Di No. 10601077170 dated 2017/06/16.

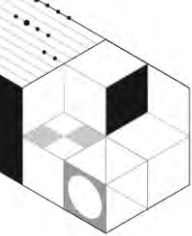
Motion No. 7

Description:	To lift the non-competition ban on directors imposed by Article 209 of the Company Act.
Resolution:	After a vote was held, the number of yeas exceeded the legal threshold and the motion was passed.
Implementation Status:	This was announced as an important announcement on the day of the Shareholders Meeting.

Important resolutions adopted by 2017 Board meetings as of the day the annual report was prepared 2017/01/13 (17th Board, 18th Meeting)

Important Resolutions:	Capital reduction of US\$11.3 million in order to reduce the unused cash pool of our company's overseas subsidiaries.
Results:	Proposal passed.
Important Resolutions:	To approve subsidiaries' lending of US\$253.48 million and RMB1.9 billion for a period of one year.
Results:	Proposal passed.
Important Resolutions:	To donate NT\$2 million to Hannstar Culture and Education Foundation.
Results:	Proposal passed.
Recusal:	Wei-Shin Ma.
Important Resolutions:	To lift the non-competition ban on managers.
Results:	Proposal passed.
Important Resolutions:	To propose the 2016 performance bonus amounts for the Board Chairman and Vice Chairman.
Results:	Proposal passed.
Recusal:	Yu-Lon Chiao and Yu-Hwei Chiao
Important Resolutions:	Motion to review managers' performance evaluation as well as bonuses and compensation for 2016.
Results:	Proposal passed.
Recusal:	Hui-Ming Cheng



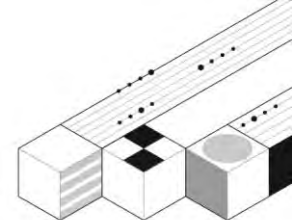


2017/02/17 (17th Board, 19th Meeting)

Important	Distribution of remuneration to employees, directors and supervisors for 2016.
Resolutions:	
Results:	Proposal passed.
Recusal:	Hui-Ming Cheng
Important	Proposal of the 2016 Profit Distribution Table.
Resolutions:	
Results:	Proposal passed.
Important	Proposal of the 2016 Internal Control System Statement.
Resolutions:	
Results:	Proposal passed.
Important	We have appointed Deloitte Taiwan as our CPAs. Their annual remuneration and independence
Resolutions:	evaluation are proposed for review and approval.
Results:	Proposal passed.
Important	Amendments to our company's Articles of Incorporation.
Resolutions:	
Results:	Proposal passed.
Important	To lift the non-competition ban on the 18th Board members.
Resolutions:	
Results:	Proposal passed.
Recusal:	Yu-Lon Chiao, Yu-Hwei Chiao, Yu-Cheng Chiao, Yu-Heng Chiao, Wu-Shung Hong (on behalf of Wei-Shin Ma), Ming-Ling Hsueh, King-Ling Du and Shiang-Chung Chen.
Important	To discuss and approve revision to our company's Regulations for the Acquisition or Disposal of
Resolutions:	Assets.
Results:	Proposal passed.
Important	To amend our Regulations for Lending Capital to Others, Regulations for Endorsements and
Resolutions:	Guarantees and Procedures for Derivatives Trading.
Results:	Proposal passed.
Important	To hold the 2017 Annual Shareholders Meeting on a designated date.
Resolutions:	
Results:	Proposal passed.
Important	Our company plans to fund a cash capital increase of Powertek Energy Co. with a maximum of
Resolutions:	NT\$460 million.
Results:	Proposal passed.
Recusal:	King-Ling Du
Important	To dispose of Office Building No. 4 of Phase I on Lots A & B of Walsin (Nanjing) Development Co.,
Resolutions:	Ltd.
Results:	Proposal passed.

2017/04/07 (17th Board, 20th Meeting)

Important	To lift the non-competition ban on the 18th Board members.
Resolutions:	
Results:	Proposal passed.
Recusal:	Yu-Lon Chiao
Important	To lift the non-competition ban on managers.
Resolutions:	



Results: Proposal passed.

2017/05/05 (17th Board, 21st Meeting)

Important Our company plans to fund a cash capital increase of Powertek Energy Corporation with a Resolutions: maximum of NT\$693 million.

Results: Proposal passed.

Recusal: King-Ling Du

Important To decide on the capital decrease date of the 20th share buyback.

Resolutions:

Results: Proposal passed.

Important Amendments to our internal control system regulations and the stock affairs operation's internal Resolutions: control principles concerning the financing cycle.

Results: Proposal was passed and 2017/05/26 was set up as the effective date for the new regulations.

Important To approve the charter for the Audit Committee.

Resolutions:

Results: Proposal was passed and 2017/05/26 was set up as the effective date for the charter.

2017/05/26 (18th Board, 1st Meeting)

Important In response to the reorganized Board of Directors, it is proposed to appoint the three independent Resolutions: directors Ming-Ling Hsueh, King-Ling Du and Shiang-Chung Chen as our 3rd Compensation Committee's members for a term from May 26, 2017 to May 25, 2020 (on the expiration of the current term of office of the Board of Directors).

Results: Proposal passed.

Recusal: Ming-Ling Hsueh and King-Ling Du.

2017/08/04 (18th Board, 2nd Meeting)

Important Amendments to our "Charter for the Compensation Committee", "Regulations for Remunerations Resolutions: to Directors, Supervisors and Functional Committees' Members" and "Regulations for the Board of Directors' Performance Evaluation".

Results: Proposal passed.

Important It is proposed to revise our company's "Regulations for the Interested Parties to Make Suggestions Resolutions: or Complaints to the Supervisory Unit".

Results: Proposal passed.

Important It is proposed to appoint Mr. Gean_Wei Liou as our Chief Information Officer and Mr. Shih_Ming Resolutions: Wang as our Chief Technology Officer.

Results: Proposal passed.

Important To continue buying liability insurance for our directors of this term and important staff.

Resolutions:

Results: Proposal passed.

Important To lift the non-competition ban on managers.

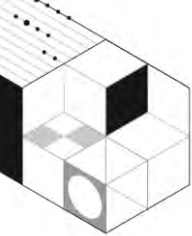
Resolutions:

Results: Proposal passed.

Important It is proposed that Walsin Lihwa Holdings Ltd. agree to lending our company a revolving fund of Resolutions: US\$200 million maximum.

Results: Proposal passed.





2017/11/02 (18th Board, 3rd Meeting)

Important It is planned to participate in Winbond Electronics Corporation's issuing new shares for cash capital
Resolutions: increase in 2017.

Results: Proposal passed.

Recusal: Yu-Cheng Chiao and Tung-Yi Chan.

Important In order to obtain residential development land, Walsin (Nanjing) Development Co., Ltd. intends to
Resolutions: participate in the land listing and transfer held by the Land Reserve Center of Jiangyin
Administration.

Results: Proposal passed.

Important Our 2018 Audit Plan is proposed for review and approval.

Resolutions:

Results: Proposal passed.

Important The amendment to our internal audit regulations is proposed for review and approval.

Resolutions:

Results: Proposal passed.

Important Amendments to the charter for the Audit Committee.

Resolutions:

Results: Proposal passed.

Important It is proposed to amend some provisions of our company's operational procedures for the internal
Resolutions: major information handling and for the statistical verification during the Shareholders Meeting.

Results: Proposal passed.

Important It is proposed to appoint Mr. Kevin Niu as our Chief Marketing Officer.

Resolutions:

Results: Proposal passed.

Important It is proposed to amend the Regulations for Remuneration to the Directors and Functional
Resolutions: Committees' Members, the relevant Table attached to the Regulations for the Board of Directors'
Performance Evaluation and the attachment to the Regulations for Managers' Performance
Evaluation and Remunerations.

Results: Proposal passed.

2018/01/19 (18th Board, 4th Meeting)

Important Amendments to some provisions of our Corporate Social Responsibility Best Practice Principles.

Resolutions:

Results: Proposal passed.

Important Amendments to some provisions of our Corporate Governance Best Practice Principles.

Resolutions:

Results: Proposal passed.

Important Amendments to some provisions of our company's Articles of Incorporation.

Resolutions:

Results: Proposal passed.

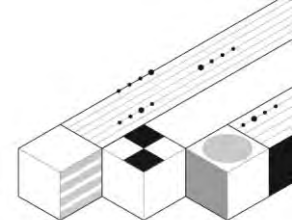
Important It is proposed to revise our Regulations for Lending Capital to Others and our Regulations for
Resolutions: Endorsements and Guarantees.

Results: Proposal passed.

Important To propose the 2017 performance bonus amounts for the Board Chairman and Vice Chairman.

Resolutions:

Results: Proposal passed.



Recusal:	Yu-Lon Chiao and Yu-Hwei Chiao
Important Resolutions:	Motion to review managers' performance evaluation as well as bonuses and compensation for 2017.
Results:	Proposal passed.
Recusal:	Hui-Ming Cheng

2018/02/23 (18th Board, 5th Meeting)

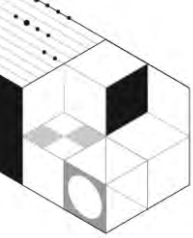
Important Resolutions:	Distribution of remuneration to directors and employees for 2017.
Results:	Proposal passed.
Recusal:	Hui-Ming Cheng
Important Resolutions:	The change of our accounting head and his/her salary/compensation are proposed for review and approval.
Results:	Proposal passed.
Important Resolutions:	Proposal of the 2017 Profit Distribution Table.
Results:	Proposal passed.
Important Resolutions:	Proposal of the 2017 Internal Control System Statement.
Results:	Proposal passed.
Important Resolutions:	We have appointed Deloitte Taiwan as our CPAs. Their annual remuneration and independence & competence evaluations are proposed for review and approval.
Results:	Proposal passed.
Important Resolutions:	To lift the non-competition ban on directors imposed by Article 209 of the Company Act.
Results:	Proposal passed.
Recusal:	Wei-Shin Ma and Steve Ruey-Long Chen.
Important Resolutions:	To hold the 2018 Annual Shareholders Meeting on a designated date.
Results:	Proposal passed.
Important Resolutions:	Our company intends to participate in Powertec Energy Corporation's issuing new shares for cash capital increase.
Results:	Proposal passed.
Important Resolutions:	To agree that our subsidiaries may lend to our company or their counterparts a total amount of US\$523.48 million and RMB3.8 billion.
Results:	Proposal passed.

(XII) In the most recent year, as of the day the annual report was prepared, directors or supervisors held different opinions (on record or with written statement) about important resolutions passed at Board meetings and the major contents are: None.

(XIII) In the most recent year, as of the day the annual report was prepared, any of Chairman, President, accounting head, finance head, internal audit head and R&D head resigned or was discharged:

March 30, 2018

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
Accounting head	Nora Lin	2015.11.01	2018.03.01	Position Adjustment



V. Information on CPAs' fees

(I) CPA fee schedule

Name of CPA firm	CPA name		Period of the Audit	Remarks
Deloitte Touche Tohmatsu Limited	Ming-Yu Chiu	Hung-Bin Yu	2017.01.01 ~ 2017.12.31	

Unit: NT\$1,000

Fee schedule		Item	Audit fees	Non-audit fees	Total
1	Less than 2,000			429	429
2	2,000 (inclusive) ~ 4,000				
3	4,000 (inclusive) ~ 6,000				
4	6,000 (inclusive) ~ 8,000				
5	8,000 (inclusive) ~ 10,000		9,974		9,974
6	10,000 (inclusive) and above				

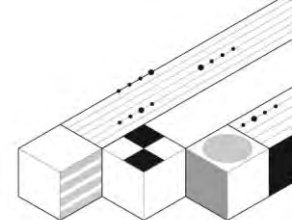
(II) Paying at least one-fourth of non-audit fees to the certifying CPA, the certifying CPA firm and its affiliates:

Unit: NT\$1,000

Name of CPA firm	CPA name	Audit fees	Non-audit fees					CPA audit period	Remarks
			System design	Business registration	Human Resources	Others	Sub-total		
Deloitte Touche Tohmatsu Limited	Ming-Yu Chiu	9,974	-	18	-	411	429	2017.01.01 ~ 2017.12.31	"Other" item in the non-audit fees: CSR Report
	Hung-Bin Yu								

(III) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.

(IV) Audit fees paid in the current year are at least 15% less than those paid in the previous year: Not applicable.



VI. Information on the replacement of CPAs:

(I) About the previous CPAs:

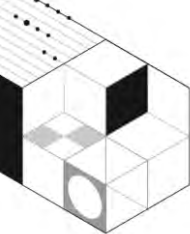
Date of replacement	February 17, 2017		
Reason for the replacement and explanation	Organizational changes of Deloitte Touche Tohmatsu Limited		
Explain whether the appointer terminates or CPA refuses to accept appointment	Contracting parties		Accountants
	Appointer		
	Situation		
	Voluntarily terminates appointment		Not applicable.
	Refuses to accept (continued) appointment		Not applicable.
Signing an audit report other than without reservation in the most recent two years and the reason	In 2017 and 2016 respectively, the CPAs signed an unmodified opinion with an other matter paragraph because the opinion expressed by the CPAs adopted the audit report of other CPAs.		
Do they have opinions different from the issuer?	Yes		Accounting principles or practice
			Disclosure in financial statements
			Audit scope or process
			Other
	None	✓	
	Description: None.		
Other disclosures	None.		

(II) About the succeeding CPAs:

Name of CPA firm	Deloitte Touche Tohmatsu Limited
CPA name	Ming-Yu Chiu and Hung-Bin Yu
Date of appointment	February 17, 2017
Before appointment, any consultations and results that may be reported on the accounting methods or principles on specific transactions	None.
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None.

(III) Previous CPAs' letter in reply: Not applicable.

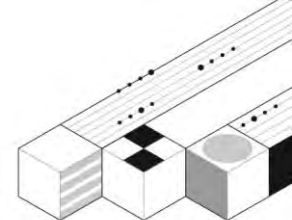
VII. Chairman, President, or managers responsible for financial or accounting affairs who worked for the firm to which the certifying CPA belongs or its affiliate in the most recent year: None.



8. Transfer and pledge of shares of the directors, supervisors, managers and shareholders holding more than 10% of the company's shares

(I) Changes to the shares of the directors, supervisors, managers and shareholders holding more than 10% of the company's shares:

Title	Name	2017		Current fiscal year up to March 27, 2018	
		No. of shares held Increase (decrease)	Shares pledged Increase (decrease)	No. of shares held Increase (decrease)	Shares pledged Increase (decrease)
Chairman	Yu-Lon Chiao	0	0	0	0
Vice Chairman	Yu-Hwei Chiao	0	0	0	0
Directors	Yu-Cheng Chiao	0	0	0	0
Directors	Yu-Heng Chiao	(180,000)	0	0	0
Director and President	Hui-Ming Cheng	0	0	0	0
Directors	Wei-Shin Ma	0	0	0	0
Directors	Chin-Xin Investment Co., Ltd. (Note 1)	4,759,000	0	0	0
	Representative: Tung-Yi Chan (Note 1)	0	0	0	0
Independent Directors	Steve Ruey-Long Chen (Note 1)	0	0	0	0
Independent Directors	Ming-Ling Hsueh	0	0	0	0
Independent Directors	King-Ling Du	0	0	0	0
Independent Directors	Shiang-Chung Chen	0	0	0	0
Vice President	Juei-Lung Chen	0	0	0	0
Vice President	Tung-Ben Lin	200,000	0	(108,000)	0
Vice President and Commerce & Real Estate BU Head	Fred Pan	0	0	0	0
Head of Specialty Steel BU	C.C. Chen	0	0	0	0
Head of Stainless Steel BU	Tian-Rong Chen	0	0	0	0
Head of Wire and Cable BU	Jin-Renn Leu	0	0	0	0
Head of Copper Wire BU	Witty Liao	0	0	0	0
Chief Information Officer	Gean_Wei Liou (Note 2)	0	0	0	0
Chief Technology Officer	Shih_Ming Wang (Note 3)	0	0	0	0
Chief Marketing Officer	Kevin Niu (Note 4)	0	0	0	0
Head of Financial Dept.	Sophi Pan	0	0	0	0
Head of Accounting Dept.	Richard Wu (Note 5)	0	0	0	0
Head of Accounting Dept.	Nora Lin (Note 6)	0	0	0	0
Directors	Jih-Chang Yang	0	0	0	0
Directors	Wu-Shung Hong (Note 7)	0	0	0	0
Supervisor	Wen-Yuan Chu (Note 7)	150,000	0	0	0
Supervisor	Walsin Technology Corporation (Note 7)	0	0	0	0
	Representative: Yeu-Yuh Chu (Note 7)	0	0	0	0
Supervisor	In-Shek Hsu (Note 7)	0	0	0	0
Shareholders who respectively hold at least 10% of outstanding shares	None	-	-	-	-



Note 1: Newly appointed on May 26, 2017. Change in shares will be computed starting from the appointment date.

Note 2: Newly appointed on May 15, 2017. Newly assumed Chief Information Officer effective from August 4, 2017. Change in shares will be computed starting from the May 15, 2017.

Note 3: Newly appointed on August 4, 2017. Change in shares will be computed starting from the appointment date.

Note 4: Newly appointed on December 4, 2017. Change in shares will be computed starting from the appointment date.

Note 5: Newly appointed on March 1, 2018. Change in shares will be computed starting from the appointment date.

Note 6: Appointment ended on March 1, 2018. Change in shares will be computed till that date.

Note 7: Appointment ended on May 26, 2017. Change in shares will be computed till that date.

(2) Information on change in the number of shares retained

March 27, 2018

Name	Reason for Share Transfer	Transaction Date	Counterparty	Relationship between counterparty and the Company, Directors, Supervisors and shareholders who hold more than 10% of all shares	Number of Shares	Transaction Price
Yu-Heng Chiao	Disposal: Gift	2017.07.21	Zi-Rui Chiao	Son	90,000	12.45
Yu-Heng Chiao	Disposal: Gift	2017.07.21	Zi-Jun Chiao	Son	90,000	12.45

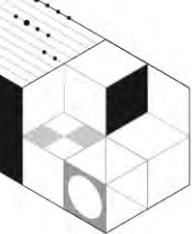
(3) Information on Share Pledges: None

9. Information on relationships amongst the top ten shareholders and their relationships with spouses or relatives within the second degree of kinship

March 27, 2018

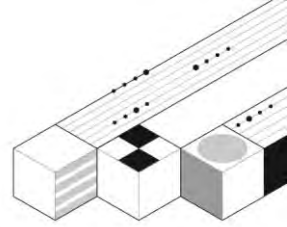
Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	265,496,000	7.89%	-	-	-	-	-	-	Note 2
Winbond Electronics Corporation	200,000,000	5.94%	-	-	-	-	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							- Yu-Hwei Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said	





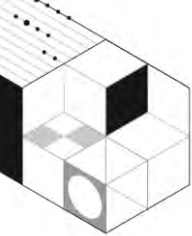
Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
								institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Winbond Electronics Corporation Representative: Yu-Cheng Chiao	39,508,661	1.17%	19,032,428	0.57%	0	0.00%	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							Yu-Hwei Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Chin-Xin Investment Co., Ltd	182,761,000	5.43%	-	-	-	-	Winbond Electronics Corporation	Same person as the chairman of the said	

This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.

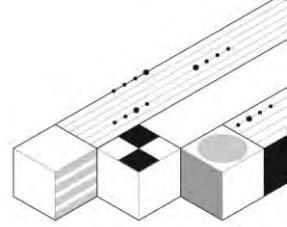


Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
								institutional shareholder	
							Yu-Hwei Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Chin-Xin Investment Co., Ltd Representative: Yu-Cheng Chiao	39,508,661	1.17%	19,032,428	0.57%	0	0.00%	Winbond Electronics Corporation	Same person as the chairman of the said institutional shareholder	
							Yu-Hwei Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Heng Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Yu-Chi Chiao	Second degree of kinship with the	



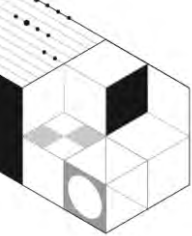


Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
								chairman of the said institutional shareholder	
							Pai-Yung Hong	First degree of kinship with the chairman of the said institutional shareholder	
Yu-Hwei Chiao	91,969,006	2.73%	0	0.00%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Norges Bank Investment Fund under the custody of Citibank (Taipei).	58,878,360	1.75%	-	-	-	-	-	-	Note 2
Yu-Heng Chiao	57,912,197	1.72%	12,965,390	0.39%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second	



Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
								degree of kinship	
							Yu-Hwei Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered	55,029,965	1.63%	-	-	-	-	-	-	Note 2
Yu-Chi Chiao	51,105,470	1.52%	7,625,347	0.23%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Yu-Hwei Chiao	Second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Walsin Lihwa Employee Welfare Committee	47,981,637	1.43%	-	-	-	-	-	-	
Walsin Lihwa Employee Welfare Committee Chairman: Tian-Rong Chen	25,300	0.00%	0	0.00%	0	0.00%	-	-	
Pai-Yung Hong	47,635,717	1.42%	5,372,890	0.16%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within first degree of kinship	
							Chin-Xin	Chairman of	





Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of person to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
							Investment Co., Ltd	the institutional shareholder and the said shareholder are within first degree of kinship	
							Yu-Hwei Chiao	First degree of kinship	
							Yu-Heng Chiao	First degree of kinship	
							Yu-Chi Chiao	First degree of kinship	

Note 1: Calculation of shares held includes the 40,000,000 shares repurchased and held by the Company but not yet transferred or written off, as of the book closure date set by the 2017 Annual Shareholders' Meeting.

Note 2: Disclosure of relationship pursuant to rules indicated on the issuer's financial statement.

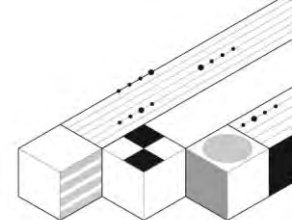
Note 3: The shareholder was a foreign fund account and inquiries have been made of its representative with relevant information requested: None.

10. The number of shares of the same investee held by the Company, its directors, supervisors, managers and which the Company controls directly or indirectly, with the aggregate shareholding percentages

December 31, 2017; Units: Shares; %

Re-Investment Companies (Note)	Investment by the Company		Investment of directors, supervisors, managers or enterprises under their direct or indirect control.		Combined Investment	
	Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Walsin Lihwa Holdings Limited	391,147,848	100.00	-	-	391,147,848	100.00
Walsin Specialty Steel Corp.	405,903,187	100.00	-	-	405,903,187	100.00
Touch Micro-System Technology Corp.	2,100,000	100.00	-	-	2,100,000	100.00
Ace Result Global Limited	44,739,988	100.00	-	-	44,739,988	100.00
Energy Pilot Limited	20,670,001	100.00	-	-	20,670,001	100.00
Market Pilot Limited	127,000,000	100.00	-	-	127,000,000	100.00
Min Maw Precision Industry Corp.	24,150,000	100.00	-	-	24,150,000	100.00
Chin-Cherng Construction Co.	277,257,758	99.22	-	-	277,257,758	99.22
Walsin Info-Electric Corp.	9,491,461	98.87	-	-	9,491,461	98.87
PT. Walsin Lippo Industries	10,500	70.00	-	-	10,500	70.00
PT. Walsin Lippo Kabel	1,050,000	70.00	-	-	1,050,000	70.00
Joint Success Enterprises Limited	36,058,184	49.05	37,461,816	50.95	73,520,000	100.00
Chin-Xin Investment Co., Ltd	179,468,270	37.00	49,313,317	10.16	228,781,587	47.16
HannStar Color Co. Ltd.	47,114,093	33.97	16,443,216	11.86	63,557,309	45.83
Concord Venture Capital Group	26,670,699	26.67	1,934,486	1.94	28,605,185	28.61
Winbond Electronics Corporation	883,848,423	22.21	332,942,465	8.36	1,216,790,888	30.57
Walton Advanced Engineering, Inc.	109,628,376	20.83	11,802,034	2.24	121,430,410	23.07
Walsin Technology Corporation	88,902,325	18.30	16,648,390	3.43	105,550,715	21.73

Note: Equity method used.



IV Fundraising Overview

1. The Company's Capital and Shares

(1) Sources of Share Capital

1. Historical Sources of Share Capital

Year/month	Issuance Price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid with property other than cash	Other
91/11	10	6,500,000,000	65,000,000,000	3,512,976,276	35,129,762,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 1
92/06	10	6,500,000,000	65,000,000,000	3,412,976,276	34,129,762,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 2
92/11	10	6,500,000,000	65,000,000,000	3,366,067,276	33,660,672,760	Treasury stock capital decreased by 46,909,000 shares	No	Note 3
93/01	10	6,500,000,000	65,000,000,000	3,266,067,276	32,660,672,760	Treasury stock capital decreased by 100,000,000 shares	No	Note 4
93/04	10	6,500,000,000	65,000,000,000	3,174,491,276	31,744,912,760	Treasury stock capital decreased by 91,576,000 shares	No	Note 5
93/07	10	6,500,000,000	65,000,000,000	3,078,236,276	30,782,362,760	Treasury stock capital decreased by 96,255,000 shares	No	Note 6
93/08	10	6,500,000,000	65,000,000,000	3,079,012,601	30,790,126,010	Bond conversion entitlement certificates converted to common shares	No	None
94/05	10	6,500,000,000	65,000,000,000	3,006,294,601	30,062,946,010	Treasury stock capital decreased by 72,718,000 shares	No	Note 7
94/08	10	6,500,000,000	65,000,000,000	3,310,913,261	33,109,132,610	Capital increased by earnings recapitalization	No	Note 8
95/04	10	6,500,000,000	65,000,000,000	3,244,314,261	32,443,142,610	Treasury stock capital decreased by 66,599,000 shares	No	Note 9
97/11	10	6,500,000,000	65,000,000,000	3,194,314,261	31,943,142,610	Treasury stock capital decreased by 50,000,000 shares	No	Note 10
98/02	10	6,500,000,000	65,000,000,000	3,179,200,422	31,792,004,220	Treasury stock capital decreased by 27,124,000 shares and overseas convertible bonds converted to 12,010,161 common shares	No	Note 11
98/09	10	6,500,000,000	65,000,000,000	3,119,200,422	31,192,004,220	Treasury stock capital decreased by 60,000,000 shares	No	Note 12
98/11	10	6,500,000,000	65,000,000,000	3,069,200,422	30,692,004,220	Treasury stock capital decreased by 50,000,000 shares	No	Note 13
99/12	10	6,500,000,000	65,000,000,000	3,609,200,422	36,092,004,220	Cash capital increased by 540,000,000 shares	No	Note 14
100/01	10	6,500,000,000	65,000,000,000	3,614,890,804	36,148,908,040	Overseas convertible bonds converted to 5,690,382 shares	No	None
100/04	10	6,500,000,000	65,000,000,000	3,616,000,258	36,160,002,580	Overseas convertible bonds converted to 1,109,454 shares	No	None
102/06	10	6,500,000,000	65,000,000,000	3,576,000,258	35,760,002,580	Treasury stock capital decreased by 40,000,000 shares	No	Note 15
105/05	10	6,500,000,000	65,000,000,000	3,516,000,258	35,160,002,580	Treasury stock capital decreased by 60,000,000 shares	No	Note 16
105/10	10	6,500,000,000	65,000,000,000	3,396,000,258	33,960,002,580	Treasury stock capital decreased by 120,000,000 shares	None	Note 17
106/06	10	6,500,000,000	65,000,000,000	3,366,000,258	33,660,002,580	Treasury stock capital decreased by 30,000,000 shares	None	Note 18

Note 1: Approval letter Tai-Cai-Zheng (3) No. 0910155823, dated 2002.10.16

Note 2: Approval letter Tai-Cai-Zheng (3) No. 0920110106, dated 2003.03.25

Note 3: Approval letter (2001) Tai-Cai-Zheng (3) No. 101196, dated 2001.02.08

Note 10: Letter Jin-Guan-Zheng (3) No. 09700511511, dated 2008.09.24

Note 11: Letter Jin-Guan-Zheng (3) No. 0970065169, dated 2008.11.28

Note 12: Letter Jin-Guan-Zheng (Jiao) No. 0980027679, dated 2009.06.06

- Note 4: Approval letter Tai-Cai-Zheng (3) No. 0920159026, dated 2003.12.15
- Note 5: Approval letter Tai-Cai-Zheng (3) No. 0930110000, dated 2004.03.24
- Note 6: Approval letter Tai-Cai-Zheng (3) No. 0930125152, dated 2004.06.03
- Note 7: Approval letter Jin-Guan-Zheng (3) No. 0940110778, dated 2005.03.30
- Note 8: Approval letter Jin-Guan-Zheng (1) No. 0940124111, dated 2005.06.16
- Note 9: Approval letter Jin-Guan-Zheng (3) No. 0950105881, dated 2006.02.20
- Note 13: Letter Jin-Guan-Zheng (Jiao) No. 0980050862, dated 2009.09.21
- Note 14: Letter Jin-Guan-Zheng (Fa) No. 0990051578, dated 2010.09.28
- Note 15: Letter Jin-Guan-Zheng (Jiao) No. 0990025440, dated 2010.05.12
- Note 16: Letter Jin-Guan-Zheng (Jiao) No. 1050021717, dated 2016.05.27
- Note 17: Letter Jin-Guan-Zheng (Jiao) No. 1050040371, dated 2016.10.03
- Note 18: Letter Jin-Guan-Zheng (Jiao) No. 1030014322, dated 2014.04.17

2. Types of Shares

March 27, 2018

Types of Shares	Authorized Capital			Remarks
	Shares Issued and Outstanding (Note 1)	Unissued Shares	Total	
Common Shares	3,366,000,258	3,133,999,742	6,500,000,000	(Note 2)

- Note 1: Public shares; Includes 40,000,000 shares repurchased and held by the Company but not yet transferred or cancelled.
- Note 2: The Company's capital includes NT\$8,000,000,000 for the issuance of share warrants, corporate bonds with share warrants or preferred shares with share warrants, up to eight hundred million shares at a par value of NT\$10 per share, which may be issued in separate tranches.

3. Information on Shelf Registration: None.

(2) Shareholder Structure

March 27, 2018

Shareholders Numbers	Government Institutions	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Individuals	Total
Number	6	51	180	136,326	422	136,985
No. of Shares Held	22,853,054	43,944,640	717,498,592	1,418,226,207	1,163,477,765	3,366,000,258
Shareholding	0.68%	1.31%	21.32%	42.13%	34.56%	100%

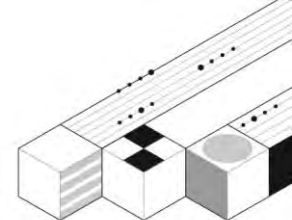
- Note 1: Includes 40,000,000 shares repurchased and held by the Company, as of the book closure date for the 2018 AGM, but not yet transferred or cancelled.
- Note 2: Ratio of shares held by investors in China: 0%.

(3) Distribution of Shareholders

1. Distribution of Common Shares:

March 27, 2018

Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
1 to 999	61,572	15,609,052	0.46%
1,000 to 5,000	47,236	108,749,315	3.23%
5,001 to 10,000	13,098	98,464,310	2.93%
10,001 to 15,000	4,771	59,338,541	1.76%
15,001 to 20,000	2,904	53,014,850	1.58%
20,001 to 30,000	2,559	64,158,805	1.91%
30,001 to 50,000	1,990	79,262,058	2.35%
50,001 to 100,000	1,407	100,752,473	2.99%
100,001 to 200,000	649	92,666,458	2.75%
200,001 to 400,000	358	97,540,141	2.90%



Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
400,001 to 600,000	93	45,659,952	1.36%
600,001 to 800,000	55	39,147,586	1.16%
800,001 to 1,000,000	38	34,702,756	1.03%
1,000,001 and more	255	2,476,933,961	73.59%
Total	136,985	3,366,000,258	100%

Note: Includes 40,000,000 shares repurchased and held by the Company, as of the book closure date for the 2018 AGM, but not yet transferred or cancelled.

2. Distribution of Preferred Shares: None.

(4) List of Major Shareholders

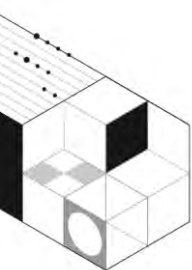
March 27, 2018

Major Shareholders	Shares	Number of Shares Held	Shareholding (Note)
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch		265,496,000	7.89%
Winbond Electronics Corporation		200,000,000	5.94%
Chin-Xin Investment Co., Ltd		182,761,000	5.43%
Yu-Hwei Chiao		91,969,006	2.73%
Norges Bank Investment Fund under the custody of Citibank (Taipei).		58,878,360	1.75%
Yu-Heng Chiao		57,912,197	1.72%
Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered		55,029,965	1.63%
Yu-Chi Chiao		51,105,470	1.52%
Walsin Lihwa Employee Welfare Committee		47,981,637	1.43%
Pai-Yung Hong		47,635,717	1.42%

Note: The shareholding calculation includes the 40,000,000 shares repurchased and held by the Company, as of the book closure date for the 2018 AGM, but not yet transferred or cancelled.

(5) Stock Price, Net Value, Earnings, Dividends and Related Information for the Past Two Years

Year		2016	2017	Current Year up to March 30, 2018
Item				
Share Price (Note 1)	High	13.65	18.25	18.40
	Low	6.83	11.55	14.65
	Average	10.43	14.50	17.24
Net Value per Share (Note 2)	Basic	18.66	20.95	-
	Diluted	17.97	19.96	-
Earnings per Share	Weighted average shares	3,424,730,253	3,326,000,000	-
	Earnings per share	1.33	1.97	-
Dividend per Share	Cash dividend (Note 3)	0.70	1.00	-
	Stock Dividend	-	-	-
		-	-	-
	Accumulated unpaid dividend (Note 4)	-	-	-
Return Analysis	Price-earnings ratio (Note 5)	7.27	7.14	-
	Price-dividend ratio (Note 6)	13.81	14.06	-
	Cash dividend yield (Note 7)	0.07	0.07	-



* If shares are distributed in connection with a capital increase out of earnings or capital reserves, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest share prices for each year is provided, with the average price for the year computed based on each year's transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at year's end and the distribution passed at the following year's shareholders' meeting to fill in.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed separately.

Note 5: Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 6: Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average per share closing price for the year.

(6) Dividend Policy and Implementation Status

1. Dividends Policy Specified in the Company's Articles of Association

The Company has a variety of products in different stages of development. In order to promote sustainable development of the Company, the Company's dividend issuance policy is based on the Company's future plans, industry environment, cash-flow requirements, financial structure and profit status. Dividends will be issued on a conservative, sustainable basis. Dividends issued to shareholders will be in the form of stocks and cash. Cash dividends will be prioritized, followed by stock dividends. Cash dividends should not be lower than 50% of the total issued amount.

The amount of profit to be retained and the conditions, timing, amount and type of share dividends to be declared shall be pursuant to changes to economic and industry outlook. Consideration should also be given to the Company's future development needs and profitability such that they may be adjusted at the appropriate time.

2. Dividends Distribution to be Proposed to the Shareholders' Meeting

According to the decision of the Company's 15th board meeting of the 18th term, cash dividends issued to shareholders in 2017 shall be NT\$3,326,000,258, averaging NT\$1 per share. (As of February 23, 2018, the Company had issued 3,366,000,258 shares. After subtracting 40,000,000 treasury shares, the Company had 3,326,000,258 shares in circulation.)

In the future, if the Company repurchases shares, thereby influencing the amount of shares in circulation and changing the price per share in circulation, it is proposed that the shareholders meeting authorize the chairman of the board to adjust the number of circulating stocks on the ex-dividend date.

This dividend issuance is approved by the 2018 AGM, which authorized the chairman of the board to determine the ex-dividend date and other details.

The smallest unit of the cash dividend is NT\$1. Amounts smaller than NT\$1 will not be calculated; the Company will categorize it as miscellaneous income.

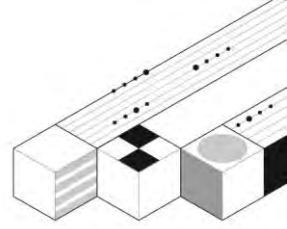
3. Explanation regarding expected major changes to dividend policy:

The Company is going to amend the Company's Article of 28 in the 2018 Annual General Meeting as follows:

The Company has diverse product lines which are at different stages of product life cycle. In order to facilitate the Company's sustainable development, the share dividend policy of the Company is governed by the Company Act and the Company's Articles of Incorporation with reference to factors like the Company's capital and financial structures, profitmaking ability, types of share dividends generated from investments, the Company's future development and the industrial environment. The Company shall reserve no lesser than 40% of the balance amount as shareholder's profit after offsetting its loss and tax payment in the previous year, capital reserve and special reserve. The profits shall be distributed in cash or in form of shares; cash dividends shall not be lesser than 70% of the total dividends.

(7) Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share: Not applicable.

(8) Compensation for employees and directors:



1. The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors

Article 25-1:

If the Company turns a profit in a year, no less than 1% of the profit should be distributed to its employees as compensation and no more than 1% to directors as compensation. The actual amount should be determined by a board meeting where no less than two-thirds of the directors are present and more than half of the directors present votes to approve the suggested amounts. The amounts should be reported to the shareholders meeting. However, if the Company still has accumulated deficit from previous terms, it should first reserve the amount needed to settle the outstanding balance.

Employee bonuses may be distributed by way of stock or cash dividends and the Company may issue bonuses to employees of an affiliated company that meets the conditions set by the board of directors. The board of directors shall be authorized to determine the method of distribution.

2. Basis for estimates of compensations for employees, directors and supervisors this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount
 - (1) Basis for estimates of compensations for employees, directors and supervisors this term: Estimated by ratio of the pre-tax income as determined by the Articles of Incorporation.
 - (2) Basis for calculating employee stock compensation: Not applicable.
 - (3) Accounting procedures for when there is a discrepancy between the estimated and actual amount: Please find relevant accounting procedures in "Financial Overview: 4. Financial report of the most recent year 22equity (3)" of this annual report for further explanation.
3. Information regarding board of directors' approval of employee compensation
 - (1) Amount to be paid in the form of cash and stocks to employees, directors and supervisors: The board has approved NT\$73,000,000 to be paid in cash to employees and NT\$51,000,000 to directors and supervisors.
 - (2) Difference from estimated amount, reason and actions required: No difference.
 - (3) The amount of employee compensation in the form of stock and its percentage of the Company's after-tax income (as reported in the financial statement of this term) and total employee compensation: Not applicable.

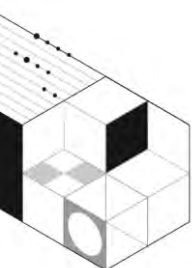
Note: The Company established the Audit Committee in 2017 to substitute the position of Supervisors. The compensation in 2017 would be distributed in accordance with the ratio set up in the previous Supervisors' term of office.
4. Actual payment status (including stocks, cash and stock price) for employee, director and supervisor compensation from the previous year; discrepancies (if any) between the actual payment and estimated amount, as well as the reasons for and actions required by the discrepancies
 - (1) Cash and stock compensation for employees; compensation amount for directors and supervisors: In 2016, the Company issued NT\$53,100,000 to employees and NT\$36,900,000 to directors and supervisors.
 - (2) Differences between the estimated amount of compensation for employees, directors and supervisors, as well as the reasons for and actions required by the discrepancies: No differences.
 - (3) Please find relevant accounting procedures in "Financial Overview: 4. Financial report of the most recent year 22 equity (3)" of this annual report for further explanation.

(9) Share Repurchase: None

2. Issuance of Corporate Bonds: None.

3. Issuance of Preferred Shares: None.





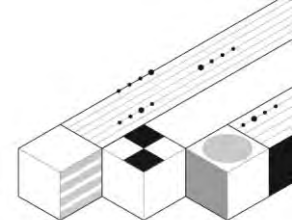
4. Issuance of Global Depositary Receipts (GDRs)

Date of Issuance		October 3, 1995		November 9, 2010	
Item					
Place of issue and trading		Issued globally and traded on the Luxembourg Stock Exchange, Portal and London Stock Exchange			
Total amount		US\$121,800,000		US\$290,313,085	
Offer price per unit		US\$12.18		US\$5.38	
Total units issued		10,000,000 units		53,961,540 units	
Source of underlying security		Issuance of new common shares for cash capital increase		Issuance of new common shares for cash capital increase	
Underlying security		Common stocks: 100,000,000 shares		Common stocks: 539,615,400 shares	
Rights and obligations of depositary receipt holder		Conducted in accordance with the laws of the Republic of China and with the provisions of the Depositary Agreement. Refer to the Covenants of Depositary Agreement for the key terms and conditions.			
Trustee		None		None	
Depositary institution:		Deutsche Bank		Citibank	
Custodial bank		Mega International Commercial Bank		Citibank (Taiwan)	
Balance outstanding		143,761 units of global depositary receipts and 1,437,608 shares of securities represented.			
Distribution of fees incurred from issuance and the outstanding period of the GDRs		1. Issuance fees: The issuing company will be responsible for the entirety of this fee. 2. Fees during outstanding period: The issuing company will be responsible for this fee.			
Covenants of Depositary Agreement and Custodial Agreement		Omitted			
Market price per unit (Unit: US\$)	2017	High	5.98		
		Low	3.61		
		Average	4.60		
	Current year up to March 30, 2018	High	6.14		
		Low	5.13		
		Average	5.81		

5. Exercise of Employee Stock Option Plan (ESOP): None.

6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

7. Implementation of capital allocation plan: None.



V Business Overview

1. Business activities

(1) Scope of Business

1. Primary business content, primary products and revenue ratio.

Business unit	Business activities	Products	Revenue Ratio	
			The Company and its merged subsidiaries	
			Amount (NT\$ million)	%
Wire and cables	Manufacture and sale of bare copper wire, various electrical wires, cables and related connection materials and accessories.	Bare copper strips, copper wires, copper cables, power lines and high-voltage power line accessories.	98,644	58.8%
Stainless steel	Forging, processing and selling of stainless steel, stainless steel seamless pipe and nickel pipe. Manufacturing and sales of pre-stressed material and materials for bridge cables	Billets, slabs, hot-rolled plates, hot-rolled steel coils, cold-rolled coils, wire rods, hot-rolled bars, cold-finish bars, hot-rolled bars, steel ingot, pierced billets, stainless steel foil, boiler tubes, heat exchanger tubes, instrument tubes, fluid pipes, strands, galvanized wire	54,895	32.7%
Commercial real estate business	Real estate	Parking space sales, commercial leasing, residential housing sales	6,047	3.6%

2. New products under development

Business unit	New products under development
Wire and cables	(1) Composite cable for large machinery (2) Smart cables (3) Cable monitoring and supervisory control and data acquisition (SCADA) (4) Cables for offshore wind turbines (5) Multi-head wire harness (6) Integration of copper alloy, drawing and stranding technology
Stainless steel	(1) Stainless steel cold heading (2) Stainless steel for lathe work (3) Heat-resistant stainless steel (4) High weldability stainless steel (5) Stainless steel for springs (6) Highly corrosion-resistant stainless steel (7) Bars and their production process (8) 2B board for sand slingers and panel saws (9) 2B board for shallow drawing (10) Volute springs for high tensile strength medical products

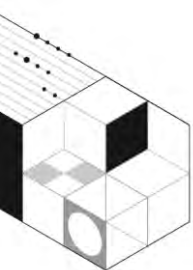
(2) Industry overview

1. The economy and development status of the industry

(1) Wire and Cable Business

● Copper Wire Materials





Business Overview

The company's copper products mainly supply markets in Taiwan, Southeast Asia, the Pacific and Mainland China. Taiwan's domestic demand momentum has slowed down, Southeast Asia export is stable, with some increases and the IMF estimated that China may still be able to maintain a 6.9% high economic growth in 2017, so the overall supply and demand of the copper wire material industry remains stable, with electric vehicles, charging stations and high-efficiency machinery as the main growth areas.

● Wire and cable

As the push for public infrastructure projects in power transmission has lagged due to lack of investment, demand for high-voltage cables have decreased and funds for purchasing in this area have also decreased. Additionally, in the construction industry and other areas, demand for copper cables has decreased. However, due to shortages in electricity and the carbon-reduction movement, there is an increase in demand cables for solar, wind and other green power. The focus of the Company business development is shifted from basic infrastructure to infrastructure for smart cities in Mainland China and the demand for cables in new semiconductor fabs is another growth potential for this product.

(2) Stainless Steel Business

The economic revival of European and American countries in 2017 and the Chinese policies related to environment protection, production reduction, optimization and others have created a more balanced supply and demand for stainless steel and have gradually raised the prices of raw materials (such as electrode bars). The LME nickel price increased 20%, from USD 10,205/MT at the beginning of the year to USD 12,260/MT at the end of the year, due to the reduced production by suppliers.

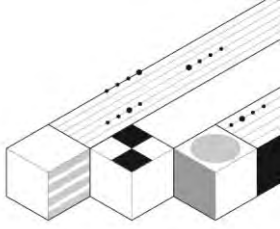
Looking onwards into 2018, IMF estimates that the global economy will grow 3.9%. Among the main economies, China will grow 6.6% and, with the help of tax reforms in the US, its economy will grow 2.7%. New market economies will remain strong with an estimated 5.1% growth. The POSCO Research Institute (POSRI) estimates that the global stainless steel consumption will rise up to 50 million tons.

USA enacted Article 23 of the Trade Expansion Act recently in early March. Although Taiwan is not listed as an exempt country, negotiations are still allowed. The Company will continue to follow up closely on subsequent developments and evaluate the possible impact.

(3) Commercial Real Estate Business

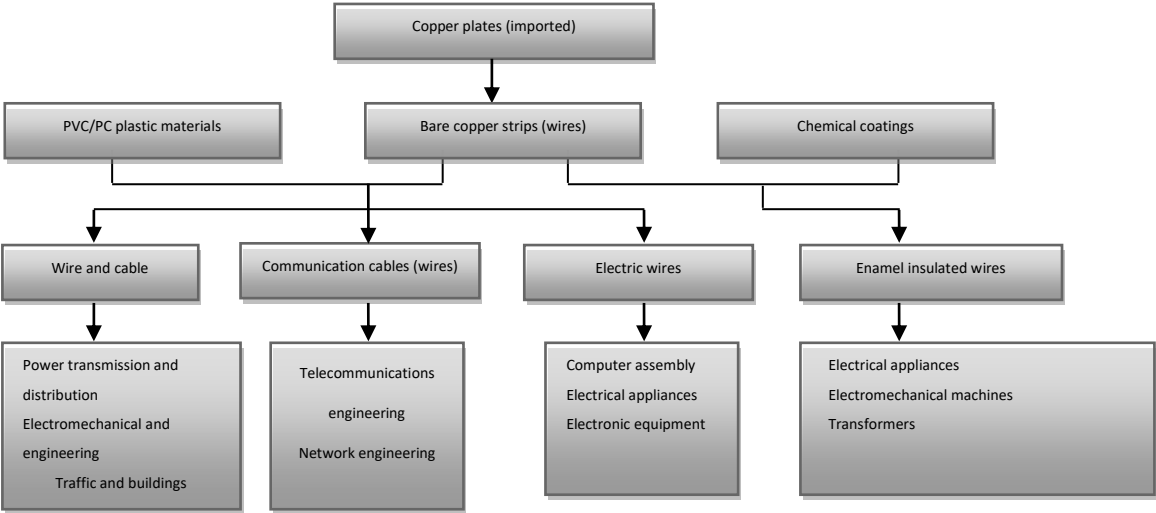
In 2017, Nanjing's real estate development maintained a steady growth, with the full investment value at RMB 217 billion, a 18% growth from the previous year. Total units sold amounted to 14,300,000 square meters, due to purchase restrictions on residential housing, it decreased by 8% compared to last year. (Source: Nanjing Bureau of Statistics)

Nanjing Walsin Centro is the Company's real-estate project in Hexi District, Nanjing. It is an outstanding location with great development potential that includes office buildings, residential buildings and commercial areas. The building area reached 1 million square meters. Thanks to the mature development of the Hexi new city district in Nanjing, the commercial customer base gradually expanded, further amplifying the location advantages. The residential and commercial building demands will continue to grow and the stable and healthy growth of the real estate business is to be expected.

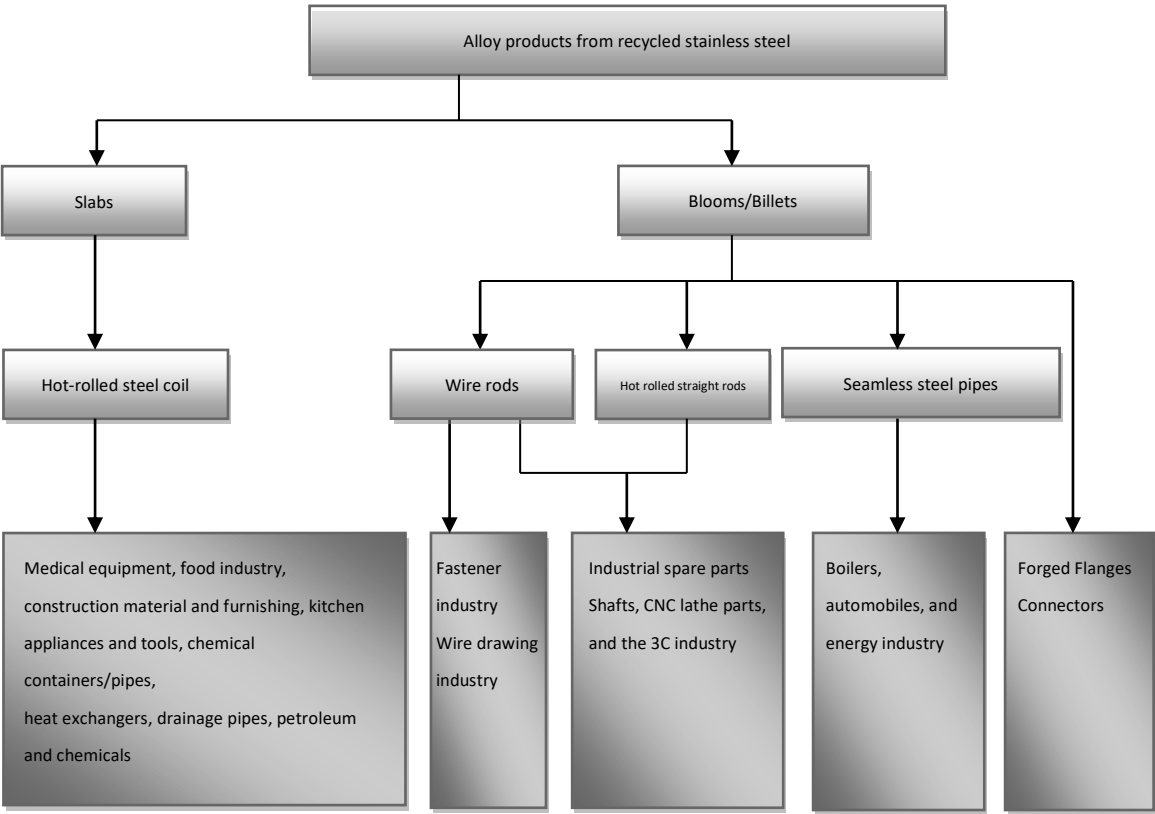


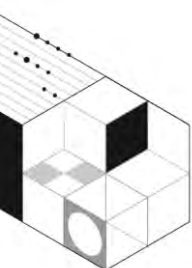
2. Relationships with suppliers in the industry's supply chain:

(1) Wire and Cable Business



(2) Stainless Steel Business





3. Product development trends and competition

(1) Wire and Cable Business

●Copper Material

Development Trends: The current high growth areas such as electric vehicles and charging piles will continue to increase copper wire demand, while high-efficiency machinery has also become a key growth area. Enameled wires occupy a key position in the automobile market and will continue to expand to the new energy industries.

Market Competition: Our competitors in the Mainland China's copper wire market have been continuously increasing their production capacity, which causes oversupply in the market, while the situation in Taiwan is relatively stable.

●Wire and cable

Development Trends: Under the influence of global carbon-reduction and environmental-protection movement, propelled by supportive government policy, demand for green-energy solutions such as solar and wind power in the Taiwan market has gradually increased. There is also an increase in demand for fire-resistant building materials, in reaction to the Building Amendment Act.

Market Competition: The sharp decline in orders from Taiwan Power Company in recent years, weakened demand from public construction and supply continues to outweigh demand.

(2) Stainless Steel Business

●Wire rod/plate material

Development Trends: Shifting focus to the development of new steel types that the customers want, with high-quality applications and products of high unit price and profit. Increase the customer product demand in place of diverse products to secure gains with customer dependency.

Market Competition: The global stainless steel wire rod demand growth has slowed down. In addition to the improve quality of Chinese steel plants, recent threats of capacity growth from plant expansions and low-cost price competitions have also made the overall wire rod market even harsher.

●Bar material

Development Trends: Competition in the circular rods is intense in Taiwan and the main overseas markets. In the future, we will focus on precision and specialty-steel types. In the Mainland China market, we will shift to specialty steel, nickel-based steel alloy, transportation, automobile engines, energy and other highly profitable industries.

Market Competition: The market over-supply was slightly balanced due to the government's environmental policy and the shut-down of a large amount of manufacturers failing to reach environmental standards and zombie companies. In the high-end market, certification and specialty steel for niche industries are more lucrative compared to middle and low-end markets.

●Stainless steel seamless pipe

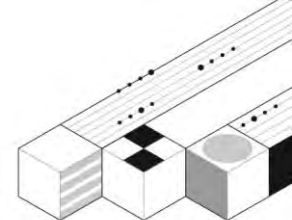
Development Trends: Offer customers the best lead time and services while machine accuracy is improved through capital investments and the development focus is shifted to automobile tubes, nickel-based tubes and nuclear power tubes.

Market Competition: The stainless-steel seamless pipes market in 2017 benefited from environmental policies to continue last year's improvement trend.

(3) Commercial Real Estate Business

●Walsin Real Estate Procurements

Development Trends: In 2017, the GDP in Nanjing reached RMB 1.2 trillion, an 8.1% growth, which is 1.2% higher than the national average. The per capita disposable annual income of urban households is RMB 55,000, a 9.1% growth, which is higher than the provincial average RMB 11,000 and the national average RMB 18,000. For real estate in Nanjing, developments mainly tend to center around urban areas, are large scale and are no longer retail-based. Residential and commercial products have become the mainstream of urban center development. Developers place more value on culture, creativity, individualization, experience and interactivity. In contrast to department stores and retail, which



continue to play a less important role, the proportion of dining, entertainment and relaxation increasingly occupy greater percentages of consumer spending. In terms of residential development, the high-end market is becoming main trend.

Market Competition: The urban center is a hot spot for high-end low-density projects. Land supply is scarce and projects are few in number. The real estate industry has also centralized toward large national enterprise groups with financial strength and development capability. Local developers have gradually reduced their development products or no longer independently engage in such projects. Firms of a specific size will gradually acquire better competitive environments, increasing market order.

(3) Overview of Technology and R&D

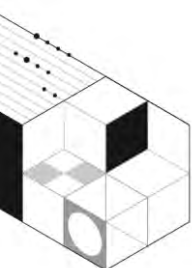
1. R&D Expenses and Results

R&D Expenses		From Jan 1, 2017 to March 30, 2018, the R&D expenses were NT\$90,000,000.
R&D Profile	Wire and cables	(1) Large-machinery and renewable-energy industries: continue technical development and innovation. (2) Develop sustainable, environmentally friendly cable-based materials. Develop higher-quality, higher-precision products. (3) Strengthen core technologies in flexible cable, co-develop related cable products with our international strategic partners and provide a reliability-testing facility. (4) Co-develop smart cables and surveillance systems with academic institutions.
R&D Profile	Stainless steel	(1) Improve specifications of large bar products, outsource the development (87 - 130 mm). (2) Develop customer service products, improve slabs/plates quality (Yuen Chang - Hsin Kuang case). (3) Improve the surface quality of the ferrite series, increase product + yield. (4) Improve customer satisfaction, adjust machinery property consistency. (5) Improve cold heading steel type stitches, reduce surface defects. (6) Achieve continuous casting and test rolling of high titanium steel. (7) Achieve continuous casting and test rolling of high aluminum steel. (8) Develop mobile phone component (FPCB).

2. Present and future R&D projects, as well as the estimated R&D investment expenditure

Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
Wire and cables	We plan to invest NT\$150,000,000 for R&D, including:			
	Development of abrasion and bend-resistant cable material	(1) Plastograph purchase (2) Organize and plan core functions of various materials	2019	(1) Applied materials big data knowledge base/database successfully built (2) Application of computer-assisted mathematic-model analysis technology
	Large-machinery cable lifespan simulation verification project	(1) Verification equipment installation (2) Verification methodology	2018	Understand the choices on product-application parameters. Improve structural design of flexible cables through testing





Business Overview

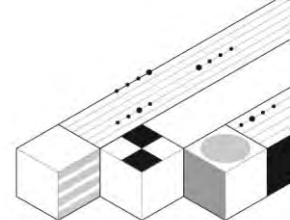
Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
		establishment		data; improve development and manufacture of core raw materials.
	Development of smart cable	(1) Obtain Ministry of Economic Affairs Technology Development Value Creation Project (2) Conduct sensor-simulation test	2019	(1) Sensor design (2) Marketing Strategies to create new demand
	Development of offshore wind power cables	In compliance with wind turbine system integrator product designs	2019	Product quality is in compliance with wind turbine system integrator demands and international certification
	Development of large volume aluminum conductor overhead lines	Technology introduction phase	2018	Product mass complies with technical demands of the power company
Stainless steel	We plan to invest NT\$40,000,000 in R&D, including:			
	Development of stainless steel for cold heading	Trial stage	2018	Coordination between rollers and roughing mills
	Development of stainless steel for lathe work	Trial stage	2019	Continuous casting parameter setting, hot-rolling process parameter setting and heat treatment parameter settings.
	Development of heat-resistant stainless steel	Trial stage	2019	Continuous casting parameter settings, hot-rolling process parameter settings and heat treatment parameter settings.
	Development of high weldability stainless steel	Under evaluation	2019	Alloy design and hot-rolling process parameter settings

(4) Business Plan – Long-term and Short-term

(1) Wire and Cable Business

● Copper Material

We understand how our clients' demands change as they grow or as their markets place different requirements and further stabilize the quality and customer service of our copper products. We will transform into a manufacture and service-integrated provider and adjust according to the market conditions and production capacities of our competitors in Mainland China. At the same time, we will maintain competitiveness and conduct sales-restructure adjustments for high-value-added high-temperature wires and fine wires.



- Wire and Cable

Fully grasp customer demand and adapt a more flexible supply approach to prepare for market competition and to provide excellent product quality, delivery schedule and services in order to enhance customer satisfaction and become a leading brand in the industry in Taiwan.

We will further develop the Japan market. while we comply with the environmental protection demands of the Taiwan market, increase fire-resistant cable sales and gradually expand our development in solar power and wind power cables. At the same time, we will take advantage of local costs to envelop port machinery cables. Seize the opportunity in electro-technological industries (semiconductor packaging and panels).

(2) Stainless Steel Business

- Wire rod/plate material

Coils: adjust product combos according to market status to increase orders of steel types and to maintain full-capacity production in the plants. Roller machine improvement through capital expenditures to improve quality, quantity and profits, as well as additional steel types and product applications. Regarding panels, our Taichung factory's stainless steel-rolling plant has newly added cold-rolling pre-production facilities. After the new facilities go into use, we can increase the variety of our product combos, increase product quality and sales and discover more high-volume large clients, decreasing our dependence on a single client. At the same time, we will increase the parameters of our products in order to replace exported materials currently in Taiwan. 4. In response to global trend of stricter requirements on energy-saving, carbon reduction and industrial waste treatment, the Company will invest in environmental protection.

- Bar material

Apart from small-sized rods, we are gradually developing large-sized products and stabilizing the quality of large-sized steel ingots. We strive to explore and increase revenue in niche markets, as well as adjust our industry business structure by listing automobile/HSR, energy, 3C, food products and medical industries as key development industries.

- Stainless steel seamless pipe

With cost reduction, reasonable prices and prompt delivery, we will consolidate our current market share and maintain our current clients. We will shift our focus to satisfying demands in automobile piping, nickel-based piping, gauge tubes and nuclear-power piping. The continuous internal optimization and Industry 4.0 automation projects will improve product accuracy and our precision tube competitiveness.

(3) Commercial Real Estate Business

- Walsin Real Estate Procurements

Finish residential housing plot D phase 1 closing and phase 3 sales, plot AB phase 1 office building sales and closing and plot AB phase 2 podium building international shopping center construction and opening. Moreover, we will accelerate the construction of the phase 2 office building on plot AB and the design and development of the phase 3 office building on plot AB, to create a steady income stream.

The Company will devote marketing to make the Walsin Centro Huacaitiandi Shopping Mall into Nanjing's new shopping, recreation and gathering location, as well as maintaining supplier and up-, mid-, downstream industry relations. We will continue to search for new low risk, high profit development projects.

2. Market Analysis and Sales Overview

(1) Market Analysis

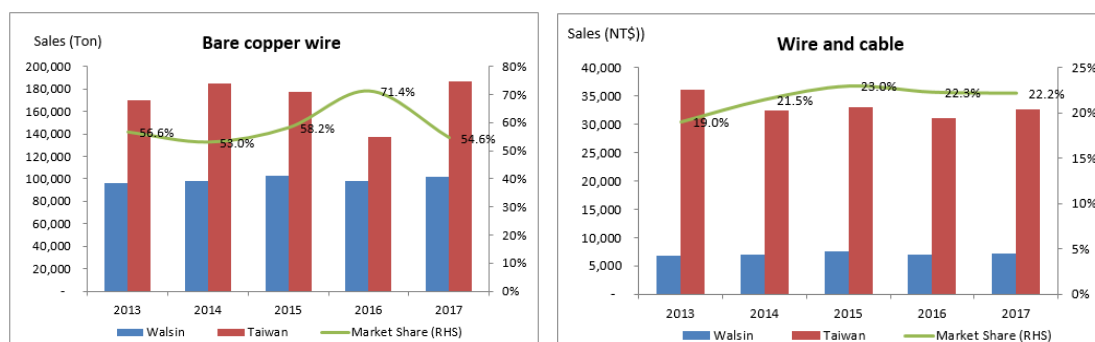
1. Sales region(s) and market share of main products

(1) Wire and Cable Business

The Company is focused the development of the wire and cable business and offers a one-stop comprehensive production line from the upstream bare copper wire, copper rod production, to the research and production of all types of cables such as power cables, communication copper cables and fiber optic cables. The main sales regions include Taiwan and Mainland China. In 2017, the Company sold about 600,000 tons of copper rod (wire) products, including 400,000 tons in Mainland China, of which 340,000 was sold domestic and 200,000 in Taiwan, of which 100,000 was sold domestically (including shipments to the Company's cable factories). According to the statistics of Department of Statistics, MOEA, the overall domestically sold bare copper wire in Taiwan is about 187,000 tons, of which the Company supplies about 54.6%. (The data source is from the table of statistics of wire and cable production and sales in Taiwan)

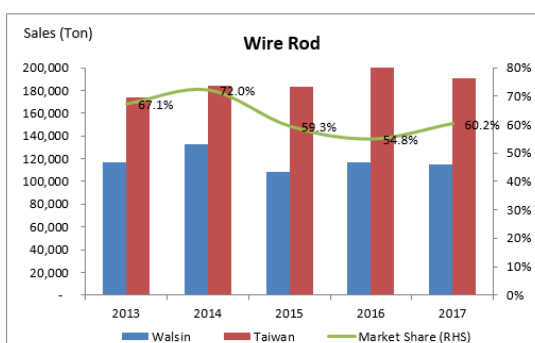
In regards to wire and cable in 2017, the Company's power cable products sales value is about NT\$11.51 billion, of which Taiwan occupies NT\$8.39 billion and the Taiwan domestic sales value is NT\$8.01 billion (of which about NT\$7.24 billion is from power lines). According to the statistics of the Department of Statistics, MOEA, the domestic sales value of Taiwan's power cable products is NT\$32.6 billion dollars, of which the Company occupies about 22.1%. (The data source is from the table of statistics of wire and cable production and sales in Taiwan)

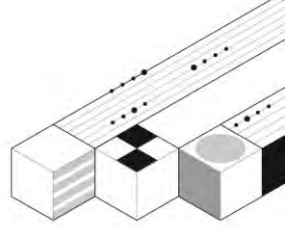
The following data are Walsin Lihwa's share of shipment (sales value) in Taiwan's domestic sales of bare copper wire and power line.



(2) Stainless Steel Business

The Company is a major global stainless steel products company, with stainless steel products such as stainless steel billet, cold- and hot-rolled steel coils, wire rods, bars, seamless steel pipe and precision roll bonding steel. The main sales regions include Taiwan, Mainland China, Korea, Southeast Asia, Australia, Europe and North America, etc. Our stainless steel wire rod and bar products occupy a significant position on the global market and we offer customers optimal lead times and services with sales offices distributed across the Strait, a vertically integrated supply chain and a standardized production process. In 2017, the Company's stainless steel product sales was 809,000 tons, of which the sales in the Taiwan region was 591,000 tons, including 386,000 tons in domestic sales and 205,000 tons in foreign sales. The Company's 2017 domestic wire rod sales market share is 60.2%.





2. Overview of supply and demand and projected growth

(1) Wire and Cable Business

● Copper Material

The demand in the Taiwan market continue to drop and needs the government to increase domestic demand with basic infrastructure construction. The overall economy of the Mainland China market is fundamentally stable. The possibility of explosive growth in the real estate industry is low. The current supply reform has not reached the copper industry and the supply and demand is in steady development. However, demand for areas such as high-end enameled wire, ultra-thin and automotive wire harnesses will grow. An estimated annual volume of 6.7 million tons of copper will be used for cables in 2018.

● Wire and Cable

Demand in the Taiwan construction market has slowed down and the overall market demand is starting to decline. A lack of major, continuously updated concrete projects for domestic public infrastructure resulted in lowered middle and high pressure demands and pressure from oversupply is yet to be relieved. In response to power shortage and the demand for carbon reduction, green energy industries such as solar power and wind power are future growth areas.

(2) Stainless Steel Business

● Coils/plates

The growth in demand for coils stems primarily from the Southeast Asian region and the overall demand from Europe and America has saturated. Capacity expansion is also concentrated in emerging countries such as those in Asia, while the decline in demand from China accentuates this industry-wide oversupply issue. The Company maintains a full-scale production and sale and sales operation with stable profits as it has stable customer relationships and our main customers have an advantage in market competitiveness. We will continue to optimize quality while building on and managing customer relationships in order to materialize a sustainable operating model.

With regard to plate materials, the Company will prepare slabs according to market demand and develop the potentially profitable forging industry. In particular, Taiwan and anti-dumping tariff-free export zones exhibit substantial development potential for No. 1; therefore, steel types and specifications will be further improved to expand our market share. For 2D and 2B, domestic and foreign pipe manufacturing and cutting industries will be the main targets. The Company places a premium on customer service as well as stable and long-term customer relationships and enjoys a stable market share. Therefore we are able to sustain a full-scale production and sales. We will continue to actively pursue market shares of current import quantities and the competitiveness of overall cold-rolled products will be improved after available specifications are complete.

● Rods

The overall mid- and low-end product market is under severe price competition. The Company will expand niche steel type sales, maintain full-scale production and sales, increase profits, ramp up full-size production and maintain competitive with stable lead times and product quality. The goal is to enhance the Company's advantage in terms of market expansion.

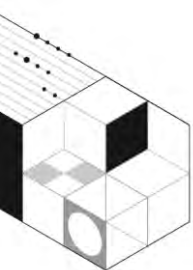
● Stainless steel seamless pipe

Nuclear power pipes: In 2020, China's nuclear power generators in operation and under construction will reach 88 million kW. It is estimated that in 2025, the global nuclear power generation will exhibit multiplied growth in comparison with the current base and will reach 17% the overall power generation in the world. China's nuclear power currently occupies a low percentage of the overall generated power, at about 3%, much lower than the global average of 11%; thus nuclear power has important potential.

Automotive pipes: The current China automotive pipe market has mainly European and American suppliers; the Company plans to enter the market with reasonable prices and lead time advantage.

Nickel-based pipes / instrument pipes: Actively explore demand and develop customers, discover strategic partners, pursue joint orders and increase overall amount of orders.





(3) Commercial Real Estate Business

Walsin Real Estate Procurements

In 2017, the amount of land transactions in Nanjing amounted to 5.42 million square meters, up 15.6% from 2016., which indicates that the land market in Nanjing was brisk and bustling with transactions, carrying on the growth momentum from 2016.

The government's draconian control and adjustment measures were not able to completely hold off the growth momentum in housing transaction prices. The overall housing market manifested a state of "shrunk volume and high prices". In 2017, the supply of housing products in Nanjing amounted to 6.46 million square meters, down 36% year-on-year; transaction volume reached 6.3 million square meters, down 49% year-on-year; the average price was RMB24,000 per square meter, up 22% year-on-year.

Looking ahead, the Jiangbei New Area has been designated as a national economic development zone and a bright future can be expected for Nanjing. In the meantime, as the city of Nanjing has a great deal of higher education institutions and a population surplus from urban influx, the development of its real estate market is set to remain stable, thanks to the triple driving force of macroeconomic policies, economic growth and population growth.

3. Competitive niche, favorable and unfavorable factors for long-term growth and response measures

(1) Wire and Cable Business

● Copper Material

➤ Competitive niche

1. The three plants across the Strait in full-scale operation, has a scale advantage, stable product quality and offers comprehensive after-sales services.
2. Have stable raw material supply relationships and perfect hedging mechanism.
3. Have the integration and operation capacity for production, sales, purchase and financial resources.

➤ Favorable factors

1. Externally: China continues to move toward its objectives of new energy domains and power facility overhaul and its demand for copper wires will continue to grow steadily.
2. Internally: We have established long-term, solid foundations with our customers and integrated the advantages of the Company's tri-factory production base to generate optimized sales portfolios.

➤ Unfavorable factors

1. Taiwan and China's copper strip production capacity has exceeded demand and competition is intense.
2. Chinese competitors' operating scale continues to expand and the trend is moving toward capacity concentration.
3. Price fluctuations of raw materials have increased operating risks.

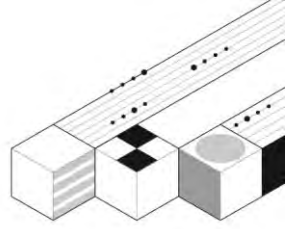
➤ Response measures

1. Identify business opportunities in response to market variation, future demands and development of the research industry.
2. Production, sales and procurement negotiations; understand customer demands; improve product and services.
3. Develop new business customers, adjust and optimize client structure.
4. Comprehensively enhance the operational efficiency, implement cost reduction management and continue to strengthen financial risk management.

● Wire and Cable

➤ Competitive niche

1. The Company has the advantage of providing critical copper raw material supply internally and stably in order to fully exert the benefits of upstream and downstream integration.
2. In the long-term, provide products and services related to project engineering as well as accumulate greater knowledge and experience on the supply side of the industry and utilize brand advantages.



➤ Favorable factors

1. High customer satisfaction in quality, service and lead time; brand advantage within the Taiwan market.
2. Government tendency to expand public construction and green energy industry.

➤ Unfavorable factors

1. The public sector is not showing signs of recovery.
2. The private sector is in an oversupply state and price competition is intense.

➤ Response measures

1. Grasp the market demand forecast and implement price hedging for critical metal raw materials in order to reduce transaction risks.
2. Develop new products according to the international market industry trends as well as develop new markets and customers.
3. Establish long-term cooperative relationships with the main customers as well as expand the scale of products and services.
4. Build a large machine cable lifetime test platform, improve high-end cable product design and development skills, modify product portfolios, improve profitability.

(2) Stainless Steel Business

● Wire rod/straight bar/plate material

➤ Competitive niche

1. Mass production at the Company's Taichung plant has maximized the steel production capacity of the Yanshui plant and created economies of scale.
2. Long whole bar products are produced and sold in a single plant region. In addition, with a rolling cycle that facilitates the shortest lead time and a mechanism capable of swiftly reflecting raw material price fluctuations, up- and downstream resource integration was achieved and we are able to offer optimal services to our customers.

➤ Favorable factors

1. Long bar products have a stable economy of scale and a rapid and stable lead time; in comparison with imported products, plate materials also have a short lead time advantage.
2. Products are chiefly sold to direct users. If traders are the target, then information on final-end users can still be acquired.
3. Organizational flexibility and rapid actions in response to the market variations.
4. The new equipment on the production lines at the Taichung plant and the Yanshui plant will facilitate product combination adjustments and product quality improvement.

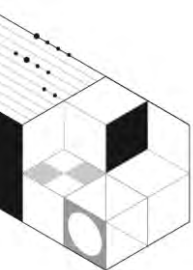
➤ Unfavorable factors

1. Competing Chinese companies are building nickel/iron and stainless steel plants in Indonesia, further reducing the manufacturing cost of stainless steel. Integrated coast-to-coast production from raw materials to products has significantly reduced manufacturing cost, as well as much more related factory-building cost in the future. The Company not only faces threats from mainland China, but also low-price competition from integrated plants in Indonesia.
2. Due to excessive capacity, China is selling its products all over the world at low prices, targeting mostly Southeast Asian markets. The low-price competition for 304 steel became more intense than in 2016.
3. India has expanded its production capacity orienting toward exports. In particular, India has built a warehouse in its target market, competing directly with the Company's downstream fastener customers. Replacement of 304 steel is increasing in prominence.
4. As awareness for environment conservation is growing, it increases operation costs and limits the profits.

➤ Response measures

1. Roller machine improvement through capital expenditures to improve quality, quantity and profits.





2. Enhance product differentiation and diversity, increase the sales volume of 400-series and 316 steel and complete the range of product sizes to meet full production capacity needs and reduce cost.
3. Stably enhance technological capabilities, strengthen the industry supply chain and technical cooperation and strengthen market segmentation.
4. In response to global trend of stricter requirements on energy-saving, carbon reduction and industrial waste treatment, the Company will invest in environmental protection.

● Stainless steel seamless pipe

➤ Competitive niche

1. Quality certification and complete steel types and sizes.
2. Highly renowned brand with sales and shipment performance in various industries.

➤ Favorable factors

1. Automobile tubes have a high certification threshold with long cycles. The Company has entered the field earlier than others and has a promising outlook.

➤ Unfavorable factors

1. Lead time is longer than domestic competitors.
2. Costs are high and price competitiveness is weak.

➤ Response measures

1. Safeguard existing market share and continue to develop new markets.
2. Seek expansion in high unit price markets and increase the market shares of niche products.
3. Make appropriate adjustments to products and the machine loading ratio, in order to reduce cost in response to market demands.

(3) Commercial Real Estate Business

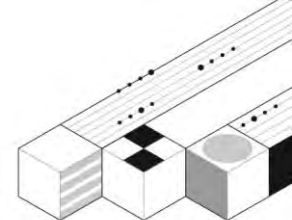
● Walsin Real Estate Procurements

➤ Competitive niche

1. Location advantage: Walsin Centro is located at the heart of the Nanjing Hexi New Town CBD. It sits squarely in the middle of the new town area, at the intersection of subway no. 2, no. 10 and the streetcar.
2. Business climate advantages: Walsin Centro was designated as an international multi-use complex during development and comprises numerous product categories such as office buildings, commercial centers and high quality housing. Each category complements one another in functionality and feeds off one another, making it the most competitive product in the real estate market.
3. Scale advantage: The scale of development exceeds 1 million square meters, becoming a landmark project in Nanjing. The headquarters of four large national financial institutions have taken residence, elevating the value anticipation for office buildings and business activities, while creating a spillover effect for the business solicitation and launch of shopping centers as well as subsequent rental and sales of office buildings.
4. Quality advantage: To meet new trends in market demand, we have adopted new energy saving materials and technologies extensively, focused on user-friendly design as well as product durability and maintainability in every detail, enabling the product to gain a competitive advantage and allowed the Company to rapidly gain market share and establish its brand name.

➤ Favorable factors

1. Due to the scarcity of land and the important role real estate plays in GDP share, financial investment and monetary estimation, real estate tends to retain or increase its value over the long haul.
2. China's economy has been developing steadily over many years and its core cities are capable of driving and controlling the economy, keeping the high-end office building market stable over long periods of time. Increase in demand can be expected.



3. The establishment of the Jiangbei National New Development District will drive Nanjing into a new round of sustainable development and bring steady growth and prosperity to the real estate market. This project is located in Hexi and can fully enjoy the growth results stimulated by the Youth Olympic Games.
4. With the delivery of housing projects in the vicinity of this program, the number of regular residents is expected to grow exponentially. Traffic facilities and complementary public services are already in place. The market is completely mature and commercial demand is growing steadily.
5. The development of core areas in CBD is winding down and the demand for high-end office buildings in the central area of Hexi will drive an increase in supply.

➤ Unfavorable factors

1. Land prices and construction cost continue to rise and housing prices are rising too fast, resulting in increased real estate market risks and it is estimated that various challenges remain for the profits from new land transactions.
2. Many developers are taking part in land auctions and tenders and quality land suitable for development is hard to come by.
3. The city continues to sprawl, leading to a multi-site centralization situation and the dilution of clientele. In the meantime, as the size and quantity of commercial shopping centers within the region increase, competition has become intense.
4. Office buildings built or under construction in the technology parks around this program are huge in terms of scale and the cost of land ownership is low. This has an indirect impact on the overall office building market.

➤ Response measures

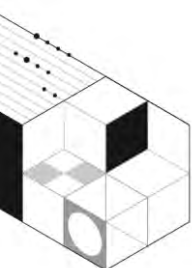
1. Optimize the development process; enhance quality of drawings, contract work and procurement by improving internal processes; and save on project development costs.
2. Make proper product planning and design; emphasize on product differentiation and individuality based on the precise understanding of customer demands. Meet market expectation with feature products and services.
3. Take full advantage of the opportunity to continue to roll out new products to the market; build a differentiated brand through the communication of regional products and brands in order to achieve brand premium for Walsin.
4. Follow-up closely on policy directions of relevant government industry management departments, act ahead of time and seize the optimal rental and sales moment in accordance with market variations.

(2) Key applications and production processes of main products

1. Key Applications of Main Products

Main Products	Key Applications
Copper material	Wire and cable conductor, home appliances, electrical and electronic devices, transformers, etc.
Power cables	Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission lines, etc.
Steel billets	Hot-rolled wire rods, hot-rolled straight rods, flanges, seamless steel pipes, etc.
Flat billet	Hot-rolled steel coils, hot-rolled plates, heavy forgings, etc.
Wire rods	Screws and nuts, springs, welding rods, steel wires, braids and hardware wires, etc.
Hot-rolled coil (flat panel category)	Chemical tanks, pipes for industry and building and pipes for petrochemical industry
Cold rolled coil (flat panel category)	Building decoration, kitchen utensils, appliances, medical equipment, electronic communications and chemical tanks
Peeled straight rods	Forging materials, turning parts, electric machine accessories, etc.
Cold finish straight rods	Shafts, medical equipment, furniture decoration items, turning parts, electric machine accessories, etc.
Stainless steel seamless pipe	Petrochemical heat exchanger; fluid pipe and instrument pipe boiler station pipe; nuclear power station pipe; shipboard fluid pipe and instrument pipe; turning pipe.
Commercial real estate business	Residence/office/mall

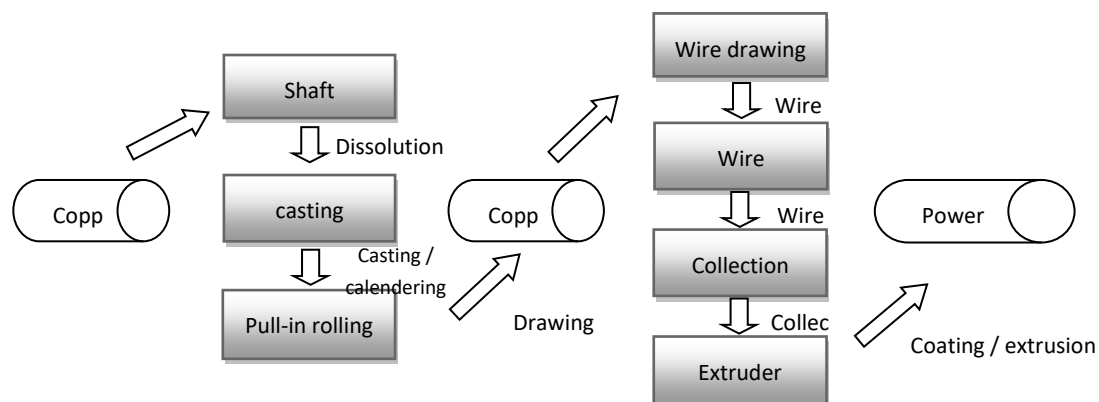




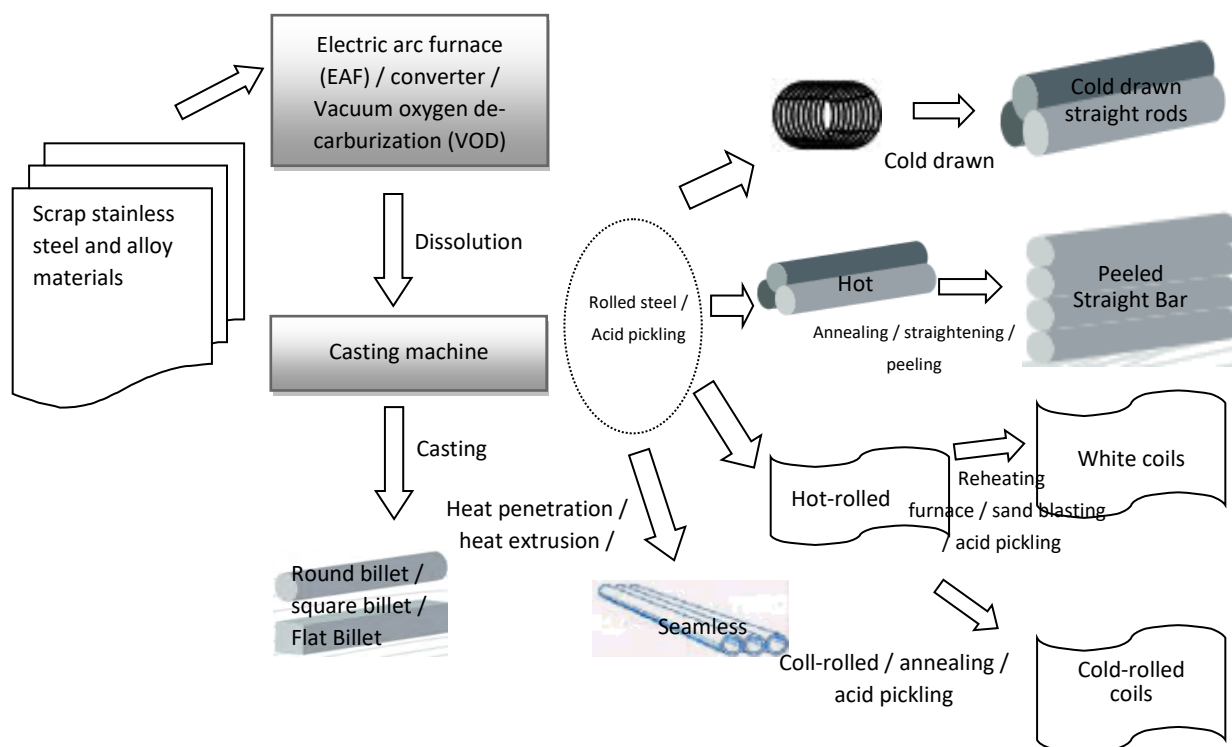
Business Overview

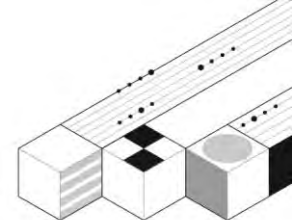
2. Production Process

(1) Wire and Cable Business



(2) Stainless Steel Business





(3) Supply Status of Main Raw Materials

Business Unit	Main Raw Materials	Description of Supply Status
Wire and cables	Copper plates	Primarily based on long-term annual contracts signed with suppliers and supplemented by spot purchases. Procurement must be coordinated with the finished product sales volume.
	Polyethylene	Adopts monthly/quarterly quantity bargaining method and includes imported and local supplies.
	Other chemical materials	Adopts monthly/quarterly quantity bargaining method and raw materials should mainly be locally sourced.
Stainless Steel	Pure nickel, high carbon nickel iron, high carbon ferrochrome, stainless steel scraps, grade 1 steel scraps and molybdenum iron.	The main raw material metals used by the Company to produce stainless steel are pure nickel, high carbon nickel iron, high chromium, high carbon ferrochrome, stainless steel scraps, carbon steel scraps and molybdenum iron. In addition to being sourced from Taiwan, raw materials are also from South Africa, Japan, Australia, Europe and China.
Commercial Real Estate	Land	Implement land reserves pursuant to the Company's real estate development strategy and participate in government land auction tenders.
	Construction Projects and Materials	The Company has selected good quality construction companies and as well as material and equipment suppliers through tenders.
	Retailers	Sign up retailers for the large international shopping center, through data analysis and advantages of the Company's network, pursuant to the Company's commercial positioning, business philosophy and development ideas for the AB plot.

(4) The names, procurement (sales) amounts and ratio for suppliers whose total procurement (sales) for any year in the last two years reached 10%.

1. Major supplier information for the last two years

Unit: NT\$1,000

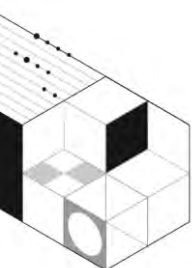
Year	2016				2017			
Item	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer
	Supplier A	18,494,228	14.1	-	Supplier A	22,066,631	14.5	-
	Other	112,868,097	85.9	-	Other	129,681,153	85.5	-
	Net Purchases	131,362,325	100.0	-	Net Purchases	151,747,785	100.0	-

2. Major customer information for the last two years

Unit: NT\$1,000

Year	2016				2017			
Item	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer
	Net Sales	143,355,241	100.0	-	Net Sales	167,792,586	100.0	-

Note: Customers accounting for less than 10% of the total sales amount.



Business Overview

(5) Output volume and value for the last two years

Currency Unit: NT\$1,000
Volume Unit: Tons

Year	2016			2017		
Production value/main product	Production capacity	Production volume	Value	Production capacity	Production volume	Value
Bare copper wire	552,000	514,303	68,863,030	552,000	481,787	82,221,423
Wire and cables	56,520	44,987	8,424,315	56,520	39,291	8,496,636
Steel strands	142,500	110,319	2,283,877	111,000	101,708	2,265,923
Stainless steel strips and bars	447,000	448,274	23,347,109	574,200	516,134	27,950,873
Stainless steel coils	311,000	218,057	11,657,144	311,000	190,041	10,804,615
Seamless steel pipes	24,000	18,886	2,825,077	18,000	16,903	2,863,805
Total			117,400,552			134,603,275

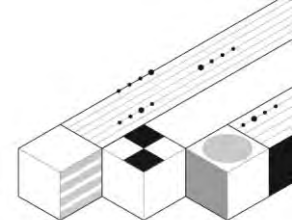
Note: Product capacity means the quantity that can be produced under normal operation with the existing production equipment while taking into account factors such as work stoppage and holidays.

(6) Sales volume and value for the last two years

Currency Unit: NT\$1,000
Volume Unit: Tons

Year	2016				2017			
Value of Main Products/ Sales volume and value	Domestic Sales		Exports		Domestic Sales		Exports	
Main Products	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Bare copper wire	354,016	44,620,445	161,815	26,577,810	377,212	57,286,614	155,640	29,889,901
Wire and cables	45,467	10,097,142	3,667	654,611	40,339	10,115,739	2,440	499,290
Steel strands	103,750	2,121,361	17,344	325,081	88,234	1,980,190	7,446	150,570
Stainless steel strips and bars	303,897	17,819,872	107,918	6,891,215	341,687	20,485,270	136,278	9,610,043
Stainless steel coils	260,978	14,618,612	61,644	3,311,951	250,710	15,543,503	63,343	3,973,559
Seamless steel pipes	7,946	915,464	9,794	1,690,534	5,684	900,246	11,193	1,806,378
Others (Note)	-	13,091,678	-	619,465	-	14,933,907	-	617,376
Total		103,284,574		40,070,667		121,245,469		46,547,117

Note: "Others" include sales of non-core business products as well as real estate business, rental and product income revenues.



3. Employee Data

(1) Employees of Walsin Lihwa Holdings Limited:

March 30, 2018

Year		2016	2017	Current Year up to March 30, 2018
Number of employees		4,676	4,654	4,690
Average age		39.1	39.3	39.4
Average years of service		9.4	9.7	9.6
Education background (%)	Ph.D.	0.2	0.3	0.3
	Master's	6.3	7.2	7.3
	University/College	38.4	38.5	38.6
	High school	35.9	35.7	35.7
	Below high school	19.2	18.2	18.1

Note: Walsin Lihwa Holdings Limited includes its subsidiaries

(2) Employees of Walsin Lihwa Corp.:

March 30, 2018

Year		2016	2017	Current Year up to March 30, 2018
Number of employees		2,307	2,454	2,465
Average age		38.6	38.6	38.7
Average years of service		9.8	9.6	9.6
Education background (%)	Ph.D.	0.3	0.7	0.7
	Master's	12.4	13.1	13.3
	University/College	43.6	42.3	42.5
	High school	30.2	30.4	30.0
	Below high school	13.5	13.5	13.5

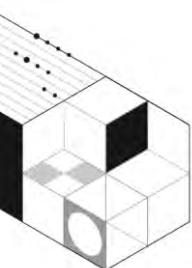
4. Environmental Protection Expenditure Information

(1) Penalties imposed by the competent authority on the Company for environmental pollution, product safety, or other material breach of corporate social responsibility from the most recent year and up to publication date of the annual report:

Unit: NT\$1,000/RMB1,000

Country	Plant area	Time/Unit	Content of inspection:	In violation of:	Fines
Plants in Taiwan	Yanshui plant	April 27, 2017; plant inspection by Southern Branch, Bureau of	Oxidizing slags; open-air storage area for reducing slags; partly oxidizing slags; failure to sort and store	Articles 36 of the Waste Disposal Act	NT\$ 6





Country	Plant area	Time/Unit	Content of inspection:	In violation of:	Fines
		Environmental Inspection, Environmental Protection Administration, Executive Yuan	reducing slags and failure to clearly identify the names of waste materials in Chinese; absence of equipment or facilities to prevent surface water and rainwater from flowing in or seeping		
Overseas plants	Yantai plant	August 18, 2017; plant inspection by the Environmental Protection Bureau, Yantai Economic & Technological Development Area	1. Dust-removing devices were stacked in the open air; failure to adopt any preventive measure. 2. Steel slags were stacked in the open air; failure to adopt any preventive measure against dust emission.	Article 17, Paragraph 1 of the Solid Waste Pollution Control Act. Article 32 of the Air Pollution Control Act.	RMB 100
		September 10, 2017; plant inspection by the Environmental Protection Bureau, Yantai Economic & Technological Development Area	Providing dust-removing devices to units with no operating license to engage in business operation.	Article 57, Paragraph 3 of the Solid Waste Pollution Control Act	RMB 200
	Changshu plant	September 22, 2017; factory inspection by Changshu City Government Environmental Protection Bureau	Industrial wastewater and sanitary sewage shall be recycled after treatment and shall not be discharged outward (RO water discharged into land pits).	Article 22, Paragraph 2 of the Water Pollution Control Act.	RMB 100
		August 31, 2017; factory inspection by Changshu City Government Environmental Protection Bureau	Industrial wastewater and sanitary sewage shall be recycled after treatment and shall not be discharged outward (RO water routed into toilets for flushing).	Article 22, Paragraph 2 of the Water Pollution Control Act.	RMB 80
		July 10, 2017; factory inspection by Changshu City Government Environmental Protection Bureau	Acid washing production lines are in production; complementary waste treatment facilities and two-grade caustic spraying devices have been suspended.	Article 20, Paragraph 2 of the Air Pollution Control Act.	RMB 100

The above-mentioned defects have been corrected and improved and have been reviewed and documented by regulatory authorities. Walsin Lihwa will continue to enhance its environmental management around its factories. We also plan to prevent the recurrence of violation via internal control, environmental education & training, as well as our annual KPI evaluation system.

(2) Future response measures (including improvement measures) and possible expenses:

Despite the large amount of manpower, materials and funding invested in environmental protection to comply with international benchmarks over the years, Walsin Holdings was still fined for pollution. To keep pollution under adequate control, the Company requires factories in Taiwan and overseas to step up self-regulation to

1. Obtained ISO-14001 certification for system management:

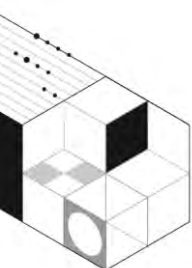
2. Air pollution management:

3. Greenhouse gas emission and campaign for reduction:

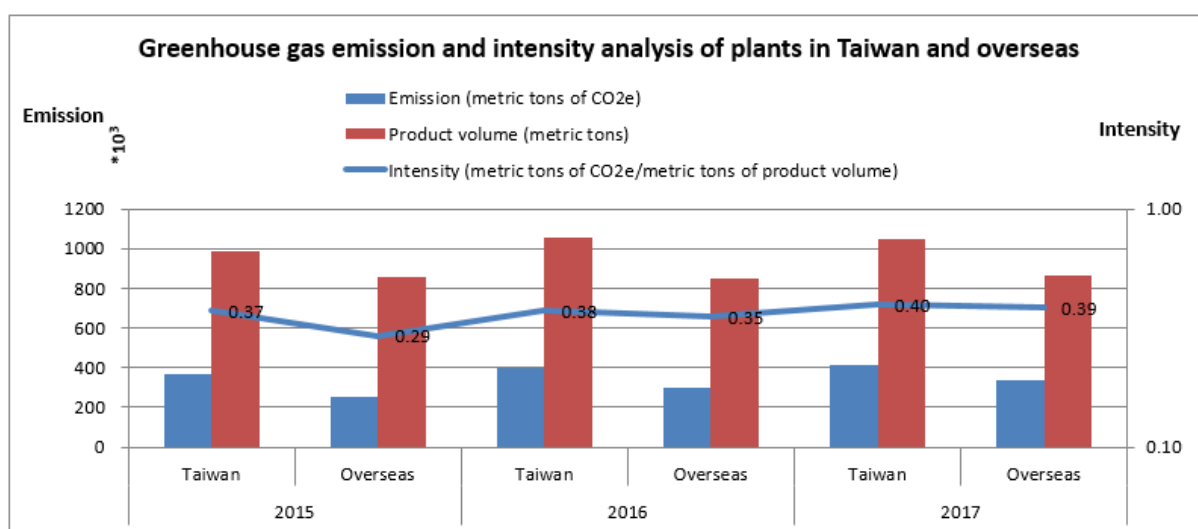
The Company, since 2013, has annually confirmed the emission volume of GHGs as the first step in its own energy conservation and carbon reduction, actively conducted carbon inventory and reduction and constructed the "Safe Environment Information Platform--the ability to conduct GHGs inventories and to calculate carbon emission for products". Every year, all plants at home and abroad must complete the inventories of Categories 1 and 2 GHGs for the previous year and actively work hard to pass the ISO 14064-1 standard through external certification institutions. In 2015, Yenshui plant obtained the certification for ISO 14064-1 standards. In 2017, Taichung plant also obtained the certification for ISO 14064-1 standards. It is expected that all plants in Taiwan will obtain ISO 14064-1 certification by 2019. By 2020, we expect to obtain carbon footprint certification and establish the capability to conduct product carbon inventories and product carbon management, boosting the international competitiveness of our products.

Taichung plant passed ISO14064-1 certification

[illegible]



In 2013, greenhouse gas emission intensity was 0.43 and 0.29 (tons CO₂e/product quantity (tons)), respectively, for Taiwan plants and overseas plants. Since 2014, each plant has proactively executed power-saving programs and after four years of execution, in 2017, Taiwan plants and overseas plants (real estate excluded) reached total emission intensity of 0.40 and 0.39, down 4.7% and up 25%, respectively (for benchmark reference; the emission intensity for Taiwan plants and overseas plants reached 0.42 and 0.31, respectively). The reason why an uptick in intensity was recorded for overseas plants is due to product lineup adjustments and factory downsizing, which resulted in an increase in energy consumption per unit among overseas plants. In 2018, the Company is launching a campaign for factories to obtain ISO50001 management system certification and introduce the new management system which may effectively decrease reduce per-unit product carbon emission.



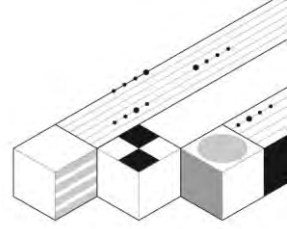
4. Wastewater treatment:

The wastewater from each of Walsin Lihwa's plants has been properly treated and discharged through wastewater treatment facilities in the plant site and the wastewater quality testing has been regularly conducted to avoid the impact of wastewater discharge on the environment. Management at source is most important in water conservation. Based on water quality characteristics, the treatment procedures were designed and recycling units were installed, so the wastewater has been discharged to nearby rivers according to regulations or piped to recycling units in order to effectively use limited water resources. Each plant site has adjusted equipment and process to reduce water consumption and improve wastewater recycling system, so as to enhance the recycling ratio of the process water.

The average pollutant concentration in wastewater discharged by the factories in 2017 met the effluent criteria. The recycling ratio of Taiwan plants reached as high as 93.59%.

5. Strict control of industrial waste:

The 4Rs (reduce, reuse, recycle and recovery) have constituted the foundation for our company's waste production and control. The copper wire and steel material in the used and scrapped cables can be fully recycled for reuse in new cable production. In 2017, under the premise of circular economy, our Yanshui Plant recovered about 5,778 metric tons of residual steel from the furnace slag and bought back about 6,795 metric tons of nickel-chromium alloy from the processor whom we appointed to recycle our dust collected at furnaces. Those recovered were made into steel material again. We recycle and reuse partial waste produced by ourselves and the rest is removed, treated, or reused by qualified companies we have appointed. The industrial waste at each plant is managed in compliance with environmental regulations and ISO 14001 Environment Management System. In regards to waste management, we have a strict external company inspection and audit mechanism and in consideration of the legitimacy of companies and the risks of secondary pollution, we select qualified companies for their treatment services. Internally, we reduce production raw material waste and conduct reduction at source in the spirit of material flow cost.



6. Improving energy use efficiency:

Walsin Lihwa upholds the business philosophy of "Green Manufacturing, Happy Enterprise and Sustainable Management". In addition to committing to quality management, pollution prevention, environmental protection, safety and health, our company adopts "Enhancing energy efficiency and promoting clean energy" as its energy management guidelines to fulfill its social responsibility in energy conservation and carbon reduction. We aggressively incorporate energy-saving equipment, efficient technologies, environment-friendly facilities and environmental protection designs and green process into promoting improvement of energy efficiency at source. In response to the governments' energy policies and measures, we educate our employees about energy conservation and inventory the energy consumed by equipment and facilities to seek opportunities for improving our energy performance and to also effectively implement our energy saving plans.

7. Energy conservation and carbon reduction:

Our company formulates its energy conservation goals by referring to energy conservation policies implemented in Taiwan and overseas. Our company has implemented plans to conserve energy, reduce carbon footprints, as well as reduce carbon dioxide emissions through two major measures: engineering control and administrative management. Our plants also increase energy usage rates via power conservation and waste reduction and reduce greenhouse gas emissions by means of recycling and reuse of resources.

In order to effectively reduce pollution and greenhouse gas emissions and reasonably consume energy in the most efficient way, each plant has established an energy conservation and carbon reduction management group; the relevant platforms are implemented based on the strategies, individual management targets and KPIs set forth by the Environment Safety and Health Committee; the implementations of the targets are reported in every two months on the energy management meeting, during which the analysis and countermeasures in response to the global trend are determined.

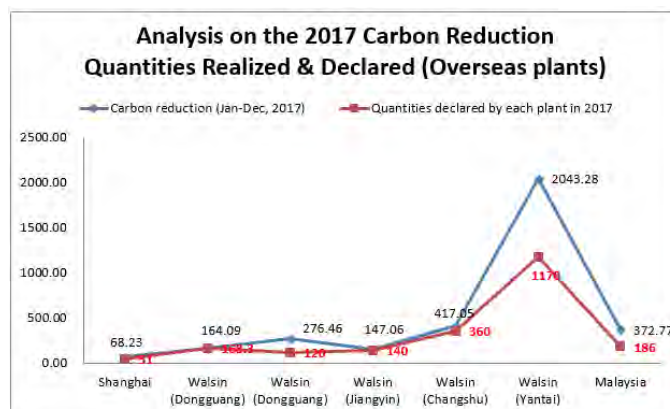
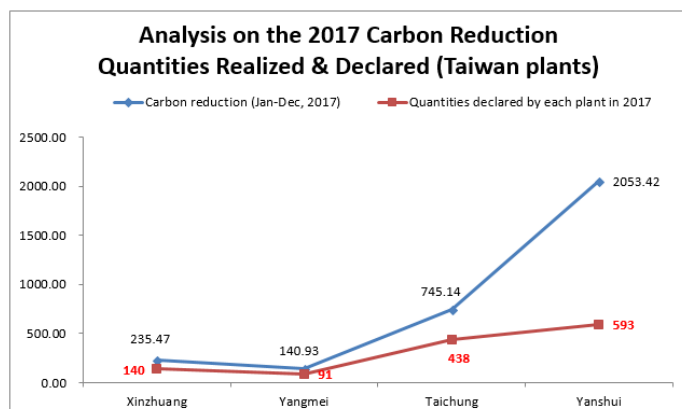
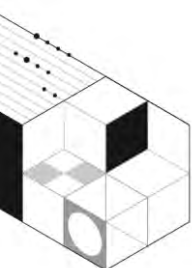
Our annual carbon reduction quantity target is declared at the beginning of every year. The target declared for 2017 was a total of 3,457.30 metric tons for all of our plants at home and abroad. And the actual quantity achieved was 6,663.89 metric tons with an achievement rate of 192.75%. The most outstanding was our Yanshui Plant. It implemented its energy saving plan covering as many as 22 items, the most effective of which was the reduction of natural gas consumption at the VOD boilers made possible by differentiating VCD time based on the differences of high- and low-carbon steel grades. Its annual total carbon reduction quantity reached 2,053.42 metric tons, accounting for about 32.78% of our overall carbon reduced at home and abroad. Our plants in Taiwan and overseas implemented 86 carbon reduction programs in 2017 and these efforts have reduced a total of 6,663.89 metric tons of carbon dioxide emissions, saving approximately NT\$12.025 million for Taiwan plants and RMB2.344 million & RM0.167 million for overseas plants. From 2016 to 2020, it is expected that our power saving rate will reach 5%.

2017 Energy Saving Plans for our plants in various regions

Plant site	Project type	Energy-saving type	Quantities planned	Carbon reduction (metric ton)	Amounts saved for carbon reduction
Taiwan plants	Manufacturing process	Electricity and natural gas	42	3,168.59	NT\$12.025 million
	Offices	Electricity	2	6.37	
	Total		44	3,174.96	
Overseas plants	Manufacturing process	Electricity, natural gas, gasoline and steam	42	3,116.17	RMB2.344 million RM0.167 million
	Offices	Electricity	0	0.00	
	Total		42	3,116.17	

Remark 1: This quantity of carbon dioxide equivalent is calculated based on the emission coefficients of the local electricity, natural gas, gasoline and steam at each plant.





8. Promoting green manufacturing

The stainless steel wire rods, straight bars, cold- and hot-rolled coils and copper strips produced by Walsin Lihwa belong to the upstream materials of various industries and most of them must be processed by several downstream customers before they are delivered to the end-users. As an upstream manufacturer using both steel and copper, the Company play a role in developing and expanding the supply of green products. Moreover, stainless steel itself is one of the most typical green products. Thus, we regard ourselves as an important promoter of the green supply chain.

From raw material selection to product output, this process is actively dedicated to the pursuit of environmental balance and reduce burden on the environment. Therefore, in addition to continuously investing in environmental protection equipment to reduce the environmental impact during the manufacturing process, we continue to focus on process improvement, process simplification, process reduction and process adjustment to reduce the use of resources, reduce the environmental pollution and serve the purpose of energy conservation and carbon reduction. Additionally, in order to promote and expand the green supply chain, we will actively develop green products to make our contributions to energy conservation, carbon reduction and mitigation of global warming.

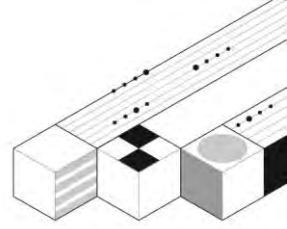
Walsin Lihwa's green operations are optimized and improved from the four major areas, with a view to sustainable development.

- Development of green manufacturing processes
- Green product
- Management of harmful product materials
- By-product reduction, recycling and reuse

(1) Development of Green Manufacturing Mrocesses

In terms of green manufacturing process development, our strategy and driving direction are “to adopt the state-of-the-art technology & equipment and upgrade our plants towards Industry 4.0 standards, so as to develop green processes for energy saving and waste reduction” and to take measures from the following four aspects:

1. Process improvement: To make improvement and innovation on production process techniques
2. Process simplification: To simplify the production process by reviewing such process
3. Production equipment replacement: To fully grasp the information of advanced production equipment and conduct necessary transformation and replacement
4. Enhancement of pollution prevention and waste treatment: To spare no efforts in solid, liquid and air pollution control and follow-up treatment optimization



In 2017, we developed the green manufacturing processes listed below, which further reduced pollution and achieved the goals of energy conservation, carbon reduction and resources conservation.

- Developing furnace slag improvement treatment and reuse technology to reduce its environmental impact.
- Developing furnace slag reduction process to reduce the environmental impact and save resources.
- Adopting pure oxygen combustion technology to reduce fuel consumption and NOx emissions.
- Improving heat treatment process to reduce fuel consumption and achieve energy conservation and carbon reduction.
- Reducing pickling process. Removing rust by machine instead of pickling to reduce chemical solution consumption, reduce pollution and save resources.
- Further increasing waste sulfuric acid recycling and reuse equipment to reduce sulfuric acid solution consumption and save resources.
- Taichung plant pickling process added a waste mixed acid treatment and recycle equipment to further improve waste mixed acid treatment ability, increase the amount of reuse, reduce acid solution consumption and save resources.
- Promoting additional pickling equipment to reduce the NOx content in gas emissions and nitrate content & sludge in effluent and increasing the recycling and reuse of the waste mixed acids and wastewater, so as to mitigate environmental pollution.
- Refining straight bar manufacturing process. Adjusting cooling process for straight bars, thereby lowering the frequency of cold-drawing and annealing during the process. This reduced frequency of use of dies and annealing fuels and achieved energy conservation and carbon reduction.

Slag is a by-product of billet production at our Yanshui Plant in Taiwan during the stainless steel making process and classified as No. 14 electric arc furnace (EAF) slag under the Regulations Governing Administration of Reuse of Industrial Waste. The authority has announced that such material can be used as part of the raw materials for cement and cement-derived products. To recover valuable metal in furnace slags, thereby facilitating slag reutilization, we studied and innovated new process of recycling and reusing slags in 2003. We continuously repeated the processes of breaking, sieving, jaw-crushing and screening slags produced during stainless steel making; extracted valuable metals, slags and ballast soil from furnace slags; and then classified the extractions to recycle and reuse them. A total of 5,778 metric tons of valuable metals were recycled and reused in 2017. Patent application for this classification and processing technology for EAF slag was submitted on April 22, 2004. The application was approved and the patent details are as follows.

■ Spent acid regeneration plant and wastewater recycling equipment (ARP+ZEMAP)

Walsin Lihwa has invested a huge amount of manpower, materials and funds in environmental protection in the hope of achieving international standards. Its Taichung Plant adopted the acid regeneration process (ARP) and the zero-effluent mixed acid pickling process (ZEMAP) in 2015; the two systems earned the Energy Earth Award in same year. Taichung Plant test-ran the ARP equipment in July, 2016 and test-ran the ZEMAP equipment in the end of 2016.

The ARP treats the waste mixed acid produced from the stainless steel pickling process and recycles the hydrofluoric acid and nitric acid to reduce the quantity treated at waste water plant and the sludge production. In 2017, the harmful sludge was reduced by 18% from the previous year.

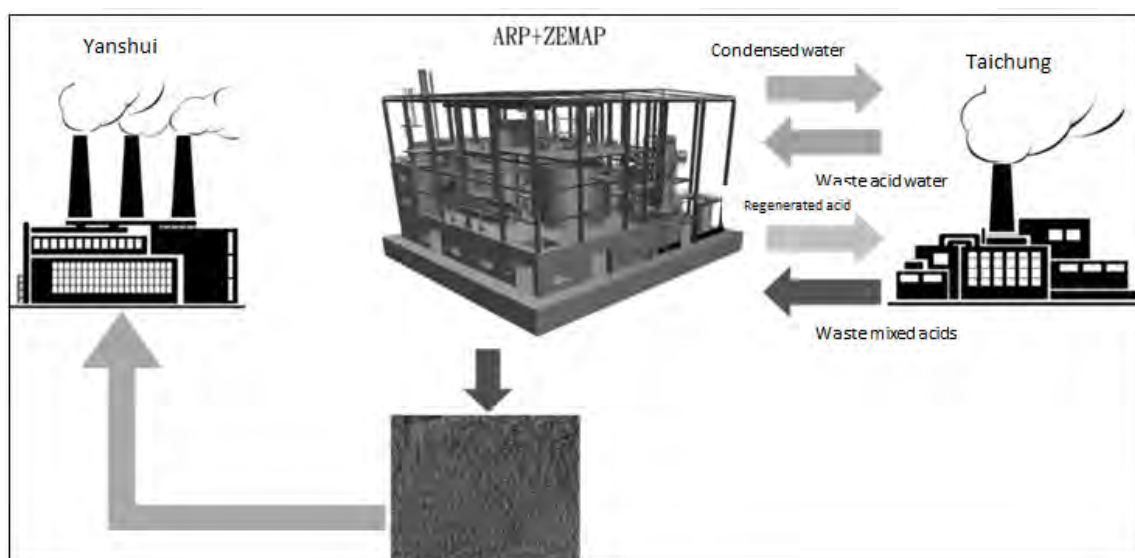
The ZEMAP treats waste mixed acid water, recycles condensed water for the reuse on the pickling line; besides water-saving benefits, it achieves zero nitrate nitrogen emissions.

The ARP recycles hydrofluoric acid and nitric acid and produces the valuable by-product of "oxidized metal powder", which is currently transported to our steel plant in Yanshui to be reused in the furnace. About 980.81 metric tons of such powder were produced in 2017; it lowered the pollution impact to the environment and created a new circular economy operation mode.



■ Recycling and reuse of dust collected at furnaces

In our Yanshui Plant, waste iron, waste steel and alloy iron are melted in an EAF under high temperature to make steel. During the production process, suspended particles and gas are emitted and collected to form "dust." Such dust contains valuable metals such as chromium, iron and nickel; if improperly processed, these metals will cause environmental pollution. Adhering to the principles of sustainable management and environmental protection, our Yanshui Plant puts BOF "dust" as raw material into EAF for melting and recovering valuable metals. As a result, 5,778 tons of residual steel and 6,795 tons of alloy iron were recovered respectively from furnace slag and from the dust for remaking of steel material at the said plant in 2017. For the dust that could not return to the EAF for recycling, as of 2014, our company commissioned qualified, legal recycling and reuse companies instead of solid waste treatment companies to process the dust by melting them at high temperature to recover valuable metals, which were then made into alloy iron. Thereafter, Yanshui Plant bought back such alloy iron and put it into the EAF as raw material.



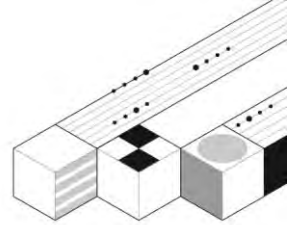
(2) Green product

■ Stainless Steel

Stainless steel has outstanding corrosion resistance and heat tolerance. It can reduce downtime due to equipment errors in harsh environments, extend service life and be 100% recyclable and re-generable. 50% of the raw material used in our stainless steel production is from recycled scrap stainless steel, which will reduce the impact of waste on the Earth. It is why stainless steel can be regarded as a green environmental protective product. Furthermore, stainless steel has a lower life cycle cost, even though stainless steel contains precious metals such as chromium and nickel and is more expensive to produce compared with general steel. But to take into account the life cycle cost, it is less costly than general steel as it has better anti-corrosion property and a longer service life.

Global warming has caused extreme climates and deteriorated earth environment, making energy conservation and carbon reduction critical. In response, governments and corporations around the world have been committed to formulating a variety of measures, such as, reducing car and power plant emissions, improving performance of engines and power generation equipment, building lighter car, machinery, structures, etc. This trend expands the demand on stainless steel performance. Walsin Lihwa, as the main stainless steel supplier on the market, continues to develop high performance stainless steel; as listed in the table below, in 2017, in order to devote itself to the sustainable living environment on Earth, it began to develop green stainless steel products with high performances such as high strength, high heat tolerance, high anti-corrosiveness, highly suitable for turning processes, high compactability, etc.

This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.



■ Wire and Cables

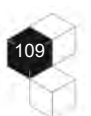
600V PVC electric wire products obtained SGS carbon footprint certification in September, 2013 and Taiwan Electrical and Electronic Manufacturers' Association's (TEEMA) carbon footprint label in December, 2013, making our company the first in Taiwan to have 600V PVC wire products which obtained the carbon footprint certification and the carbon footprint label. Subsequently, our company applied to the EPA for eco-label certification in 2014 and obtained eco-label certification for environment-friendly 600V PVC wire and cable products in January 2015; this product is recyclable and causes low pollution. Furthermore, the waste generated during manufacturing or the waste power cables disposed of by consumers can be recycled and reused. This product provides a new green product option for power cable consumers. Our company is also the first supplier of flame-retardant and heat-resistant electric wires certified by the National Fire Agency. Our company also invests in developing low smoke, toxin free and other types of green electric wires and cables and establishes new benchmarks for green companies.

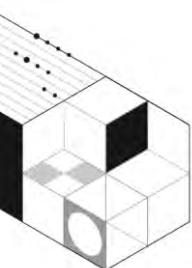


9. Primary pollution control facilities purchased in the most recent year as well as their applications and benefits possible: (Listing only those valued at NT\$100,000/RMB20,000 and above)

As of the end of 2017, Walsin Lihwa spent all kinds of expenses in environmental protection, which were classified into environmental protection equipment fees (pollution prevention equipment), environmental protection management fees and other related fees. As such, Taiwan plants invested NT\$296,459,000; mainland China plants, RMB23,495,000. Our Malaysian plant spent RM22,000 mainly in general waste treatment and environmental monitoring. Details of the fees are listed in the following table.

2017 Environmental protection accounting expenses		Taiwan plants (NT\$1,000)		Mainland China plants (RMB1,000)		Malaysian plant (RM1,000)	
Environment protection cost Category	Environment protection cost item	Expenses	Capital expenditures	Expenses	Capital expenditures	Expenses	Capital expenditures
Environment Equipment cost	E01-01 Pollution prevention expenses	3,783	41,343	9	183	-	-
Environment protection related management fee	E02-01 Resource circulation fee	210,971	-	9,532	-	11	-
	E02-02 Natural resources fee	250	-	8,424	-	-	-
	E02-03 Green procurement	926	-	3,339	-	-	-



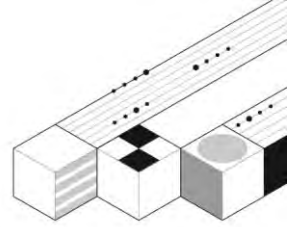


2017 Environmental protection accounting expenses		Taiwan plants (NT\$1,000)		Mainland China plants (RMB1,000)		Malaysian plant (RM1,000)	
Environment protection cost Category	Environment protection cost item	Expenses	Capital expenditures	Expenses	Capital expenditures	Expenses	Capital expenditures
	E02-04 Educational training fee	73	-	14	-	-	-
	E02-05 Test-derived fee	1,557	-	253	-	-	-
	E02-06 Monitoring fee	5,499	-	329	-	6	-
Other environment protection related fees	E02-07 R&D cost	6,197	-	8	-	-	-
	E02-08 Social activities cost	600	-	8	-	-	-
	E02-09 Damage compensation cost	6	-	680	-	-	-
	E02-10 Fees charged by governments	25,254	-	716	-	5	-
Sum	Subtotal	255,116	41,343	23,312	183	22	-
	Total	296,459		23,495		22	

When Walsin Lihwa sets up (expands) its plants, it always considers the types and quantities of pollutants that may be generated and assesses and sets up relevant pollution prevention equipment to avoid environmental pollution. In 2017, for sake of the process improvements, all of its plants invested in pollution prevention for a total of capital expenditure of NT\$451,899,000 (Taiwan plants) and RMB5,419,000 (overseas plants). They include the pollution prevention equipment valued at NT\$100,000/RMB20,000 and above as follows:

(1) Taiwan plants

Plant area	Equipment name (Taiwan)	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	Wastewater treatment on nitrate nitrogen-ZEMAP	1	128,665	To reduce the nitrate nitrogen concentration in wastewater for discharge standard.
Yanshui	Solar photovoltaic system(Yanshui Plant)	1	81,320	In the "Tainan Municipal Development of Low-Carbon City Self-Governance Act", Article 23 stipulates that the power users with a power contract capacity of 800 kW or above in Tainan city should set a solar photovoltaic system with a contract capacity of more than 10% in the place where power is used or in an appropriate location in Tainan to save energy.
Yanshui	Addition of air compressors	1	7,378	To inventory compressors for replacements of old units and to measure the demand on spare parts.
Yanshui	Automatic sampling machine for temperature measurement at EAF.	1	9,200	To lower the power sent to the EAF in order to save energy.
Yanshui	Two new refurbished sandblasters	1	34,854	After heat treatment for rolled steel, the acid pickling process is reduced.
Yanshui	CCP 3.3KV dust collector revamped to be controlled by an inverter	1	3,000	with improved efficiency.
Yanshui	PO01 dust-collecting chimney non-light transmitting equipment replacement	1	870	The equipment is replaced because the existing non-light transmitting equipment has been used for 10 years and does not have any replaceable components.
Yanshui	New road for gas tankers to the west of the straight bars plant	1	4,968	Test the paved furnace slag on road to the west of the straight bars plant

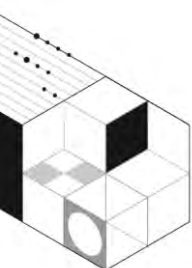


Plant area	Equipment name (Taiwan)	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	The purchase of Elitegroup Computer Systems Co., Ltd. land	1	153,490	Land for furnace slag storage.
Yanshui	V3 dust collector	1	3,300	New equipment.
Xinzhuang	Plant 2 sewerage installation for domestic wastewater pipes	1	7,830	Compliance with environmental policies to avoid fines and save sewage treatment fees in the future.
Xinzhuang	Plant 1 underground water filter backwash treatment	1	794	Compliance with environmental policies to avoid fines and save sewage treatment fees in the future.
Xinzhuang	Plant 1 process wastewater and rain water separation work (sewerage user pipe construction)	1	9,800	Compliance with environmental policies to avoid fines and save sewage treatment fees in the future.
Xinzhuang	Employee cafeteria kitchen wastewater treatment and food residue oily water separation	1	484	Compliance with environmental policies to avoid fines and save costs by avoiding disposal into sewage
Xinzhuang	Apply for change to Plant 1 industrial waste water treatment and water pollution control measures	1	5,553	Compliance with environmental policies to avoid fines and save sewage treatment fees in the future.
Xinzhuang	Handling applications for Plant 2 wastewater treatment, drainage and permit changes	1	394	Compliance with environmental policies to avoid fines and save sewage treatment fees in the future.
	Sum	16	451,900	

(2) Plants overseas

Plant area	Equipment name (China)	Quantity	Investment cost (Currency: RMB 1,000)	Anticipated benefits
Jiangyin	Add smoke and dust vacuum devices for stranding and single wire flange	1	403	Reduce workshop smoke and dust, improve the workshop environment.
Nanjing	The storage site for hazardous waste and solid waste	1	212	The storage of hazardous waste.
Changshu	Acid tank/degreasing tank heating renovation	1	951	Reduce hydrofluoric acid and nitric acid by 30%, reduce annual water consumption by 42,857 tons and reduce annual waste acid treatment fees by NT\$332,000.
Yantai	Industrial vacuum loader	1	309	Environmental protection.
Yantai	Billet storage area acoustic barrier expansion renovation	1	865	The acoustic barrier reduces the noise in the plant by 5 - 10 dB and reduces the noise impact on residents around the plant area.
Yantai	Channel type vehicle radioactivity monitoring system	1	550	Measure product radiation value to guarantee compliance with environmental policies.
Yantai	Slag tip atomization	1	833	Restrict slag tip dust from operations, reduce fugitive emissions of particles
Yantai	Automatic online monitoring of 1# furnace 1# ladle furnace VOD furnace smoke and dust	1	1,296	Effective instant monitoring of particle emission concentrations for timely handling of abnormalities and prevention of environmental pollution.
	Sum	8	5,419	





5. Employees-employer relations

(1) Worker-Management Relations and Welfare

The pursuit of excellence, innovation and learning and friendly environment form the basis of sustainable development at Walsin Lihwa. Its respect and attention to "people" is reflected in its human resources management systems and various worker-management relations mechanisms, which are described as follows:

1. Smooth worker-management communication channels

- (1) In 1976 the Company established an industry union to advocate suitable policies and the voice and proposals of workers are communicated using an employer and employee dual-channel communication method.
- (2) Union representatives employer-employee negotiation meetings are held each quarter. Union representative conferences are held every year to establish a good bridge of communication between employers and employees.
- (3) The Company publishes the "Walsin People Digital Newsletter" to share information on critical business operations and management. The company has also established an international communication platform to hold online events and opinion surveys.

2. The Company's remuneration is established on the principle of being able to attract and retain talent as follows:

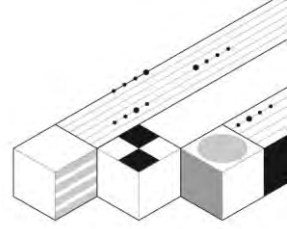
- (1) Salary: Regularly participate in external salary survey activities to understand external salary levels to serve as a reference for the Company's salary setting as well as adjustments and to ensure competitive salaries.
- (2) Bonuses and remunerations: Bonuses and remunerations are issued annually as part of employee compensation based on the operating performance of each department and the performance results of individuals and groups, while taking into account the objectives of talent retention and motivation.

3. Provide a diverse welfare system that includes the following:

- (1) Group insurance plan (including term life insurance, accident insurance, inpatient health insurance, cancer insurance and dependent pension)
- (2) Self-contributed insurance plan for employees and their dependents
- (3) Regular health exams for all employees
- (4) Cash bonuses for the three traditional festivals
- (5) Birthday bonus
- (6) Wedding and funeral subsidies
- (7) Scholarships for children
- (8) Travel subsidies
- (9) Club activity subsidies
- (10) Emergency interest-free loans
- (11) Hospital condolence fund
- (12) Employee cafeteria

4. Under the "Walsin Lihwa Employee Learning and Development System," each employee is incorporated into the Company's operating strategies, policies and target objectives based on his/her capabilities, job performance and career development. This enables employees, job performance and the organization to be fully integrated and to achieve synergies in employee learning and development. The content of the system includes the following:

- (1) Professional talent training in all levels



- (2) Management talent training
- (3) New employee orientation
- (4) Employee general education courses
- (5) Self-motivation course
- (6) Quality and safety awareness course

In 2017, the Company spent a total of NT\$8,137,000 on employee education and training. Details are as follows:

Total training participation	Total training hours	Average training hours per employee
58,820	240,366	51

Training statistics above include data from Taiwan and the subsidiaries in China.

5. Retirement system:

To provide job security to employees, the Company has established a retirement system pursuant to regulatory requirements with specific measures as follow:

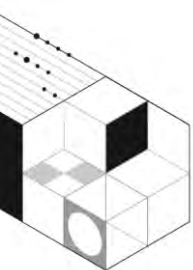
- (1) Established a "Pension Oversight Committee" in 1986, whereby a workers' pension funds are deposited monthly into a pension account at the Bank of Taiwan.
- (2) The Company has commissioned external consultants to prepare a pension fund actuarial report annually since 1994 and set aside a pension reserve fund each month based on the actuarial report in order to satisfy pension applications made by employees eligible for retirement.
- (3) In line with the implementation of the new pension system in 2005, the company has continued the issuance of the pension fund to retired employees who have elected to receive the pension under the old system. As for employees adopting the new system, 6% of their salary will be monthly withdrawn as retirement pension and deposited into each employee's personal account at Labor Insurance Bureau. Employees may voluntarily contribute within the 6% to satisfy personal demand in retirement preparation based on personal needs.
- (4) According to the revisions of the Labor Standards Act in 2015, the Company assesses the balance in the designated labor pension reserve funds account, calculate required labor pension funds for the laborers who meet the legal retire criteria in the follow following year and make up the difference before the end of March the following year.
- (5) In addition to compliance with the aforementioned retirement regulations and in recognition of the contributions made by retired employees, the company also issues commemorative medals and awards to retired employees. Meanwhile, the Employee Welfare Committee as well as the industry union have also issued retirement souvenirs to fully reflect the company's gratitude towards retired employees.
- (6) For employees in China, the subsidiaries enroll their employees in pension plans as required by law and make monthly contributions to the pension plans according to the local regulations in order to provide adequate retirement protection for the employees.

6. Employee Code of Conduct:

To ensure that employees comply with obligations to the Company, customers, competitors and suppliers during business operations, the Company has established an Employee Code of Conduct in order to regulate employee behavior. The highlights of this Code are as follows:

- (1) Obligation to the Company: All Company employees must be dedicated, studious, conform with all rules of the Company and ensure confidentiality.
- (2) Obligation to customers: When conducting business dealings in representation of this Company, the employee's attitude must be humble and without any arrogance or pride lest damaging the Company's image.





(3) Obligation to competitors: The Company's employees should gather competitor information to serve as a reference for Company strategy in a legal and open manner.

(4) Obligation to suppliers: Negotiations and transactions with suppliers by employees must uphold the principles of fairness, reasonableness and reciprocity in order to achieve a win-win result.

As a guide for employees to follow ethical standards and corporate governance, the Company has established additionally an Employee Code of Ethical Conduct. The highlights of this Code are as follows:

- (1) Prevention of conflicts of interests
- (2) Prevention of opportunities to obtain personal gains
- (3) Duty of confidentiality
- (4) Fair trade
- (5) Protection and appropriate use of Company assets
- (6) Legal compliance
- (7) Prohibition of gifts, bribes or any improper benefits
- (8) Prohibition of external communication of information against the Company
- (9) Equal employment opportunity and prohibition of discrimination
- (10) Health and safety in workplace
- (11) Correctly prepared documents and duty to maintain records
- (12) Respect for intellectual property

(2) Protective measures taken to ensure a safe working environment and maintain employees' personal safety

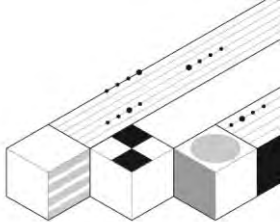
Walsin Holdings operates in one of the traditional industries and the work environment holds potential occupational safety and health risks. Every year, the employees are reminded to follow up abnormal health exam items according to the health exam results for health management and professional environment testing institutions are also hired to study employee health exams and operation environment measurement data to understand the hazard factors and propose prevention education training plans. Protection is provided in the form of engineering control and personal protective equipment. Active operators undergo (regular) physical examinations and health management.

The health and safety system and administrative measures are as follows:

1. Obtained OHSAS 18001 certification and safety management system (based on Taiwan Occupational Safety and Health Management System (TOSHMS) in Taiwan and work safety standardization in China)

Plants to have obtained TOSHMS (Xinzhuang plant 1, Xinzhuang plant 2, Taichung plant and Yanshui plant; Xinzhuang plants 1 and 2 both obtained performance recognition from Occupational Safety and Health Administration of Ministry of Labor) and plants that have obtained work safety standardization certification in China (Yantai plant, Changshu plant, White Crane plant, Nanjing plant, Shanghai power plant, Dongguan plant and Jiangyin plant) have also obtained OHSAS 18001 certification for occupational safety and health management system. The complete health and safety management system is based on the health and safety plan-do-check-act model and serves to create healthy, safe work conditions.

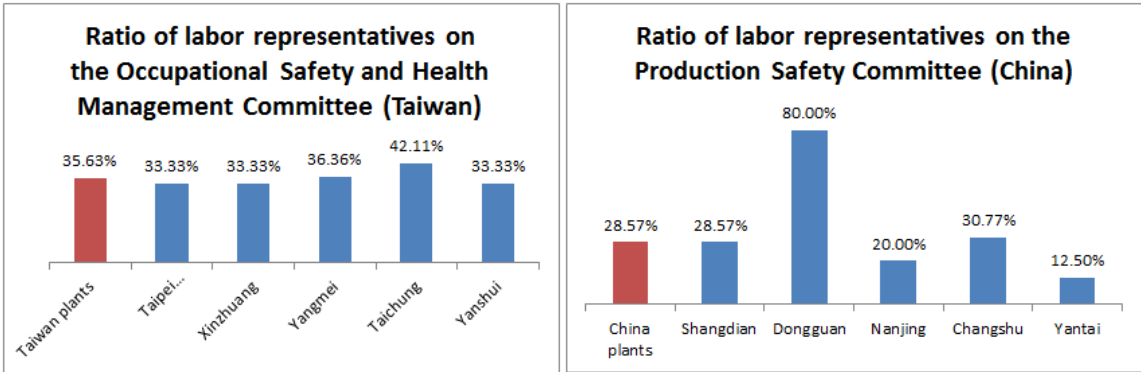
In response to the health and safety regulations and the work safety systems in Taiwan and China, all plants in Taiwan follow the Taiwan Occupational Safety and Health Management System (TOSHMS). All plants in China implement work safety standardization to enforce work safety management. Through institutionalization, documentation and systemization approaches, the Company actively holds training programs, conducts legal inspections, performs risk identification assessments, comprehensively amends safe job procedures (SJP), sets the top priority of safety and health improvements and formulates goals and improvement plans. We continue to improve our safety and health performance through improvement plans, regular auditing and evaluations by managements (Environmental safety and health management committee). In 2016 - 2017, an external expert (Mr. Hsieh Jing-fa) was hire to assist the Group with preparations for the ISO45001 revision.



All domestic and foreign business locations are expected to obtain ISO45001 certification in 2019, so that the entire Company becomes an occupational health and safety system certified corporation.

2. Designated health and safety and environmental management units or staff

An "Occupational Safety and Health Committee" (Taiwan) or "Production Safety Committee" (China) is established at every Walsin business location. In Taiwan, the labor representatives comprises of one third of the committee. Each committee at the business locations holds a meeting every three months to discuss occupational safety and health management issues; the meeting minutes are all published afterwards. Each year a regular "Occupational Safety and Health Committee" or a "Production Safety Committee" meeting is held to review relevant standards, regulations and risks.

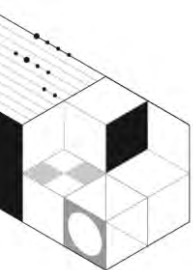


Note: The ratio = Number of labor representatives / Number of committee members X 100%

3. Environmental safety and health duties and training:

In 2017, the Company continued to promote all-employee participation in advanced and special chemicals professional trainings, such as hazard identification, risk evaluation and safe job procedures (SJP), resulting in a consistent environment health and safety (ESH) management system across all domestic and overseas plants of Walsin Lihwa. Annually scheduled audits of hazard identification, risk evaluations and SJP help identify operation risks and reduce the incident rates. In the same year, a special chemicals education training instructed by externally hired teachers helped improve operator professional skills. A total of 21 education lectures were held, educating the concepts of occupational safety and health and ESH management system operations. The courses are a total of 118 hours with about 800 participations. In 2018, the Company will continue to build on the philosophy of leadership commitment and leveled management of occupational safety and health and ESH management systems. Walsin is committed to environmental protection and occupational safety.





4. Contractor management

The Company is dedicated to corporate social responsibility and extends that devotion to our contractors. The past contractor management method of auditing from the product and contracted project point-of-view has resulted in painful experiences in 2017. Afterward, the Company takes into account a more active and comprehensive view in terms of environment, society and economy to conduct supplier and contractor audit and selection, for an effective and suitable management and to understand the significant and hidden risks in the supply chain.

■ Short-term improvement plans

- ◆ Contractor education and training Environmental protection, safety and health lectures
- ◆ Plant entrance access control: Working permit
- ◆ Notification of hazard factors: On-site construction safety notice
- ◆ Contractor evaluation
- ◆ Agreement and signing of required important information for contractors: Contractor Agreement
- ◆ Plant entrance access control: Construction control
- ◆ Join the agreement organization: Agreement organization application, meeting
- ◆ Dangerous operation control: Hot work, elevated operations, confined space operations, dangerous pipes cutting operations, suspension operations
- ◆ Power management: Power usage application
- ◆ Construction work management: Construction safety measure, 6S control

- The long-term plan is to develop a dedicated APP, which is a basis for all employees operation verification, or plant safety and contractor work process monitoring and to establish emergency response organization and reporting procedures (education training/subsequent procedure establishment/post-incident processes).

5. Key tasks in future health and safety management (2018 safety and environment guidelines)

- (1) The Company's ESH management system (standard and integrated management system) management and risk monitoring
- (2) A comprehensive continuous ESH management mechanism and an integrated information platform.
- (3) Full participation. Operational safety (SJP), equipment safety (TPM), environmental safety, 5S implementation
- (4) Major ESH project (legal compliance and innovation)
- (5) Establish ESH talent database, develop integrated ESH project talent and organization

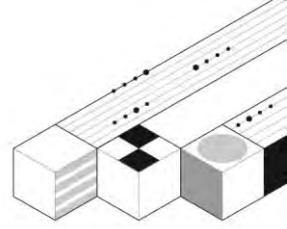
6. Environmental safety operation management and performance assessment measures

(1) Active performance indicators:

- Key project efficiency and realization - obtain management system certification (ISO 14001 new version, ISO 45001 certification, ISO 50001)
- Contractor management and dangerous operation control.
- Key project to reduce occupational incidents and ESH risks - safe operation zone defense and full participation
- Conduct incident reporting and investigation and ESH affairs reporting
- Key project - energy conservation and carbon reduction (energy conservation project, GHG inventory)
- Safety and environment database reporting system status The status of data reporting (information transparency)
- Reduce environmental protection risk: Environmental protection risk management and control

(2) Passive performance indicators

- Reduce occupational hazard/injuries & occupational, safety and health risks



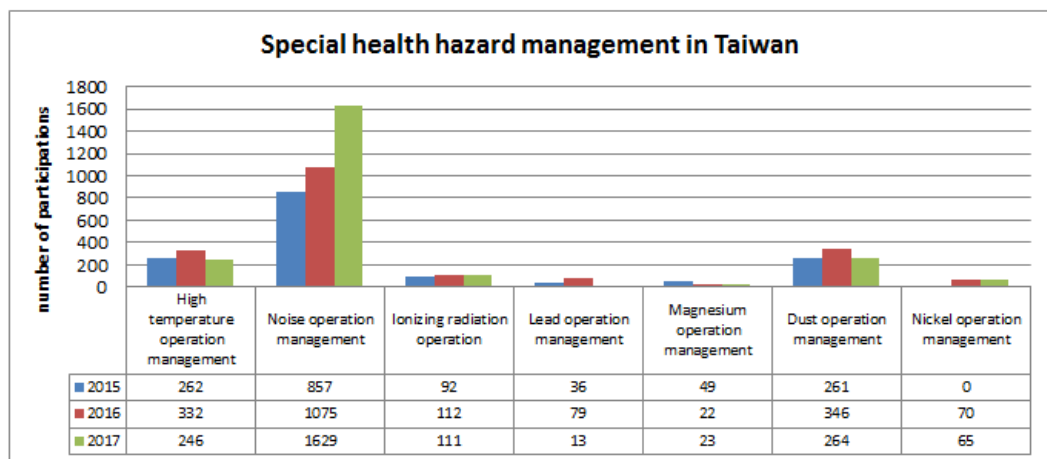
- Energy conservation and carbon reduction: Achieve the announced annual energy conservation and carbon reduction goal - necessary target is 1%
- Reduce environmental protection/safety risk: Legal compliance in environmental protection/safety/fire-fighting management

7. Establish friendly, safe and healthy workplace through health promotion

- (1) Employee health exams: Walsin takes care of its employee's health by offering the more health exam items and higher exam frequency than the legal requirement. The Company also conducts health management measures on the exam results and offers consultation, diagnosis, treatment, referral and other services. The 2017 overall number of people that were examined and managed is 6,308.

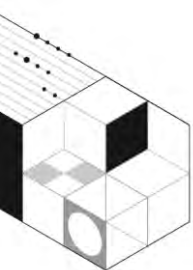
Taiwan Region employee healthcare management	2015	2016	2017
Health Exams:	1,309 people	2,003 people	1,481 people
New employee healthcare management	266 people	231 people	401 people
Existing employee healthcare management	1,167 people	1,828 people	2,075 people
Special health hazard management	1,557 people	2,036 people	2,351 people
Total	4,299 people	6,098 people	6,308 people

- (2) Employee healthcare management: Employees of the business locations in Taiwan are annually reminded to follow up abnormal health exam items according to the health exam results for health management and professional environment testing institutions are also hired to study employee health exams and operation environment measurement data to understand the hazard factors and propose prevention education training plans. All personnel working on special operation sites undergo special health exams according to plans; the exam items include high temperature, noise, radiation, lead, magnesium, dust and nickel. The number of participations in the special health exams over the years are as follows.



- (3) Employee care (Labor physical and mental healthcare measures): From the health risk management methods announced in Taiwan Regional business locations in 2015 (over-exhaustion, human factor hazard prevention, workplace violence management and maternal protection management), to the management project implementation in various campaigns and trainings in 2016 and the implementation of each plant's classified health risk management in 2017, Walsin's achievements are as follows:





Occupational health risk management in 2017	Taipei	Xinzhuang	Yangmei - Copper	Taichung	Yanshui
Number of people under ergonomic hazard prevention control	158	385	75	309	0
Number of people under overwork prevention control	158	385	75	311	1,042
Number of people under maternity protection	4	0	0	1	5
Number of people under violence prevention control	-	-	-	-	-

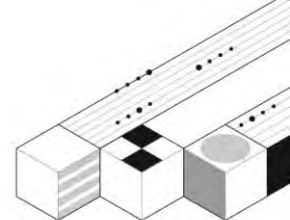
Description

- Prevention of human factors: Preventive management is conducted based on the behavioral analysis of the human factors questionnaire distributed in 2016 and 2017.
 - Overworking control and prevention: Preventive management is conducted based on physical examination data as well as analysis of the individual overwork survey questionnaire distributed in 2016 and 2017.
 - Maternity protection: Maternal health hazard protective measures targeting female employees were implemented in 2017, including hazard evaluation and control, doctor's appointments and risk level management; a total of 10 employees were assisted.
 - Violence control and prevention: No case of violence has been reported since promotion was conducted in 2016 and a survey was implemented in 2017.
- (4) Health promotion & on-site occupational medicine services: A variety of health-promoting activities were held in order to enhance occupational health at the workplace. Activities consistent with the characteristics of the plants, such as health screening, weight loss & mental consultation, health seminars, diet & sports consultation and smoking cessation, were held through diverse actions and static methods in an attempt to promote employees' mental and physical health. It is hoped that employees can receive well-rounded healthcare and medical services. Occupational medicine physicians were regularly hired and invited to on-site service to conduct one-on-one consulting, seminars and on-site visits, so that employees can receive well-rounded healthcare and medical services.

Autonomous activities for health in the Taiwan area	2017			
Dynamic-autonomous activities for health	37	Number of events	1,873	Number of people
Static-autonomous activities for health	56	Number of events	1,094	Number of people
Occupational medicine on-site service at factories-consultation	19	Number of events	78	Number of people
Occupational medicine on-site service at factories-seminar	4	Number of events	114	Number of people

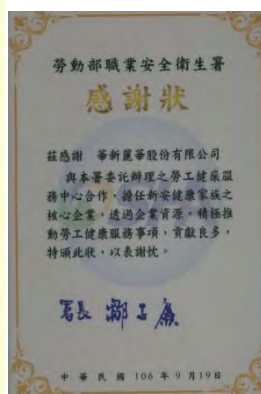
Dynamic events: Events such as the loving care blood-giving campaign, action smoking cessation outpatient clinic, betel nut cessation campaign, physical fitness campaign, flu vaccination, club events (mountain-climbing/aerobics/biking/basketball), events held by government agencies, etc.

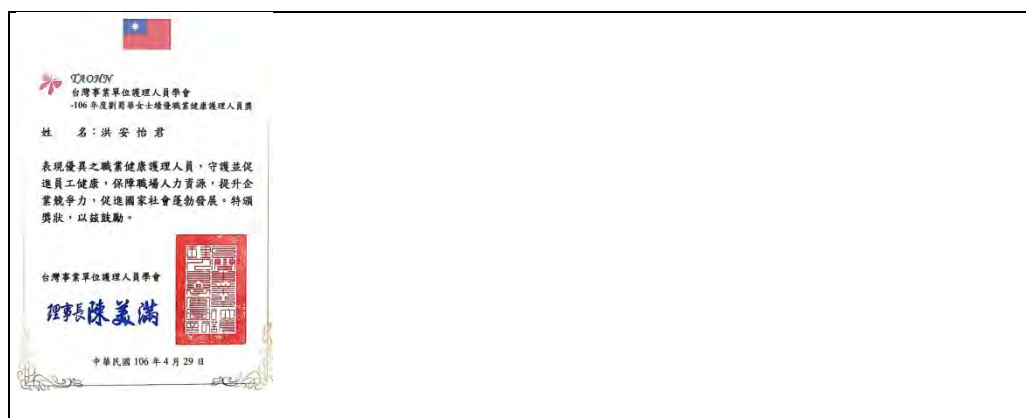
- (5) 2017 achievements in health workplace promotion: In terms of workplace health and safety, we take employer's responsibility very seriously and go to great lengths to perform our duty, in order to provide employees with a better working environment. We also received multiple recognition for our proactive promotion of occupational health management initiatives: Our Hsinchuang plant has received a certificate of appreciation for partnering with Taipei Medical University, the Health Promotion Administration and the Taiwan Food and Drug Administration in the anti-smoking & anti-betel nut promotional campaign, in addition to winning the Badge of Accredited Healthy Workplace as well as a certificate of appreciation from the Occupational Safety and Health Administration, Ministry of Labor for promoting labor health service affairs by a corporation. Taichung plant won the Dynamic Workplace Creative Golden Ideas Award-Outstanding Performance Award presented by the Health Bureau of Taichung City Government, in addition to the recognition of 2017 Outstanding Occupational Healthcare Personnel by the Taiwan



Association of Occupational Health Nurses. Yenshui plant was also awarded national outstanding healthy workplace - health management award as well as the excellent healthy workplace award by the Department of Health, Tainan City Government. Won the iTaiwan iSports Badge in 2017 as well as the Outstanding Healthcare Personnel Award in 2017 presented by the Great Tainan Nurses Association

Plant area	Award	
Xinzhuang plant	Ministry of Health and Welfare	Badge of Accredited Healthy Workplace
	Taipei Medical University	Certificate of appreciation for participation in anti-smoking & anti-betel nut promotional campaign
	Occupational Safety and Health Administration	Certificate of appreciation for promoting labor health service affairs by a corporation.
Taichung plant	Health Bureau of Taichung City Government	Dynamic Workplace Creative Golden Ideas Award-Outstanding Performance Award
	Taiwan Association of Occupational Health Nurses	2017 Outstanding Occupational Healthcare Personnel by the Taiwan Association of Occupational Health Nurses
Yenshui plant	Occupational Safety and Health Administration	2017 "iTaiwan iSports Badge"
	Great Tainan Nurses Association	Outstanding Healthcare Personnel in 2017





(3) Labor dispute losses and countermeasures from the most recent year to the publication date of this annual report: None.

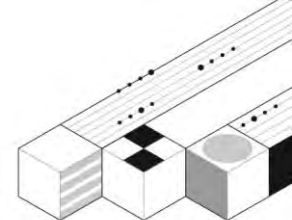
6. Material Contracts

(1) Walsin Lihwa Corporation

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Syndication Loan Agreement	Sixteen banks including Taipei Fubon, Chinatrust and E.Sun Bank.	2015/09 ~ 2020/09	Syndicated loan credit of NT\$15 billion, five-year period, non-recyclable	1. Current ratio $\geq 100\%$ 2. Debt ration $\leq 120\%$ (Net indebtedness/Tangible asset) 3. Interest protection multiples $\geq 150\%$ 4. Net tangible assets \geq NT\$50 billion

(2) Walsin (Nanjing) Construction Limited

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Construction Agreement	41 companies including Shanghai Construction No. 1 Group, etc.	2017/01 ~	Walsin Centro AB area phase two design, consultancy, construction, power distribution, etc., accumulates to RMB 1.446 billion.	None
Sale Agreement	Nanjing Branch, Bank of Beijing Co., Ltd.	2017/4	Disposal of No. 3 building on AB area in Jianye District, Nanjing, with the transaction amounting to around RMB1.05 billion in total	None
Sale Agreement	Nanjing branch office of China Life Insurance Co., Ltd.	2017/12	Disposal of No. 4 building on AB area in Jianye District, Nanjing, with the transaction amounting to around RMB1.05 billion in total	None



VI Financial Information

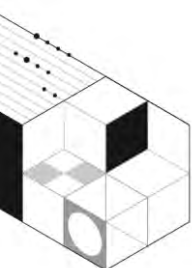
1. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

(1) Condensed Balance Sheet – Consolidated (Based on IFRSs)

Unit: NT Thousands

Year		Financial Summary for the Last Five Years				
		2013	2014	2015	2016	2017
Current Assets		52,873,326	52,140,435	51,200,394	55,356,705	63,652,434
Property, Plant and Equipment		21,635,479	18,439,033	17,575,655	20,483,863	20,984,890
Intangible Assets		199,178	201,172	199,080	177,029	169,726
Other Assets		38,700,358	37,976,806	35,708,162	38,161,617	45,443,695
Total Assets		113,408,341	108,757,446	104,683,291	114,179,214	130,250,745
Current Liabilities	Before Distribution	35,863,269	19,971,882	17,078,873	32,360,784	34,618,169
	After Distribution	35,863,269	19,971,882	17,780,073	34,688,984	37,944,169
Non-current Liabilities		15,347,795	23,370,603	24,035,959	16,536,425	23,352,320
Total Liabilities	Before Distribution	51,211,064	43,342,485	41,114,832	48,897,209	57,970,489
	After Distribution	51,211,064	43,342,485	41,816,032	51,225,409	61,296,489
Equity Attributable to owners of the Company		59,971,272	63,499,315	61,680,070	63,365,942	70,523,463
Capital Stock		35,760,002	35,760,002	35,760,002	33,960,002	33,660,002
Capital Surplus		15,629,054	15,647,004	15,766,866	15,701,403	15,854,392
Retained Earnings	Before Distribution	7,758,681	9,932,518	11,383,125	15,211,219	19,234,380
	After Distribution	7,758,681	9,932,518	10,681,925	12,883,019	15,908,380
Other Equity		823,535	2,452,684	(621,113)	(897,872)	2,090,607
Treasury Stock		-	(292,893)	(608,810)	(608,810)	(315,918)
Non-controlling Interests		2,226,005	1,915,646	1,888,389	1,916,063	1,756,793
Total Equity	Before Distribution	62,197,277	65,414,961	63,568,459	65,282,005	72,280,256
	After Distribution	62,197,277	65,414,961	62,867,259	62,953,805	68,954,256



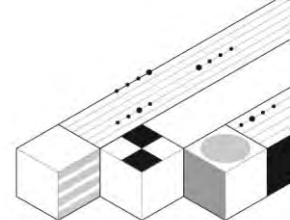


Business Overview

(2) Condensed Balance Sheet - Unconsolidated (Based on IFRSs)

Unit: NT Thousands

Items \ Year		Financial Summary for the Last Five Years				
		2013	2014	2015	2016	2017
Current Assets		8,723,676	9,989,580	10,670,083	12,619,660	15,188,603
Property, Plant and Equipment		11,719,767	11,427,661	11,625,911	13,853,939	14,356,176
Intangible Assets		-	-	-	-	-
Other Assets		60,741,853	61,654,567	72,824,020	67,646,531	76,090,868
Total Assets		81,185,296	83,071,808	95,120,014	94,120,130	105,635,647
Current Liabilities	Before Distribution	9,506,730	8,342,078	9,409,878	14,688,116	12,497,690
	After Distribution	9,506,730	8,342,078	10,111,078	17,016,316	15,823,690
Non-current Liabilities		11,707,294	11,230,415	24,030,066	16,066,072	22,614,494
Total Liabilities	Before Distribution	21,214,024	19,572,493	33,439,944	30,754,188	35,112,184
	After Distribution	21,214,024	19,572,493	34,141,144	33,082,388	38,438,184
Capital Stock		35,760,002	35,760,002	35,760,002	33,960,002	33,660,002
Capital Surplus		15,629,054	15,647,004	15,766,866	15,701,403	15,854,392
Retained Earnings	Before Distribution	7,758,681	9,932,518	11,383,125	15,211,219	19,234,380
	After Distribution	7,758,681	9,932,518	10,681,925	12,883,019	15,908,380
Other Equity		823,535	2,452,684	(621,113)	(897,872)	2,090,607
Treasury Stock		-	(292,893)	(608,810)	(608,810)	(315,918)
Total Equity	Before Distribution	59,971,272	63,499,315	61,680,070	63,365,942	70,523,463
	After Distribution	59,971,272	63,499,315	60,978,870	61,037,742	67,197,463



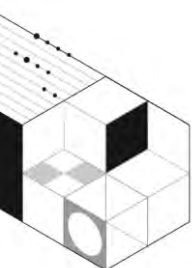
(3) Condensed Income Statements - Consolidated (Based on IFRSs)

Unit: NT Thousands (Except EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2013	2014	2015	2016	2017
Net Sales	148,634,957	162,987,384	149,338,115	143,355,241	167,792,585
Gross Profit	4,631,158	7,570,228	5,808,905	9,564,407	12,004,831
Operating Income	45,197	3,503,590	1,957,744	5,321,774	7,895,645
Non-operating Revenue and Expense	(2,361,334)	157,734	507,687	851,597	1,498,803
Profit (loss) before Taxes	(2,316,137)	3,661,324	2,465,431	6,173,371	9,394,448
Gain (loss) from Continued Operations	(2,431,422)	2,535,532	1,728,132	4,838,503	6,694,013
Loss from Discontinued Operations	-	-	-	-	-
Profit (loss) for the year	(2,431,422)	2,535,532	1,728,132	4,838,503	6,694,013
Other comprehensive income, net of income tax	4,489,965	1,502,331	(3,210,351)	(239,696)	2,786,719
Total comprehensive income for the year	2,058,543	4,037,863	(1,482,219)	4,598,807	9,480,723
Profit (loss) for the year attributable to owners of the company	(2,688,696)	2,264,691	1,601,726	4,568,125	6,559,984
Profit for the year attributable to non-controlling interests	257,274	270,841	126,406	270,378	134,029
Total comprehensive income for the year attributable to owners of the company	1,836,583	3,802,986	(1,604,667)	4,252,535	9,362,394
Total comprehensive income for the year attributable to non-controlling interests	221,960	234,877	122,448	346,272	118,338
Earnings (loss) Per Share (Note)	(0.77)	0.64	0.45	1.33	1.97

Note: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.





(4) Condensed Income Statements - Unconsolidated (Based on IFRSs)

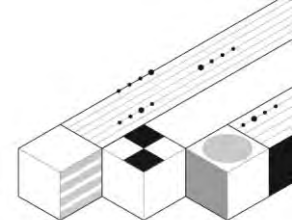
Unit: NT Thousands (Excpet EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2013	2014	2015	2016	2017
Net Sales	67,659,107	70,179,109	71,574,888	67,074,039	76,123,074
Gross Profit	2,693,683	3,093,674	4,090,649	5,982,561	5,318,064
Operating Income	1,648,545	2,058,839	2,996,429	4,785,519	3,836,535
Non-operating Revenue and Expense	(4,663,241)	226,852	(838,608)	390,100	3,290,917
Profit (loss) before Taxes	(3,014,696)	2,285,691	2,157,821	5,175,619	7,127,452
Gain (loss) from Continued Operations	(2,688,696)	2,264,691	1,601,726	4,568,125	6,559,984
Loss from Discontinued Operations	-	-	-	-	-
Profit (loss) for the year	(2,688,696)	2,264,691	1,601,726	4,568,125	6,559,984
Other comprehensive income, net of income tax	4,525,279	1,538,295	(3,206,393)	(315,590)	2,802,410
Total comprehensive income for the year	1,836,583	3,802,986	(1,604,667)	4,252,535	9,362,394
Earnings (loss) Per Share (Note)	(0.77)	0.64	0.45	1.33	1.97

Note: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

(5) Auditors' Opinion from 2013 to 2017

Year	CPA	Audit Opinion
2013	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2014	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2015	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unqualified Opinion with an Explanatory Paragraph
2016	Deloitte & Touche Hung-Bin Yu, Kenny Hong	An Unmodified Opinion with an Other Matter Paragraph
2017	Deloitte & Touche Ming-Yu Chiu, Hung-Bin Yu	An Unmodified Opinion with an Other Matter Paragraph



2. Financial Analysis of Recent Five Years

(1) Consolidated Financial Analysis – Based on IFRSs

Analysis Items		Year	Financial Analysis for the Last Five Years				
			2013	2014	2015	2016	2017
Financial structure (%)	Debt Ratio		45.15	39.85	39.27	42.82	44.50
	Ratio of long-term Capital to Property, Plant and Equipment		358.41	481.50	498.44	399.42	455.72
Solvency (%)	Current Ratio		147.41	261.06	299.78	171.06	183.87
	Quick Ratio		83.21	136.12	160.67	76.01	80.75
	Interest Coverage Ratio (times)		(276.85)	581.00	681.97	2,011.36	1,931.29
Operating Performance	Accounts Receivable Turnover (Times)		8.87	9.74	9.48	9.83	11.75
	Average Collection Period		41.14	37.47	38.50	37.13	31.06
	Inventory Turnover (Times)		6.88	7.06	6.30	5.38	5.24
	Accounts Payable Turnover (times)		22.57	21.64	20.21	17.98	17.39
	Average Days in Sales		53.05	51.69	57.93	67.84	69.65
	Property, plant and equipment Turnover (Times)		6.26	8.13	8.29	7.53	8.09
	Total Assets Turnover (Times)		1.33	1.46	1.39	1.31	1.37
Profit ability	Return on Total Assets (%)		(1.66)	2.75	1.89	4.65	5.77
	Return on Stockholders' equity (%)		(3.91)	3.97	2.67	7.51	9.73
	Pre-tax Income to Paid-in Capital (%)		(6.47)	10.23	6.89	18.17	27.90
	Profit Ratio (%)		(1.63)	1.55	1.15	3.37	3.98
	Earnings (loss) Per Share (NT\$) (Note 1)		(0.77)	0.64	0.45	1.33	1.97
Cash Flow(Note 2)	Cash Flow Ratio (%)		17.24	2.84	23.48	22.98	22.23
	Cash Flow Adequacy Ratio (%)		38.20	55.76	93.52	92.90	83.19
	Cash Reinvestment Ratio (%)		7.51	0.59	4.13	7.69	5.32
Leverage	Operating Leverage		173.93	2.98	4.54	2.28	1.49
	Financial Leverage		-	1.27	1.27	1.06	1.06
Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)							
A. Compared to 2016, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital and earnings per share in 2017 show an increase and operating leverage, cash reinvestment ratio decline. It's because that Commercial Real Estate Business got profit from selling Estate D.							
B. The increase of profit before tax and operating income in 2017 due to the Stainless Steel Business got profit from the steady production increasing sales volume.							

Note 1: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

Note 2: If net cash provided by operating activities is negative, shall not be calculated.

Note 3: Financial analysis formulas show as the following:

1. Financial Structure:

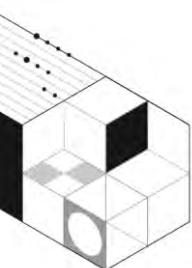
(1) Debt Ratio = Total liabilities / Total assets

(2) Ratio of Long-term Capital to Property, plant and equipment = (Stockholders' equity + non-current liabilities) / net worth of Property, plant and equipment

2. Solvency:

(1) Current Ratio = Current assets / Current liabilities

(2) Quick Ratio = (Current assets - inventories - prepaid expenses) / Current liabilities



(3) Interest Coverage Ratio = Income before tax and interest expenses / Current Interest expenses

3. Operating Performance:

(1) Receivable (included trade receivables and operating notes receivable) Turnover = Net sales / Average receivables for each period (included trade receivables and operating notes receivable)

(2) Average Collection Period Turnover Days = 365 / Receivable turnover

(3) Inventory Turnover = Cost of sales / Average inventories

(4) Payables (included trade payables and operating notes payable) Turnover = Cost of sales / Average payables for each period (included trade payables and operating notes payable)

(5) Average Days in Sales = 365 / Inventory turnover

(6) Property, Plant and Equipment Turnover = Net sales / Average of property, plant and equipment, net

(7) Total Assets Turnover = Net sales / Average of total assets

4. Profitability:

(1) Return on Total Assets = [Net income after tax + interest expense × (1 - tax rate)] / Average of total assets

(2) Return on Stockholders' equity = Net income after tax / Average of stockholders' equity

(3) Profit Ratio = Net income after tax / Net sales

(4) Earnings (loss) Per Share = Net income attributable to owners - stock dividend - preferred) / Weighted average of outstanding shares

5. Cash Flow:

(1) Cash Flow Ratio = Net cash provided by operating activities / Current liabilities

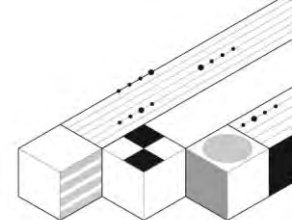
(2) Cash Flow Adequacy Ratio = Net cash provided by operating activities in recently five years / Recently five years of (capital expenses + increase of inventories + cash dividend)

(3) Cash Reinvestment Ratio = (Net cash provided by operating activities - cash dividend) / (Property, plant and equipment, gross + long-term investment + other non-current assets + working capital)

6. Leverage:

(1) Operating Leverage = (Net sales - variable operating cost and expense) / Operating income

(2) Financial Leverage = Operating income / (Operating income - interest expense)



(2) Financial Analysis – Based on IFRSs

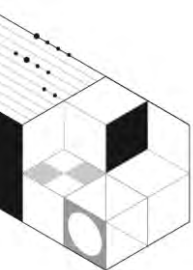
Analysis Items		Year	Financial Analysis for the Last Five Years				
			2013	2014	2015	2016	2017
Financial structure(%)	Debt Ratio		26.13	23.56	35.13	32.67	33.23
	Ratio of Long-term Capital to Property, plant and equipment		611.60	653.93	737.23	573.35	648.76
Solvency (%)	Current Ratio		91.76	119.74	113.39	85.91	121.53
	Quick Ratio		33.42	36.63	52.70	28.86	44.92
	Interest Coverage Ratio (times)		(1,021.68)	955.88	691.36	1,210.70	1,741.08
Operating Performance	Accounts Receivable Turnover (Times)		24.75	30.08	32.93	36.83	33.13
	Average Collection Period		14.74	12.13	11.08	9.91	11.01
	Inventory Turnover (Times)		11.54	11.60	11.23	9.00	8.20
	Accounts Payable turnover (times)		23.80	23.98	25.05	20.65	19.34
	Average Days in Sales		31.62	31.46	32.50	40.55	44.51
	Property, plant and equipment Turnover (Times)		5.82	6.06	6.20	5.26	5.39
	Total Assets Turnover (Times)		0.83	0.85	0.80	0.70	0.76
Profitability	Return on Total Assets (%)		(3.02)	3.07	2.10	5.26	6.96
	Return on Stockholders' equity (%)		(4.57)	3.66	2.55	7.30	9.79
	Pre-tax Income to Paid-in Capital (%)		(8.43)	6.39	6.03	15.24	21.17
	Profit Ratio (%)		(3.97)	3.22	2.23	6.81	8.61
	Earnings (loss) Per Share (NT\$) (Note 1)		(0.77)	0.64	0.45	1.33	1.97
Cash Flow(Note2)	Cash Flow Ratio (%)		64.12	17.52	54.45	18.53	29.65
	Cash Flow Adequacy Ratio (%)		52.19	48.96	53.38	46.64	47.63
	Cash Reinvestment Ratio (%)		8.43	1.92	5.76	2.46	1.44
Leverage	Operating Leverage		2.78	2.55	2.11	1.71	2.03
	Financial Leverage		1.19	1.14	1.13	1.10	1.12
Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)							
A. The decrease of ratio of current ratio, quick ratio and cash flow ratio in 2017 compared to 2016 was due to the short-term borrowings decrease.							
B. The increase of interest earned ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, net profit ratio and earnings per share in 2017 compared to 2016 was that the stainless steel business benefited from the steady production increasing sales volume and gross profit.							
C. The decrease of cash reinvestment ratio in 2017 compared to 2016 were due to the increase of the cash dividends the carrying amount of inventories.							

Note 1: Earnings (loss) per share are based on retroactively adjusted weighted average of outstanding shares.

Note 2: If net cash provided by operating activities is negative, shall not be calculated.

Note 3: Financial analysis formulas see Table (1).





3. Audit Committee's Review Report for the Recent Year

Audit Committee's Report

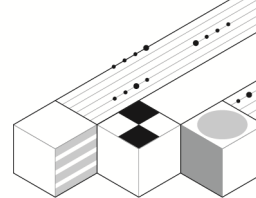
The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and proposal for allocation of profits which had been audited by Deloitte & Touche Accountants, Ming-Yu Chiu and Hung-Bin, Yu. Those financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company.

The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Walsin Lihwa Corporation. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Walsin Lihwa Corporation

Chairman of the Audit Committee : Ming-Ling Hsueh

February 23, 2018



4. Financial Statements of Recent Years

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Walsin Lihwa Corporation

Opinion

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

In our opinion, based on our audits and the reports of other auditors (as set out in the Other Matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

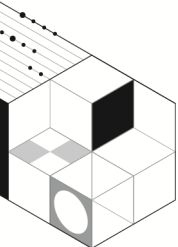
Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 as of and for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters of the consolidated financial statements of the Group as of and for the year ended December 31, 2017:



Sales Revenue Recognition

The recognition of sales revenue depends on whether the risks and rewards of the ownership of goods have been transferred to customers. The point of transferring the risks and rewards of the ownership of goods to customers of the Group is based on the transaction terms of diverse sales contracts (such as the dispatch day, free on board (FOB) shipment and the day of receipt). As the transaction terms are determined by individual sales contracts, the recognition of sales revenue is regarded as a key audit matter. Refer to Notes 4 and 23 of the accompanying consolidated financial statements for disclosures related to sales of goods and revenue recognition.

Our audit procedures in response to sales revenue recognition consist of selecting samples of sales contracts from main customers and examining the transaction terms of the sales contracts selected to confirm that sales revenue had been recognized according to the point of transferring the risks and rewards of the ownership of goods.

Real Estate Sales Revenue Recognition

As of December 31, 2017, Walsin (Nanjing) Construction Limited, a subsidiary of Walsin Lihwa Corporation, entered into agreements for the sale of real estate as of December 31, 2017; the selling prices for the related residential buildings and office buildings were RMB 4,300 million (equivalent to NT\$19,700 million). For the year ended December 31, 2017, the sale of certain of the residential buildings were completed during the year ended December 31, 2017, and the revenue recognized amounted to NT\$5,100 million. As these real estate sales transactions and amounts were significant for the Group's consolidated financial statements for the year ended December 31, 2017, they were also a matter for concern for investors. Considering the numerous factors affected by such real estate sales revenue, the Group must inspect the conditions of sales contracts to ensure that real estate sales revenue is recognized according to the point of transferring the risks and rewards of ownership. As such, we identified the sales revenue of real estate as a key audit matter. Refer to Notes 4, 13 and 23 of the accompanying consolidated financial statements for disclosures related to real estate sales transactions and revenue recognition.

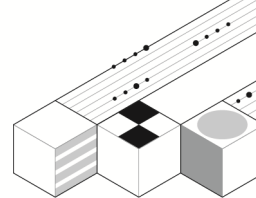
Our audit procedures in response to real estate sales revenue recognition consist of evaluating the appropriateness of revenue recognition made by management and selecting samples of sales contracts to verify building ownership certificates and receipts signed by customers for handing over property to confirm that the building sales revenue recognition was adequate.

Inventory Valuation

As of December 31, 2017, the manufacturing and trading inventory of the Group amounted to NT\$21,382,611 thousand, which constituted 16% of the Group's consolidated total assets, as of December 31, 2017. Refer to Notes 4, 5 and 13 of the accompanying consolidated financial statements for disclosures related to inventory and inventory valuation.

The inventory of the Group is stated at the lower of cost or net realizable value. The valuation of the net realizable value required significant judgment and estimation. In addition, the market price of copper and nickel fluctuated frequently, which significantly affects the valuation of wire, cable and specialty steel inventory. As a result, inventory valuation is regarded as a key audit matter.

Our audit procedures in response to inventory valuation consist of obtaining inventory valuation sheets prepared by management, selecting samples of estimated selling prices and tracing them to recent sales records to assess the rationale of the net realizable value determined by management. Moreover, by attending the year-end inventory count, we assess the condition of the inventory to verify the completeness of obsolete goods.



Other Matter

The financial statements of certain subsidiaries included in the consolidated financial statements as of and for the years ended December 31, 2017 and 2016 were audited by other auditors. Our opinion, insofar as it relates to such subsidiaries, is based solely on the reports of other auditors. The total assets of such subsidiaries amounted to NT\$7,677,995 thousand and NT\$6,438,830 thousand, which constituted 5.89% and 5.64% of the Group's consolidated total assets, as of December 31, 2017 and 2016, respectively, and the total net operating revenue of such subsidiaries amounted to NT\$9,443,554 thousand and NT\$11,297,034 thousand, which constituted 5.63% and 7.88% of the Group's consolidated total net operating revenue, for the years ended December 31, 2017 and 2016, respectively.

We have also audited the parent company only financial statements of Walsin Lihwa Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

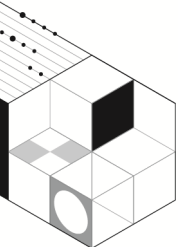
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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.



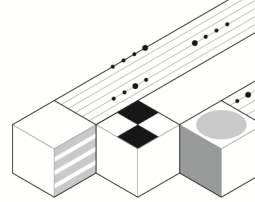
As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



The engagement partners on the audit resulting in this independent auditors' report are Ming-Yu Chiu and Hung-Bin Yu.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

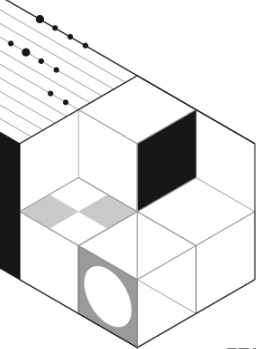
February 23, 2018

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with 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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.



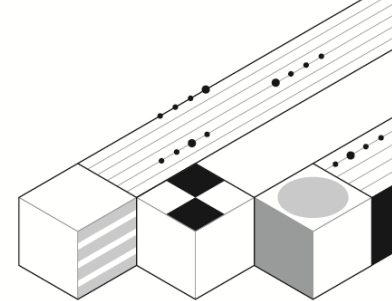


Financial Information

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

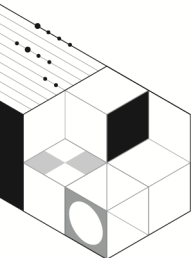
ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 10,952,691	9	\$ 7,733,584	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	129,615	-	506,651	-
Derivative financial assets for hedging - current (Notes 4 and 8)	7,430	-	-	-
Debt investments with no active market - current (Notes 4 and 10)	1,459,958	1	1,440,569	1
Notes receivable (Notes 4 and 11)	5,712,204	4	5,021,816	4
Trade receivables (Notes 4 and 11)	9,090,763	7	8,727,999	8
Finance lease receivables (Note 12)	50,758	-	49,085	-
Other receivables	488,554	-	659,673	1
Prepayments for leases (Note 19)	62,230	-	65,071	-
Inventories (Notes 4 and 13)	32,297,139	25	27,124,688	24
Non-current assets held for sale (Notes 17 and 19)	-	-	395,540	-
Other financial assets (Note 6)	1,401,866	1	2,265,139	2
Other current assets	<u>1,999,226</u>	<u>2</u>	<u>1,366,890</u>	<u>1</u>
Total current assets	<u>63,652,434</u>	<u>49</u>	<u>55,356,705</u>	<u>48</u>
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 9)	3,702,495	3	2,990,945	3
Financial assets measured at cost - non-current (Notes 4 and 14)	2,509,320	2	1,847,079	2
Investments accounted for using equity method (Notes 4 and 16)	25,210,753	19	19,200,762	17
Property, plant and equipment (Notes 4 and 17)	20,984,890	16	20,483,863	18
Investment properties (Notes 4 and 18)	10,406,246	8	10,655,622	9
Other intangible assets	169,726	-	177,029	-
Deferred tax assets - non-current (Notes 4 and 25)	1,222,430	1	1,011,129	1
Refundable deposits	186,507	-	184,148	-
Long-term finance lease receivables (Note 12)	883,480	1	934,238	1
Long-term prepayments for leases (Note 19)	1,161,364	1	1,208,657	1
Other non-current assets	<u>161,100</u>	<u>-</u>	<u>129,037</u>	<u>-</u>
Total non-current assets	<u>66,598,311</u>	<u>51</u>	<u>58,822,509</u>	<u>52</u>
TOTAL	<u>\$ 130,250,745</u>	<u>100</u>	<u>\$ 114,179,214</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	\$ 6,815,772	5	\$ 4,194,335	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	27,710	-	2,162	-
Notes payable	446,655	-	482,306	-
Trade payables	9,243,642	7	7,736,777	7
Current tax liabilities (Notes 4 and 25)	3,147,811	3	1,619,577	1
Other payables	3,635,500	3	3,249,467	3
Advance receipts on real estate (Note 13)	10,323,447	8	7,067,356	6
Current portion of long-term borrowings (Note 20)	171,438	-	7,021,864	6
Other current liabilities	<u>806,194</u>	<u>1</u>	<u>986,940</u>	<u>1</u>
Total current liabilities	<u>34,618,169</u>	<u>27</u>	<u>32,360,784</u>	<u>28</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 20)	21,950,366	17	15,293,975	14
Deferred tax liabilities - non-current (Notes 4 and 25)	168,512	-	164,075	-
Net defined benefit liabilities (Notes 4 and 21)	868,311	1	817,218	1
Other non-current liabilities (Note 28)	<u>365,131</u>	<u>-</u>	<u>261,157</u>	<u>-</u>
Total non-current liabilities	<u>23,352,320</u>	<u>18</u>	<u>16,536,425</u>	<u>15</u>
Total liabilities	<u>57,970,489</u>	<u>45</u>	<u>48,897,209</u>	<u>43</u>
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 22)				
Share capital	<u>33,660,002</u>	<u>26</u>	<u>33,960,002</u>	<u>30</u>
Capital surplus	<u>15,854,392</u>	<u>12</u>	<u>15,701,403</u>	<u>14</u>
Retained earnings				
Legal reserve	3,281,556	3	2,824,743	3
Special reserve	2,712,250	2	2,712,250	2
Unappropriated earnings	<u>13,240,574</u>	<u>10</u>	<u>9,674,226</u>	<u>8</u>
Total retained earnings	<u>19,234,380</u>	<u>15</u>	<u>15,211,219</u>	<u>13</u>
Other equity				
Exchange differences on translating foreign operations	(2,944,758)	(3)	(2,110,122)	(2)
Unrealized gain on available-for-sale financial assets	5,042,894	4	1,225,921	1
Cash flow hedges	<u>(7,529)</u>	<u>-</u>	<u>(13,671)</u>	<u>-</u>
Total other equity	<u>2,090,607</u>	<u>1</u>	<u>(897,872)</u>	<u>(1)</u>
Treasury shares (Notes 4 and 22)	<u>(315,918)</u>	<u>-</u>	<u>(608,810)</u>	<u>(1)</u>
Total equity attributable to owners of WLC	70,523,463	54	63,365,942	55
NON-CONTROLLING INTERESTS	<u>1,756,793</u>	<u>1</u>	<u>1,916,063</u>	<u>2</u>
Total equity	<u>72,280,256</u>	<u>55</u>	<u>65,282,005</u>	<u>57</u>
TOTAL	<u>\$ 130,250,745</u>	<u>100</u>	<u>\$ 114,179,214</u>	<u>100</u>
The accompanying notes are an integral part of the consolidated financial statements. (With Deloitte & Touche auditors' report dated February 23, 2018)				



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 368,034	9	\$ 259,865	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	4,355	-	17,025	-
Derivative financial assets for hedging - current (Notes 4 and 8)	250	-	-	-
Debt investments with no active market - current (Notes 4 and 10)	49,058	1	48,406	1
Notes receivable (Notes 4 and 11)	191,942	4	168,744	4
Trade receivables (Notes 4 and 11)	305,469	7	293,280	8
Finance lease receivables (Note 12)	1,706	-	1,649	-
Other receivables	16,416	-	22,166	1
Prepayments for leases (Note 19)	2,091	-	911,448	24
Inventories (Notes 4 and 13)	1,085,253	25	2,187	-
Non-current assets held for sale (Notes 17 and 19)	-	-	13,291	-
Other financial assets (Note 6)	47,106	1	76,114	2
Other current assets	67,179	2	45,929	1
Total current assets	2,138,859	49	1,860,104	48
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 9)	124,412	3	100,502	3
Financial assets measured at cost - non-current (Notes 4 and 14)	84,319	2	62,066	2
Investments accounted for using equity method (Notes 4 and 16)	847,136	19	645,187	17
Property, plant and equipment (Notes 4 and 17)	705,137	16	688,302	18
Investment properties (Notes 4 and 18)	349,672	8	358,052	9
Other intangible assets	5,703	-	5,949	-
Deferred tax assets - non-current (Notes 4 and 25)	41,076	1	33,976	1
Refundable deposits	6,267	-	6,188	-
Long-term finance lease receivables (Note 12)	29,687	1	31,392	1
Long-term prepayments for leases (Note 19)	39,024	1	40,613	1
Other non-current assets	5,413	-	4,336	-
Total non-current assets	2,237,846	51	1,976,563	52
TOTAL	\$ 4,376,705	100	\$ 3,836,667	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 20)	\$ 229,025	5	\$ 140,939	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	931	-	73	-
Notes payable	15,009	-	16,207	-
Trade payables	310,606	7	259,972	7
Current tax liabilities (Notes 4 and 25)	105,773	3	54,421	1
Other payables	122,161	3	109,189	3
Advance receipts on real estate (Note 13)	346,890	8	237,478	6
Current portion of long-term borrowings (Note 20)	5,761	-	235,950	6
Other current liabilities	27,089	1	33,163	1
Total current liabilities	1,163,245	27	1,087,392	28
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 20)	737,580	17	513,910	14
Deferred tax liabilities - non-current (Notes 4 and 25)	5,662	-	5,513	-
Net defined benefit liabilities (Notes 4 and 21)	29,177	1	27,460	1
Other non-current liabilities (Note 28)	12,269	-	8,776	-
Total non-current liabilities	784,688	18	555,659	15
Total liabilities	1,947,933	45	1,643,051	43
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 22)				
Share capital	1,131,048	26	1,141,129	30
Capital surplus	532,742	12	527,601	14
Retained earnings				
Legal reserve	110,267	3	94,917	2
Special reserve	91,138	2	91,138	2
Unappropriated earnings	444,912	10	325,075	9
Total retained earnings	646,317	15	511,130	13
Other equity				
Exchange differences on translating foreign operations	(98,950)	(3)	(70,905)	(2)
Unrealized gain on available-for-sale financial assets	169,452	4	41,194	1
Cash flow hedges	(253)	-	(459)	-
Total other equity	70,249	1	(30,170)	(1)
Treasury shares (Notes 4 and 22)	(10,616)	-	(20,458)	(1)
Total equity attributable to owners of WLC	2,369,740	54	2,129,232	55
NON-CONTROLLING INTERESTS	59,032	1	64,384	2
Total equity	2,428,772	55	2,193,616	57
TOTAL	\$ 4,376,705	100	\$ 3,836,667	100
The accompanying notes are an integral part of the consolidated financial statements. (With Deloitte & Touche auditors' report dated February 23, 2018)				

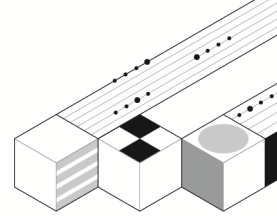


WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 167,792,585	100	\$ 143,355,241	100
OPERATING COSTS (Notes 4 and 13)	<u>(155,787,754)</u>	<u>(93)</u>	<u>(133,790,834)</u>	<u>(93)</u>
GROSS PROFIT	12,004,831	7	9,564,407	7
UNREALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>-</u>	<u>(966)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>12,004,831</u>	<u>7</u>	<u>9,563,441</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,722,346	1	1,949,275	1
General and administrative expenses	2,314,407	1	2,260,111	2
Research and development expenses	<u>72,433</u>	<u>-</u>	<u>32,281</u>	<u>-</u>
Total operating expenses	<u>4,109,186</u>	<u>2</u>	<u>4,241,667</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>7,895,645</u>	<u>5</u>	<u>5,321,774</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	331,982	-	312,209	-
Dividend income	167,634	-	21,585	-
Other income	63,647	-	145,048	-
Gain on disposal of property, plant and equipment	60,284	-	275,150	-
(Loss) gain on disposal of investments (Note 24)	(260,608)	-	182,212	-
Foreign exchange gain (loss), net	(17,907)	-	73,517	-
Loss on valuation of financial assets and liabilities	(23,734)	-	(91,062)	-
Impairment loss (Note 24)	(67)	-	(454,262)	(1)
Other expenses	(326,459)	-	(277,683)	-
Interest expense	(512,995)	-	(322,983)	-
Share of gain of associates under equity method	<u>2,017,026</u>	<u>1</u>	<u>987,866</u>	<u>1</u>
Total non-operating income and expenses	<u>1,498,803</u>	<u>1</u>	<u>851,597</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	9,394,448	6	6,173,371	4
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(2,700,435)</u>	<u>(2)</u>	<u>(1,334,868)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>6,694,013</u>	<u>4</u>	<u>4,838,503</u>	<u>3</u>

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WALSIN LIHWA CORPORATION AND SUBSIDIARIES

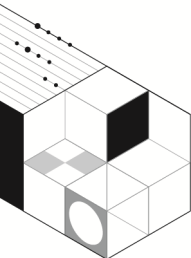
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(150,736)	-	(3,204)	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(757,920)	-	(3,167,556)	(2)
Unrealized gain on available-for-sale financial assets	724,447	-	1,349,020	1
Cash flow hedges gain	6,142	-	75,647	-
Share of other comprehensive income of associates under equity method	<u>2,964,786</u>	<u>2</u>	<u>1,506,397</u>	<u>1</u>
Other comprehensive income (loss) for the year	<u>2,786,719</u>	<u>2</u>	<u>(239,696)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 9,480,732</u>	<u>6</u>	<u>\$ 4,598,807</u>	<u>3</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 6,559,984	4	\$ 4,568,125	3
Non-controlling interests	<u>134,029</u>	<u>-</u>	<u>270,378</u>	<u>-</u>
	<u>\$ 6,694,013</u>	<u>4</u>	<u>\$ 4,838,503</u>	<u>3</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 9,362,394	6	\$ 4,252,535	3
Non-controlling interests	<u>118,338</u>	<u>-</u>	<u>346,272</u>	<u>-</u>
	<u>\$ 9,480,732</u>	<u>6</u>	<u>\$ 4,598,807</u>	<u>3</u>
EARNINGS PER SHARE (Notes 4 and 26)				
Basic	<u>\$ 1.97</u>		<u>\$ 1.33</u>	
Diluted	<u>\$ 1.97</u>		<u>\$ 1.33</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)

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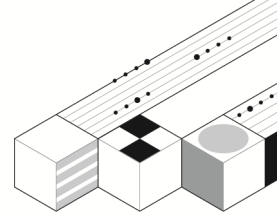


WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 5,638,192	100	\$ 4,817,044	100
OPERATING COSTS (Notes 4 and 13)	<u>(5,234,804)</u>	<u>(93)</u>	<u>(4,495,659)</u>	<u>(93)</u>
GROSS PROFIT	403,388	7	321,385	7
UNREALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>-</u>	<u>(33)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>403,388</u>	<u>7</u>	<u>321,352</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	57,874	1	65,500	1
General and administrative expenses	77,769	1	75,944	2
Research and development expenses	<u>2,434</u>	<u>-</u>	<u>1,085</u>	<u>-</u>
Total operating expenses	<u>138,077</u>	<u>2</u>	<u>142,529</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>265,311</u>	<u>5</u>	<u>178,823</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	11,155	-	10,491	-
Dividend income	5,633	-	725	-
Other income	2,139	-	4,874	-
Gain on disposal of property, plant and equipment	2,026	-	9,246	-
(Loss) gain on disposal of investments (Note 24)	(8,757)	-	6,123	-
Foreign exchange gain (loss), net	(602)	-	2,470	-
Loss on valuation of financial assets and liabilities	(798)	-	(3,060)	-
Impairment loss (Note 24)	(2)	-	(15,264)	(1)
Other expenses	(10,970)	-	(9,331)	-
Interest expense	(17,238)	-	(10,853)	-
Share of gain of associates under equity method	<u>67,776</u>	<u>1</u>	<u>33,194</u>	<u>1</u>
Total non-operating income and expenses	<u>50,362</u>	<u>1</u>	<u>28,615</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	315,673	6	207,438	4
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(90,740)</u>	<u>(2)</u>	<u>(44,854)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>224,933</u>	<u>4</u>	<u>162,584</u>	<u>3</u>

(Continued)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(5,065)	-	(108)	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(25,467)	-	(106,437)	(2)
Unrealized gain on available-for-sale financial assets	24,343	-	45,330	1
Cash flow hedges gain	206	-	2,542	-
Share of other comprehensive income of associates under equity method	<u>99,623</u>	<u>2</u>	<u>50,618</u>	<u>1</u>
Other comprehensive income (loss) for the year	<u>93,640</u>	<u>2</u>	<u>(8,055)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 318,573</u>	<u>6</u>	<u>\$ 154,529</u>	<u>3</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 220,430	4	\$ 153,499	3
Non-controlling interests	<u>4,503</u>	<u>-</u>	<u>9,085</u>	<u>-</u>
	<u>\$ 224,933</u>	<u>4</u>	<u>\$ 162,584</u>	<u>3</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 314,597	6	\$ 142,894	3
Non-controlling interests	<u>3,976</u>	<u>-</u>	<u>11,635</u>	<u>-</u>
	<u>\$ 318,573</u>	<u>6</u>	<u>\$ 154,529</u>	<u>3</u>
EARNINGS PER SHARE (Notes 4 and 26)				
Basic	<u>\$ 0.07</u>		<u>\$ 0.04</u>	
Diluted	<u>\$ 0.07</u>		<u>\$ 0.04</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)

(Concluded)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of WLC											
						Other Equity						
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings							
BALANCE AT JANUARY 1, 2016	\$ 35,760,002	\$ 15,766,866	\$ 2,664,570	\$ 2,712,250	\$ 6,006,305	\$ 1,428,373	\$ (1,960,168)	\$ (89,318)	\$ (608,810)	\$ 61,680,070	\$ 1,888,389	\$ 63,568,459
Appropriation of 2015 earnings												
Legal reserve	-	-	160,173	-	(160,173)	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(701,200)	-	-	-	-	(701,200)	-	(701,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	495	-	-	-	-	-	-	-	495	-	495
Change in capital surplus from investments in associates under equity method	-	(69,209)	-	-	-	-	-	-	-	(69,209)	-	(69,209)
Net profit for the year ended December 31, 2016	-	-	-	-	4,568,125	-	-	-	-	4,568,125	270,378	4,838,503
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(38,831)	(3,538,495)	3,186,089	75,647	-	(315,590)	75,894	(239,696)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	4,529,294	(3,538,495)	3,186,089	75,647	-	4,252,535	346,272	4,598,807
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(1,796,741)	(1,796,741)	-	(1,796,741)
Cancellation of treasury shares	(1,800,000)	3,259	-	-	-	-	-	-	1,796,741	-	-	-
Others	-	(8)	-	-	-	-	-	-	-	(8)	-	(8)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(318,598)	(318,598)
BALANCE, DECEMBER 31, 2016	33,960,002	15,701,403	2,824,743	2,712,250	9,674,226	(2,110,122)	1,225,921	(13,671)	(608,810)	63,365,942	1,916,063	65,282,005
Appropriation of 2016 earnings												
Legal reserve	-	-	456,813	-	(456,813)	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(2,328,200)	-	-	-	-	(2,328,200)	-	(2,328,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(495)	-	-	(22,554)	-	-	-	-	(23,049)	-	(23,049)
Change in capital surplus and retained earnings from investments in associates under equity method	-	146,381	-	-	-	-	-	-	-	146,381	-	146,381
Net profit for the year ended December 31, 2017	-	-	-	-	6,559,984	-	-	-	-	6,559,984	134,029	6,694,013
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(186,069)	(834,636)	3,816,973	6,142	-	2,802,410	(15,691)	2,786,719
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	6,373,915	(834,636)	3,816,973	6,142	-	9,362,394	118,338	9,480,732
Acquisition of treasury shares	(300,000)	7,108	-	-	-	-	-	-	292,892	-	-	-
Others	-	(5)	-	-	-	-	-	-	-	(5)	-	(5)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(277,608)	(277,608)
BALANCE, DECEMBER 31, 2017	\$ 33,660,002	\$ 15,854,392	\$ 3,281,556	\$ 2,712,250	\$ 13,240,574	\$ (2,944,758)	\$ 5,042,894	\$ (7,529)	\$ (315,918)	\$ 70,523,463	\$ 1,756,793	\$ 72,280,256

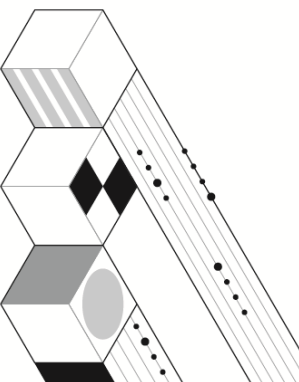
The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 23, 2018)

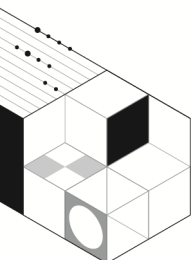
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars)

	Equity Attributable to Owners of WLC											
	Retained Earnings					Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges				
BALANCE AT JANUARY 1, 2016	\$ 1,201,613	\$ 529,801	\$ 89,535	\$ 91,138	\$ 201,825	\$ 47,996	\$ (65,865)	\$ (3,001)	\$ (20,458)	\$ 2,072,584	\$ 63,454	\$ 2,136,038
Appropriation of 2015 earnings												
Legal reserve	-	-	5,382	-	(5,382)	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(23,562)	-	-	-	-	(23,562)	-	(23,562)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	17	-	-	-	-	-	-	-	17	-	17
Change in capital surplus from investments in associates under equity method	-	(2,327)	-	-	-	-	-	-	-	(2,327)	-	(2,327)
Net profit for the year ended December 31, 2016	-	-	-	-	153,499	-	-	-	-	153,499	9,085	162,584
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(1,305)	(118,901)	107,059	2,542	-	(10,605)	2,551	(8,054)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	152,194	(118,901)	107,059	2,542	-	142,894	11,636	154,530
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(60,374)	(60,374)	-	(60,374)
Cancellation of treasury shares	(60,484)	110	-	-	-	-	-	-	60,374	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(10,706)	(10,706)
BALANCE, DECEMBER 31, 2016	1,141,129	527,601	94,917	91,138	325,075	(70,905)	41,194	(459)	(20,458)	2,129,232	64,384	2,193,616
Appropriation of 2016 earnings												
Legal reserve	-	-	15,350	-	(15,350)	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(78,233)	-	-	-	-	(78,233)	-	(78,233)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(17)	-	-	(758)	-	-	-	-	(775)	-	(775)
Change in capital surplus and retained earnings from investments in associates under equity method	-	4,919	-	-	-	-	-	-	-	4,919	-	4,919
Net profit for the year ended December 31, 2017	-	-	-	-	220,430	-	-	-	-	220,430	4,503	224,933
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(6,252)	(28,045)	128,258	206	-	94,167	(527)	93,640
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	214,178	(28,045)	128,258	206	-	314,597	3,976	318,573
Acquisition of treasury shares	(10,081)	239	-	-	-	-	-	-	9,842	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(9,328)	(9,328)
BALANCE, DECEMBER 31, 2017	<u>\$ 1,131,048</u>	<u>\$ 532,742</u>	<u>\$ 110,267</u>	<u>\$ 91,138</u>	<u>\$ 444,912</u>	<u>\$ (98,950)</u>	<u>\$ 169,452</u>	<u>\$ (253)</u>	<u>\$ (10,616)</u>	<u>\$ 2,369,740</u>	<u>\$ 59,032</u>	<u>\$ 2,428,772</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 23, 2018)





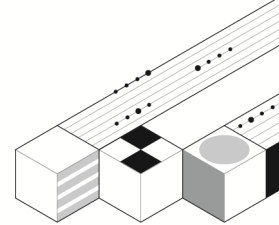
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 9,394,448	\$ 6,173,371
Adjustments for:		
Depreciation expenses	1,762,164	1,792,356
Amortization expenses	29,784	42,874
(Reversal of) impairment loss recognized on trade receivables	(18,634)	40,594
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	23,734	91,062
Interest expense	512,995	322,983
Interest income	(331,982)	(312,209)
Dividend income	(167,634)	(21,585)
Compensation cost of employees share options	1,469	1,192
Share of gain of associates under equity method	(2,017,026)	(987,866)
Gain on disposal of property, plant and equipment	(60,283)	(275,150)
Loss (gain) on disposal of investments	260,608	(122,257)
Gain on disposal of associates under equity method	-	(59,955)
Impairment loss recognized on financial assets	-	200,000
Impairment loss recognized on property, plant and equipment	67	254,262
Unrealized gain on transactions with associates	-	966
Net (gain) loss on foreign currency exchange	(7,224)	1,600
Changes in operating assets and liabilities		
(Increase) decrease in financial assets held for trading	(379,141)	51,032
(Increase) decrease in notes receivable	(690,388)	2,778,473
Increase in trade receivables	(345,803)	(1,182,484)
Decrease in other receivables	36,028	148,061
Increase in inventories	(5,172,451)	(7,249,331)
Increase in other current assets	(565,733)	(364,261)
Decrease (increase) in other financial assets	863,273	(2,041,570)
(Increase) decrease in other operating assets	(2,322)	63,688
Decrease in notes payable	(35,651)	(1,548)
Increase in trade payables	1,506,865	1,554,625
Increase in other payables	676,359	955,959
Increase in advance real estate receipts	3,398,960	7,067,356
Increase (decrease) in net defined benefit liabilities	51,093	(608,288)
Decrease in other current liabilities	(180,750)	(106,298)
Increase (decrease) in other operating liabilities	112,235	(18,373)
Cash generated from operations	8,655,060	8,189,279
Interest paid	(520,161)	(323,461)
Interest received	223,588	259,443
Dividends received from associates	798,326	205,433
Income tax paid	(1,458,894)	(891,309)
Net cash generated from operating activities	7,697,919	7,439,385

CASH FLOWS FROM INVESTING ACTIVITIES

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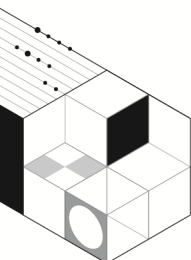
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from disposal of financial assets held for trading	371,002	16,690
Proceeds from disposal of available-for-sale financial assets	48,769	273,916
Debt investments with no active market	54,228	13,115
Purchase of financial assets measured at cost	(692,576)	(233,052)
Proceeds from disposal of financial assets measured at cost	546	-
Proceeds from capital return of investments in financial assets measured at cost	15,958	5,327
Derivative instruments not held for trading	2,133	64,018
Purchase of associates under equity method	(1,595,460)	(197,145)
Proceeds from disposal of associates under equity method	-	305,501
Proceeds from capital return of investments in associates under equity method	58,927	141,754
Proceeds from disposal of non-current assets held for sale	399,812	-
Purchase of property, plant and equipment	(2,367,653)	(3,248,042)
Proceeds from disposal of property, plant and equipment	124,291	613,543
(Increase) decrease in refundable deposits	(3,461)	8,455
Decrease in prepayments for leases	-	96,975
Purchase of intangible assets	(422)	(593)
Net cash used in investing activities	(3,583,906)	(2,139,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	2,668,879	1,477,726
Increase in long-term borrowings	6,500,000	-
Decrease in long-term borrowings	(6,694,035)	(2,614,196)
Dividends paid to owners of WLC	(2,328,020)	(701,200)
Cash paid for acquisition of treasury shares	-	(1,796,741)
Changes in non-controlling interests	(193,745)	(134,159)
Other financing activities	(5)	(8)
Net cash used in financing activities	(46,926)	(3,768,578)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(847,980)	(2,685,239)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,219,107	(1,153,970)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	7,733,584	8,887,554
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,952,691</u>	<u>\$ 7,733,584</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 23, 2018)

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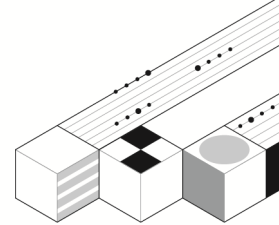
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 315,674	\$ 207,439
Adjustments for:		
Depreciation expenses	59,213	60,227
Amortization expenses	1,001	1,441
(Reversal of) impairment loss recognized on trade receivables	(626)	1,364
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	798	3,060
Interest expense	17,238	10,853
Interest income	(11,155)	(10,491)
Dividend income	(5,633)	(725)
Compensation cost of employees share options	49	40
Share of gain of associates under equity method	(67,776)	(33,194)
Gain on disposal of property, plant and equipment	(2,026)	(9,246)
Loss (gain) on disposal of investments	8,757	(4,108)
Gain on disposal of associates under equity method	-	(2,015)
Impairment loss recognized on financial assets	-	6,720
Impairment loss recognized on property, plant and equipment	2	8,544
Unrealized gain on transactions with associates	-	32
Net (gain) loss on foreign currency exchange	(243)	54
Changes in operating assets and liabilities		
(Increase) decrease in financial assets held for trading	(12,740)	1,715
(Increase) decrease in notes receivable	(23,199)	93,363
Increase in trade receivables	(11,620)	(39,734)
Decrease in other receivables	1,211	4,975
Increase in inventories	(173,805)	(243,593)
Increase in other current assets	(19,010)	(12,240)
(Increase) decrease in other financial assets	29,008	(68,601)
(Increase) decrease in other operating assets	(78)	2,140
Decrease in notes payable	(1,198)	(52)
Increase in trade payables	50,634	52,239
Increase in other payables	22,727	32,122
Increase in advance real estate receipts	114,212	237,478
(Decrease) increase in net defined benefit liabilities	1,717	(20,440)
Decrease in other current liabilities	(6,074)	(3,573)
(Decrease) increase in other operating liabilities	3,771	(617)
Cash generated from operations	290,829	275,177
Interest paid	(17,478)	(10,869)
Interest received	7,513	8,718
Dividends received from associates	26,825	6,903
Income tax paid	(49,022)	(29,950)
Net cash generated from operating activities	258,667	249,979

CASH FLOWS FROM INVESTING ACTIVITIES

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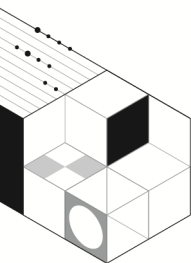
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of U.S. Dollars)

	2017	2016
Proceeds from disposal of financial assets held for trading	12,467	561
Proceeds from disposal of available-for-sale financial assets	1,639	9,204
Debt investment with no active market	1,822	441
Purchase of financial assets measured at cost	(23,272)	(7,831)
Proceeds from disposal of financial assets measured at cost	18	-
Proceeds from capital return of investments in financial assets measured at cost	536	179
Derivative instruments not held for trading	72	2,151
Purchase of associates under equity method	(53,611)	(6,624)
Proceeds from disposal of associates under equity method	-	10,265
Proceeds from capital return of investments in associates under equity method	1,980	4,763
Proceeds from disposal of non-current assets held for sale	13,435	-
Purchase of property, plant and equipment	(79,558)	(109,141)
Proceeds from disposal of property, plant and equipment	4,177	20,617
(Increase) decrease in refundable deposits	(116)	284
Decrease in prepayments for leases	-	3,259
Purchase of intangible assets	(14)	(20)
Net cash used in from investing activities	(120,425)	(71,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	89,680	49,655
Increase in long-term borrowings	218,414	-
Decrease in long-term borrowings	(224,934)	(87,843)
Dividends paid to owners of WLC	(78,226)	(23,562)
Cash paid for acquisition of treasury shares	-	(60,374)
Changes in non-controlling interests	(6,511)	(4,508)
Other financing activities	-	-
Net cash used in financing activities	(1,577)	(126,632)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(28,496)	(90,231)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	108,169	(38,776)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	259,865	298,641
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 368,034</u>	<u>\$ 259,865</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 23, 2018)

(Concluded)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

1. GENERAL INFORMATION

Walsin Lihwa Corporation (“WLC”) was incorporated in December 1966 and commenced business in December 1966. WLC made various investments in construction, electronics, material science, real estate, etc., to diversify its operations. WLC’s main products are wires, cables and stainless steel.

WLC’s shares have been listed on the Taiwan Stock Exchange (TWSE) since November 1972. In October 1995 and November 2010, WLC increased its share capital and issued Global Depositary Receipts (GDR), which are listed on the Luxembourg Stock Exchange under stock number 168527.

The consolidated financial statements are presented in WLC’s functional currency, New Taiwan dollars.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were reported to the board of directors of WLC on February 23, 2018.

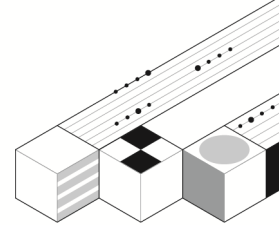
3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC by WLC and its subsidiaries (collectively, the “Group”) would not have any material impact on the Group’s accounting policies:

- 1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The



discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment should be applied retrospectively from January 1, 2017. Refer to Note 17 for related disclosures.

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

There is no anticipated material impact of retrospective application of the above amendments to the consolidated financial statements starting from 2017.

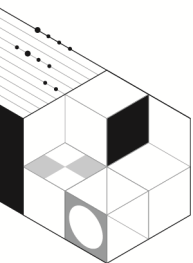
3) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions are accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgments made in applying aggregation criteria will be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.



4) Annual Improvements to IFRSs 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the Group applies the amended IFRS 13 in 2017, the amendment would not have material impact to the consolidated financial statements.

5) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

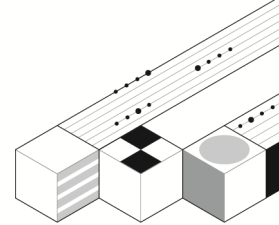
IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment should be applied prospectively to transactions that occur on or after January 1, 2017.

6) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group’s respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related-party transactions are enhanced. Refer to Note 30 for related disclosures.



- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for the fiscal periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

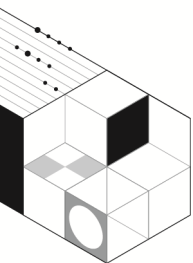
1) IFRS 9 “Financial Instruments” and related amendment

Recognition, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized



in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

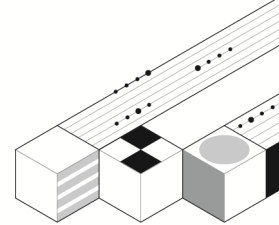
The Group analyzed the facts and circumstances of its financial assets that existed at December 31, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income, and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. The loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Group has performed a preliminary assessment whereby the Group will apply the simplified approach for recognizing full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instruments and the financial guarantee contracts, the Group will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or full-lifetime

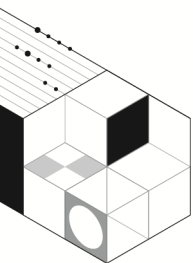


expected credit losses. In general, the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Group elects not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and adjustments upon initial application of IFRS 9. Furthermore, the Group will provide disclosure of the differences in amounts if the Group continues to apply the existing accounting treatments for the year 2018.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss - current	\$ 129,615	\$ -	\$ 129,615
Derivative financial assets for hedging - current	7,430	-	7,430
Debt investments with no active market - current	1,459,958	(1,459,958)	-
Financial assets at amortized cost	-	1,459,958	1,459,958
Financial assets at fair value through other comprehensive income - non-current	-	7,442,072	7,442,072
Financial assets measured at cost - current	2,509,320	(2,509,320)	-
Available-for-sale financial assets - non-current	3,702,495	(3,702,495)	-
Investments accounted for using equity method	<u>25,210,753</u>	<u>247,965</u>	<u>25,458,718</u>
Total effect on assets	<u>\$ 33,019,571</u>	<u>\$ 1,478,222</u>	<u>\$ 34,497,793</u>
Financial liability at fair value through profit or loss - current	<u>\$ 27,710</u>	<u>\$ -</u>	<u>\$ 27,710</u>
Total effect on liabilities	<u>\$ 27,710</u>	<u>\$ -</u>	<u>\$ 27,710</u>
Retained earnings	\$ 19,234,380	\$ 4,645,146	\$ 23,879,526
Other equity	2,090,607	(3,166,932)	(1,076,325)
Non-controlling interests	<u>1,756,793</u>	<u>8</u>	<u>1,756,801</u>
Total effect on equity	<u>\$ 23,081,780</u>	<u>\$ 1,478,222</u>	<u>\$ 24,560,002</u>



Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and a number of revenue-related interpretations from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

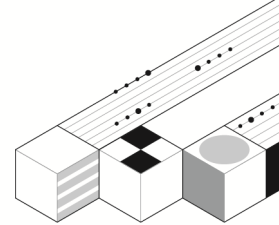
- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, regardless of any unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by selling it or by holding it to collect contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess its deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as a deduction against income of a specific type, and in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve the higher amount and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.



In assessing deferred tax assets, the Group currently assumes it will recover the assets at their carrying amounts when estimating probable future taxable profit; the amendment will be applied retrospectively for the year 2018.

4) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Group should make transfers to, or from, investment property when, and only when, an item of property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of an item of property does not provide evidence of a change in use. The amendments also clarify that the evidence of change in use is not limited to those illustrated in IAS 40.

There is no anticipated material impact of the amendments to reflect the conditions that exist at January 1, 2018.

5) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

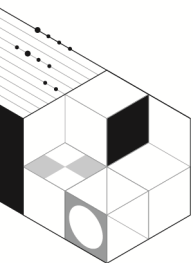
IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annually improvements to IFRSs 2015-2017 cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019



Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election of early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

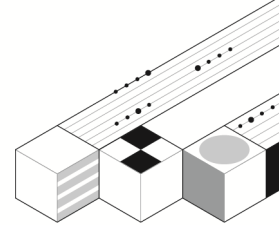
2) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial



application.

3) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

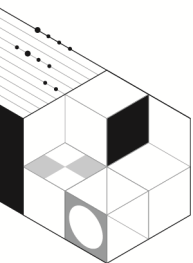
The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the Group’s net investment in an associate or joint venture.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, then the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that the reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.



6) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Group borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

7) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

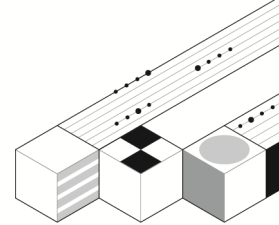
The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by SEC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.



c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

d. Basis of consolidation

- Principle of preparation consolidated financial statement

The consolidated financial statements incorporate the financial statements of WLC and the entities controlled by WLC (the Group). Control is achieved when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

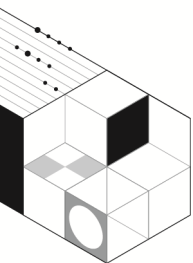
When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Group.

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



Refer to Note 15 and Table 7 for the percent of ownership, main businesses and details of the subsidiaries.

e. Business combinations

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Group obtains control) fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

f. Foreign currencies

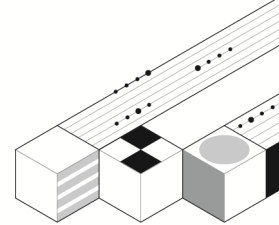
In preparing the financial statements of each individual company entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.



For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries and associates in other countries with currencies used different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Group and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests of the subsidiary and are not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

Inventories include real estate and constructions-in-progress, which are stated at acquisition costs plus construction costs incurred. Interest expenses on constructions-in-progress are capitalized.

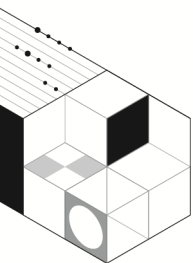
h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the



investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

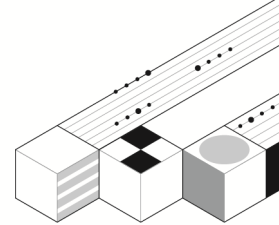
i. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.



j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

k. Intangible assets

Intangible assets are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill

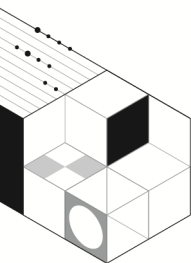
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

m. Financial instruments

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



Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1) Measurement category

The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item.

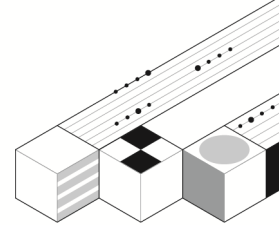
b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income



on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits and placements with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

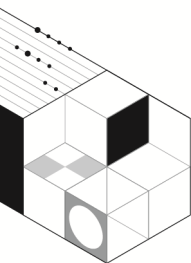
For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or



- d) The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

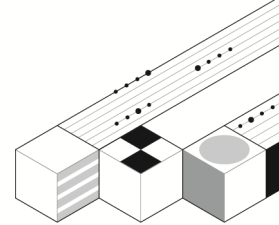
Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

- Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.



Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

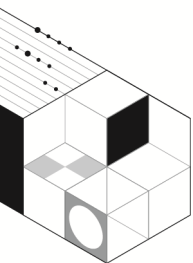
n. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.



Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the non-financial asset or non-financial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

o. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

p. Revenue recognition

Revenue from sales of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Rendering of services

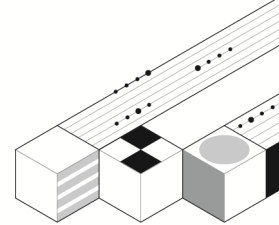
Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

q. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.



r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events

s. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

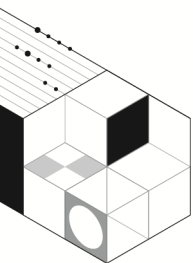
1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all (deductible temporary differences and unused loss carry forward) to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.



Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

t. Translation into U.S. dollar

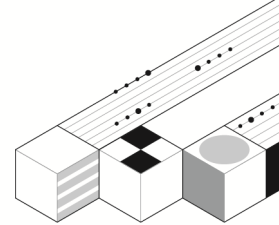
The financial statements are stated in New Taiwan dollars. The translation of the 2017 and 2016, New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of readers, using the average exchange rate of NT\$29.76 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2017. The convenience translation should not be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other exchange rate.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies (Note 4), management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful trade receivable account, inventory valuation losses, depreciation, impairment, pension, deferred tax assets, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:



Inventory valuation

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and disposal. The estimation of net realizable value is based on current market conditions and the historical experience with products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

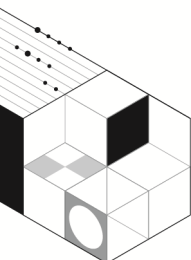
6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 3,254	\$ 3,656
Checking accounts and cash in bank	7,280,465	5,641,939
Cash equivalent		
Time deposits	3,509,802	1,864,486
Short-term bills	<u>159,170</u>	<u>223,503</u>
	<u>\$ 10,952,691</u>	<u>\$ 7,733,584</u>

Cash in the bank in the total amounts of EUR2,400 thousand and EUR2,841 thousand as of December 31, 2017 and 2016, respectively, was intended for payments of equipment for use in the Group's Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.

Certain time deposits as of December 31, 2017 and 2016 were classified and pledged as follows:

Purpose		December 31	
		2017	2016
Other financial assets - current			
Pledged time deposits	To secure short-term borrowings and letters of credit	\$ 114,329	\$ 62,972
Restricted deposits	To secure short-term borrowings and letters of credit	271,806	178,852
	To meet contract requirements for completing construction	56,243	70,054
	To meet down payment of advance receipts on real estate	<u>959,488</u>	<u>1,953,261</u>
		<u>1,401,866</u>	<u>2,265,139</u>
Non-current assets			
Refundable deposits	To meet contract requirements for completing construction	32,800	83,455
	To meet required security deposit	<u>600</u>	<u>4,300</u>
		<u>33,400</u>	<u>87,755</u>
		<u>\$ 1,435,266</u>	<u>\$ 2,352,894</u>

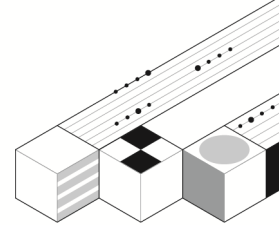


7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts		
Forward exchange contracts	\$ 37,250	\$ 33,323
Non-derivative financial assets		
Beneficiary certificates	-	372,784
Government bonds	<u>92,365</u>	<u>100,544</u>
Financial assets at FVTPL	<u>\$ 129,615</u>	<u>\$ 506,651</u>
Current	\$ 129,615	\$ 506,651
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 129,615</u>	<u>\$ 506,651</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ 25,223	\$ 1,007
Exchange rate swap contracts	<u>2,487</u>	<u>1,155</u>
Financial liabilities at FVTPL	<u>\$ 27,710</u>	<u>\$ 2,162</u>
Current	\$ 27,710	\$ 2,162
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 27,710</u>	<u>\$ 2,162</u>

As of December 31, 2017 and 2016, outstanding commodity futures not under hedge accounting were as follows:

	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
<u>December 31, 2017</u>							
Commodity futures contracts							
Cooper	Buy	1,875	2017.09.11-2017.12.27	2018.02.21-2018.11.21	US\$ 12,852	US\$ 13,581	US\$ 729
Cooper	Sell	6,050	2017.11.14-2017.12.29	2018.01.17-2018.02.28	US\$ 41,805	US\$ 43,658	(US\$ 1,853)
Cooper	Buy	5,965	2017.10.19-2017.12.29	2018.01.31-2018.07.31	RMB 317,639	RMB 332,302	RMB 14,663
Zinc	Buy	1,595	2017.11.09-2017.12.29	2018.01.31-2018.02.28	RMB 40,051	RMB 40,916	RMB 865



	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
<u>December 31, 2016</u>							
Commodity futures contracts							
Copper	Buy	600	2016.05.10-2016.12.29	2017.02.15-2017.04.19	US\$ 3,203	US\$ 3,299	US\$ 96
Copper	Sell	10,025	2016.12.09-2016.12.30	2017.01.18-2017.03.29	US\$ 55,779	US\$ 55,289	US\$ 490
Copper	Buy	1,730	2016.07.08-2016.12.30	2017.01.01-2017.08.01	RMB 75,953	RMB 78,551	RMB 2,598
Copper	Sell	575	2016.12.14-2016.12.21	2017.01.01-2017.02.01	RMB 26,516	RMB 26,007	RMB 509

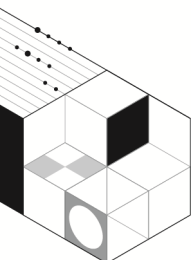
As of December 31, 2017 and 2016, outstanding exchange rate swap contracts not under hedge accounting were as follows:

Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>		
USD to NTD	2018.01.19	USD20,000/NTD598,800
<u>December 31, 2016</u>		
USD to NTD	2017.01.19	USD150,000/NTD4,833,100

As of December 31, 2017 and 2016, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Sell forward exchange contracts	EUR to MYR	2018.01.02-2018.05.30	EUR935/MYR4,587
	USD to MYR	2018.01.30-2018.03.30	USD1,200/MYR5,085
	USD to RMB	2018.01.09	USD10,000/RMB66,480
Buy forward exchange contracts	USD to NTD	2018.01.31-2018.03.24	USD110,000/NTD3,279,950
<u>December 31, 2016</u>			
Sell forward exchange contracts	EUR to MYR	2017.01.03-2017.11.30	EUR2,106/MYR9,929

For the years ended December 31, 2017 and 2016, the Group's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those derivative financial instruments did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by using hedge accounting.



8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
<u>Derivative financial assets for hedging - current</u>		
Fair value hedges - exchange rate swap contracts	\$ <u>7,430</u>	\$ <u>-</u>

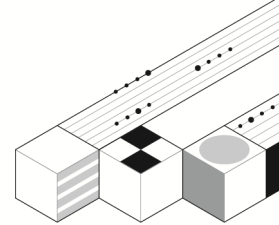
The Group used exchange rate swap contracts to minimize its exposure to changes in the exchange rate of its foreign-currency trade receivable and trade payable. The exchange rate swaps and the corresponding financial assets have the same terms, and management believes that the exchange rate swaps are highly effective hedging instruments. The outstanding exchange rate swap contracts of the Group at the end of the reporting period were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2017</u>			
Exchange rate swap contracts	USD to RMB	2018.01.18	USD29,876/RMB197,812
	USD to RMB	2018.01.23	USD20,000/RMB132,400
	USD to NTD	2018.01.16	USD29,950/NTD897,015
Buy forward exchange contracts	USD to NTD	2018.01.08	USD10,000/NTD301,400

	For the Year Ended December 31	
	2017	2016
Gains on the hedging instruments	\$ <u>7,430</u>	\$ <u>-</u>
Losses on the hedged items	\$ <u>4,594</u>	\$ <u>-</u>

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
<u>Domestic investments</u>		
Listed shares and emerging market stocks		
HannStar Display Corp.	\$ 2,358,684	\$ 1,865,116
HannStar Board Corp.	1,276,389	1,037,619
Taiwan High Speed Rail Corp.	<u>67,422</u>	<u>88,210</u>
	<u>\$ 3,702,495</u>	<u>\$ 2,990,945</u>
Current	\$ -	\$ -
Non-current	<u>3,702,495</u>	<u>2,990,945</u>
	<u>\$ 3,702,495</u>	<u>\$ 2,990,945</u>



For the year ended December 31, 2017 and 2016, the Group sold 1,925 thousand shares and 15,206 thousand shares of Taiwan High Speed Rail Corp. at market value on the Taiwan Stock Exchange, resulting in gains on disposal of investments amounting to NT\$35,871 thousand and NT\$172,036 thousand, respectively.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Interest rate linked structured investment deposits	<u>\$ 1,459,958</u>	<u>\$ 1,440,569</u>
Current	\$ 1,459,958	\$ 1,440,569
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 1,459,958</u>	<u>\$ 1,440,569</u>

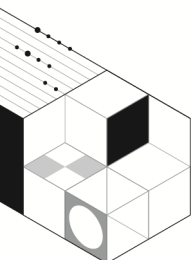
11. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
<u>Notes receivable</u>		
Notes receivable	<u>\$ 5,712,204</u>	<u>\$ 5,021,816</u>
<u>Trade receivables</u>		
Trade receivables	\$ 9,213,290	\$ 8,873,465
Less: Allowance for impairment loss	<u>(122,527)</u>	<u>(145,466)</u>
	<u>\$ 9,090,763</u>	<u>\$ 8,727,999</u>

The average credit period on sales of goods was 60 days. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for impairment loss is based on the estimated uncollectable amounts determined by reference to the age of receivables, past default experience of the relevant counterparties and an analysis of the relevant counterparties' current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

The Group did not recognize impairment loss for the trade receivables balances that were past due at the end of the reporting period because there was no significant change in credit quality and the amounts were still considered collectable.



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The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	\$ 7,780,810	\$ 6,691,356
Up to 90 days	1,006,183	1,485,425
91-180 days	67,258	340,157
181-365 days	128,280	121,789
Overdue more than one year	<u>230,759</u>	<u>234,738</u>
	<u>\$ 9,213,290</u>	<u>\$ 8,873,465</u>

The above aging schedule was based on the past due date.

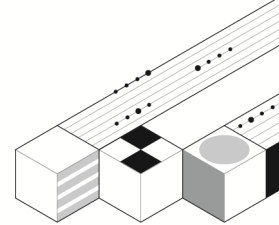
The aging of receivable that were past due but not impaired was as follows:

	December 31	
	2017	2016
Up to 90 days	\$ 472,051	\$ 435,970
91-180 days	5,860	7,462
181-365 days	<u>77,536</u>	<u>2,313</u>
	<u>\$ 555,447</u>	<u>\$ 445,745</u>

The above aging schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed Impairment Loss	Collectively Assessed Impairment Loss	Total
Balance at January 1, 2016	\$ 41,750	\$ 94,908	\$ 136,658
Add: Impairment losses	4,054	36,540	40,594
Less: Amounts written off during the period as uncollectable	-	(22,910)	(22,910)
Foreign exchange translation gains and losses	<u>(24)</u>	<u>(8,852)</u>	<u>(8,876)</u>
Balance at December 31, 2016	<u>\$ 45,780</u>	<u>\$ 99,686</u>	<u>\$ 145,466</u>
Balance at January 1, 2017	\$ 45,780	\$ 99,686	\$ 145,466
Add(Less): (Reversals of) impairment losses	20,527	(39,161)	(18,634)
Less: Amounts written off during the period as uncollectable	(5)	(1,169)	(1,174)
Foreign exchange translation gains and losses	<u>(198)</u>	<u>(2,933)</u>	<u>(3,131)</u>
Balance at December 31, 2017	<u>\$ 66,104</u>	<u>\$ 56,423</u>	<u>\$ 122,527</u>



12. FINANCE LEASE RECEIVABLES

	December 31	
	2017	2016
<u>Finance lease receivables</u>		
Current portion	\$ 50,758	\$ 49,085
Long-term	<u>883,480</u>	<u>934,238</u>
	934,238	983,323
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 934,238</u>	<u>\$ 983,323</u>

The power supply contracts of solar power equipment are processed by using financial lease accounting policies. The average term of finance leases entered into was 20 years.

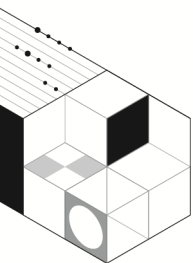
The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate contracted was approximately 3.30% per annum as of December 31, 2017 and 2016.

The finance lease receivables as of December 31, 2017 and 2016 were neither past due nor impaired.

Refer to Note 31 for the carrying amount of finance lease receivables pledged as security for bank borrowings of the Group.

13. INVENTORIES

	December 31	
	2017	2016
Manufacturing and trading industries		
Raw materials	\$ 5,531,324	\$ 4,438,175
Raw materials in transit	1,431,104	2,067,269
Supplies	1,422,873	1,074,756
Work-in-process	1,776,678	1,457,303
Finished goods and merchandise	8,623,945	5,963,326
Contracts in progress	<u>2,596,687</u>	<u>1,990,863</u>
	<u>21,382,611</u>	<u>16,991,692</u>
Real estate development industry		
Undeveloped land	3,434	3,434
Buildings and land held for sale	1,427,032	4,088
Contracts in progress	<u>9,484,062</u>	<u>10,125,474</u>
	<u>10,914,528</u>	<u>10,132,996</u>
	<u>\$ 32,297,139</u>	<u>\$ 27,124,688</u>



Financial Information

The cost of inventories recognized as cost of goods sold during the years ended December 31, 2017 and 2016 was NT\$155,331,615 thousand and NT\$133,341,990 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included reversals of inventory write-downs of NT\$349,408 thousand and NT\$74,386 thousand, respectively. Previous write-downs had been reversed according to the result of the inventory close-out.

Contracts in progress for the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

The inventory for the real estate development industry is primarily the land for future construction and contracts in progress of Walsin (Nanjing) Construction Limited.

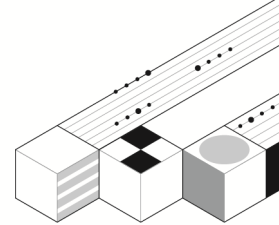
Walsin (Nanjing) Construction Limited entered into an agreement with third parties for the sale of real estate as of December 31, 2017 and 2016; the selling prices for residential buildings and office buildings were RMB2,225,106 thousand and RMB2,100,000 thousand (RMB2,119,148 thousand and RMB1,889,623 thousand after value-added tax), respectively. The residential buildings were completed in September 2017, and sales of real estate in the amount of NT\$5,121,782 thousand were recorded as “revenue.” As of December 31, 2017 and 2016, the cash equivalents received by Walsin (Nanjing) Construction Limited recorded as “advance receipts on real estate” were as follows:

	December 31			
	2017		2016	
	RMB	NTD	RMB	NTD
Residential buildings	\$ 895,041	\$ 4,076,437	\$ 1,141,993	\$ 5,308,489
Office buildings	<u>1,371,622</u>	<u>6,247,010</u>	<u>378,379</u>	<u>1,758,867</u>
	<u>\$ 2,266,663</u>	<u>\$ 10,323,447</u>	<u>\$ 1,520,372</u>	<u>\$ 7,067,356</u>

14. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Domestic unlisted common shares	\$ 1,812,485	\$ 1,135,867
Overseas unlisted common shares	<u>696,835</u>	<u>711,212</u>
	<u>\$ 2,509,320</u>	<u>\$ 1,847,079</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 2,509,320</u>	<u>\$ 1,847,079</u>

WLC participated in Powertec Energy Corp.’s capital increase by cash on September 22, 2016 and May 26, 2017. The investments amounted to NT\$233,052 thousand and NT\$692,576 thousand, respectively. The respective number of shares held by WLC at those dates were



380,167 thousand and 611,026 thousand shares, and the post subscription ownership percentages were 17.03% and 18.90%, respectively.

Management believed that the fair value of the aforementioned unlisted equity investments held by the Group cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the investments were measured at cost less impairment at the end of reporting period.

The Group recognized impairment losses on financial assets measured at cost of NT\$200,000 thousand for the year ended December 31, 2016, after an appropriate evaluation.

15. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

The consolidated entities as of December 31, 2017 and 2016 were as follows:

Investor	Investee	Main Business	% of Ownership	
			December 31	
			2017	2016
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited (WLHL)	Investment holding	100.00	100.00
	Concord Industries Limited (CIL)	Investment holding	100.00	100.00
	Touch Micro-System Technology Corp. (TMT)	OEM on MEMS foundry service	100.00	100.00
	Ace Result Global Limited	Investment holding	(Liquidating)	(Liquidating)
	Energy Pilot Limited (Energy Pilot)	Investment holding	100.00	100.00
	Market Pilot Limited (Market Pilot)	Investment holding	100.00	100.00
	Min Maw Precision Industry Corp. (Min Maw)	Solar power systems management, design, and installation	100.00	100.00
	Walsin Info-Electric Corp. (Walsin Info-Electric)	Mechanical and electrical, communications, and power systems	98.87	98.87
	Chin-Cherng Construction Co. (Chin-Cherng)	Construction business	99.22	99.22
	Joint Success Enterprises Limited	Investments	49.05	49.05
	PT. Walsin Lippo Industries (PT. Walsin)	Manufacture and sale of cables and wires	70.00	70.00
	PT. WALSIN LIPPO KABEL	Cables and wires	70.00	70.00
	Walsin (China) Investment Co., Ltd.	Investment holding	100.00	100.00
	Jiangyin Walsin Steel Cable Co., Ltd. (JHS)	Manufacture and sale of steel cables and wires	75.00	75.00
WLHL	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	95.71	95.71
	Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	100.00	100.00
	Nanjing Walsin Metal Co., Ltd.	Manufacture and sale of copper alloy	79.51	78.26
	Renowned International Limited	Investments	83.97	83.97
	Walsin International Investments Limited	Investments	100.00	100.00
	Borrego Solar System, Inc.	Solar power system	76.22	78.36

(Continued)

Financial Information

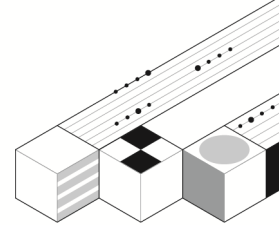
Investor	Investee	Main Business	% of Ownership	
			December 31	
			2017	2016
CIL	Nanjing Walsin Expo Exhibition Co., Ltd.	Exhibition service	60.00	60.00
	Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and assets management, consulting and advertising services	100.00	100.00
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	18.37	18.37
	Walsin Specialty Steel Corp.	Sale of specialty steel products and investment	100.00	100.00
	Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes, rods and wires	100.00	100.00
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	100.00	100.00
	Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of new-type alloy materials	100.00	100.00
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	81.63	81.63
	Walsin Precision Technology Sdn. Bhd.	Manufacture and sale of stainless steel	100.00	100.00
	XiAn Walsin Metal Product Co., Ltd.	Production and sale of medium and heavy specialty steel plates	100.00	100.00
	XiAn Walsin Opto-electronic Limited	Light emitter diode and solar power assembly	100.00	100.00
	XiAn Technology Co., Ltd.	Solar module assembly	100.00	100.00
	Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	100.00	100.00
	Chin-Cherng	Investments	50.95	50.95
	Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	100.00	100.00
Energy Pilot Limited	Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	100.00	100.00
	Green Lake Capital, LLC.	Solar power business	100.00	100.00
Market Pilot Limited	Green Lake Exchange, LLC.	Solar power business	100.00	100.00
	XiAn Walsin United Technology Co., Ltd.	Electronic devices and module	100.00	100.00

(Concluded)

b. The following entities were excluded from consolidation as of December 31, 2017 and 2016:

Investor	Investee	Main Business	% of Ownership		Note
			December 31		
			2017	2016	
WLHL	Walcom Chemical Industrial Limited	Commerce	65.00	65.00	Note

Note: The investee has a capital of HK\$500 thousand and total assets of HK\$1 thousand. As of December 31, 2017 and 2016, the investee had no sales, and its total assets were less than 1% of the Group's consolidated assets.



The financial statements of a certain of the aforementioned subsidiaries included in the consolidated financial statements were not audited by the auditor of WLC, but were reviewed by other auditors. As of December 31, 2017 and 2016, the combined total assets were NT\$7,667,995 thousand and NT\$6,438,830 thousand, respectively. For the years ended December 31, 2017 and 2016, the combined total net operating revenue of such subsidiaries were NT\$9,433,554 thousand and NT\$11,297,034 thousand, respectively.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

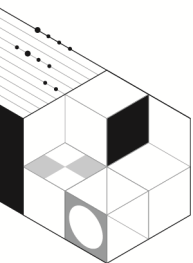
Name of Associate	December 31			
	2017		2016	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,420,078	22.21	\$10,023,613	22.66
Walton Advanced Engineering, Inc.	2,131,792	20.83	1,855,648	22.71
Walsin Technology Corp.	3,133,527	18.30	2,651,897	18.30
Hangzhou Walsin Power Cable & Wire Co., Ltd.	1,019,947	38.93	1,120,241	38.93
<u>Associates that are not individually material</u>				
Others	<u>5,505,409</u>		<u>3,549,363</u>	
	<u>\$ 25,210,753</u>		<u>\$19,200,762</u>	

Refer to Table 7 “Information on Investees” and Table 8 “Information on Investments in Mainland China” following the Notes to Consolidated Financial Statements for the nature of activities, principal places of business and countries of incorporation of the associates.

On November 2, 2017, WLC subscribed for 72,521 thousand shares of Winbond Electronics Corporation through the issuance of common shares for cash of NT\$1,595,460 thousand which was approved by the board of directors; after the subscription, WLC’s percentage of ownership in Winbond Electronics Corporation was 22.21%.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2017	2016
Winbond Electronics Corp.	<u>\$ 20,726,246</u>	<u>\$ 8,088,935</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,765,017</u>	<u>\$ 1,282,652</u>
Walsin Technology Corp.	<u>\$ 9,334,744</u>	<u>\$ 3,351,002</u>



Financial Information

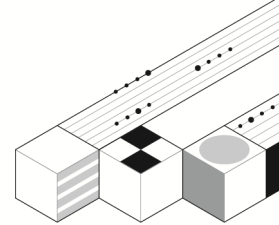
All the associates are accounted for using the equity method.

The Group's share of profit and other comprehensive income of associates for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited by independent auditors for the same period.

a. Material associates

December 31, 2017

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.	Hangzhou Walsin Power Cable & Wire Co., Ltd.
Current assets	\$ 37,240,205	\$ 4,144,042	\$ 19,085,362	\$ 3,460,649
Non-current assets	50,875,918	12,161,716	16,073,004	1,780,356
Current liabilities	(16,240,188)	(3,061,689)	(12,327,143)	(2,634,365)
Non-current liabilities	<u>(10,248,944)</u>	<u>(3,060,202)</u>	<u>(3,750,567)</u>	<u>(3,798)</u>
Equity	61,626,991	10,183,867	19,080,656	2,602,841
Non-controlling interests	<u>(1,414,827)</u>	<u>-</u>	<u>(2,022,605)</u>	<u>-</u>
	<u>\$ 60,212,164</u>	<u>\$ 10,183,867</u>	<u>\$ 17,058,051</u>	<u>\$ 2,602,841</u>
Proportion of the Group's ownership	22.21%	20.83%	18.30%	38.93%
Equity attributable to the Group	\$ 13,373,122	\$ 2,121,299	\$ 3,121,623	\$ 1,013,286
Other adjustments	<u>46,956</u>	<u>10,493</u>	<u>11,904</u>	<u>6,661</u>
Carrying amount	<u>\$ 13,420,078</u>	<u>\$ 2,131,792</u>	<u>\$ 3,133,527</u>	<u>\$ 1,019,947</u>
Operating revenue	<u>\$ 47,591,729</u>	<u>\$ 8,883,775</u>	<u>\$ 21,645,463</u>	<u>\$ 3,897,230</u>
Net profit (loss) for the year	\$ 5,822,950	\$ 675,829	\$ 2,611,092	\$ (198,918)
Other comprehensive income (loss)	<u>3,749,701</u>	<u>878,783</u>	<u>(962,512)</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ 9,572,651</u>	<u>\$ 1,554,612</u>	<u>\$ 3,573,604</u>	<u>\$ (198,918)</u>



December 31, 2016

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.	Hangzhou Walsin Power Cable & Wire Co., Ltd.
Current assets	\$ 27,259,743	\$ 4,970,546	\$16,385,319	\$ 2,746,998
Non-current assets	40,730,266	10,742,285	12,414,084	2,133,003
Current liabilities	(14,605,735)	(4,340,026)	(8,866,424)	(2,283,518)
Non-current liabilities	<u>(8,163,475)</u>	<u>(3,294,871)</u>	<u>(3,706,811)</u>	<u>(3,231)</u>
Equity	45,220,799	8,077,934	16,226,168	2,593,252
Non-controlling interests	<u>(1,299,838)</u>	<u>-</u>	<u>(1,820,394)</u>	<u>-</u>
	<u>\$ 43,920,961</u>	<u>\$ 8,077,934</u>	<u>\$14,405,774</u>	<u>\$ 2,593,252</u>
Proportion of the Group's ownership	22.66%	22.71%	18.30%	38.93%
Equity attributable to the Group	\$ 9,952,490	\$ 1,834,499	\$ 2,636,257	\$ 1,009,553
Other adjustments	<u>71,123</u>	<u>21,149</u>	<u>15,640</u>	<u>110,688</u>
Carrying amount	<u>\$ 10,023,613</u>	<u>\$ 1,855,648</u>	<u>\$ 2,651,897</u>	<u>\$ 1,120,241</u>
Operating revenue	<u>\$ 42,091,709</u>	<u>\$ 8,748,398</u>	<u>\$18,490,529</u>	<u>\$ 3,203,890</u>
Net profit (loss) for the year	\$ 3,140,074	\$ 440,354	\$ 2,296,495	\$ (312,251)
Other comprehensive income (loss)	<u>(2,485,116)</u>	<u>117,721</u>	<u>(707,418)</u>	<u>-</u>
Total comprehensive income (loss) for the year	<u>\$ 5,625,190</u>	<u>\$ 558,075</u>	<u>\$ 1,589,077</u>	<u>\$ (312,251)</u>

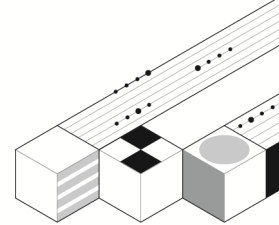
b. Associates that are not individually material

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Gain (loss) from continuing operations	\$ 207,036	\$ (28,968)
Other comprehensive income	<u>1,757,439</u>	<u>980,947</u>
Total comprehensive income for the year	<u>\$ 1,964,475</u>	<u>\$ 951,979</u>

The Group's share of profit and other comprehensive income of associates for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited by independent auditors for the same period.

17. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2016	\$ 2,131,242	\$ 9,861,694	\$ 24,733,048	\$ 7,221,093	\$ 1,351,911	\$ 45,298,988
Additions	23,848	363,647	2,016,140	201,991	838,432	3,444,058
Disposals	(1,801)	(288,087)	(2,742,476)	(966,132)	(14,734)	(4,013,230)
Reclassified	-	151,819	830,823	297,773	(1,280,415)	-
Transferred from inventories	-	-	-	-	2,382,931	2,382,931
Transferred to non-current assets held for sale	-	(616,092)	-	-	-	(616,092)
Effect of foreign currency exchange differences	-	(306,835)	(694,486)	(264,421)	(10,988)	(1,276,730)
Balance at December 31, 2016	<u>\$ 2,153,289</u>	<u>\$ 9,166,146</u>	<u>\$ 24,143,049</u>	<u>\$ 6,490,304</u>	<u>\$ 3,267,137</u>	<u>\$ 45,219,925</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 8,067	\$ 5,492,390	\$ 16,574,703	\$ 5,648,173	\$ -	\$ 27,723,333
Disposals	-	(231,974)	(2,569,875)	(858,906)	-	(3,660,755)
Impairment losses recognized in profit or loss	-	72,776	144,826	33,512	-	251,114
Depreciation expense	-	258,815	978,069	328,542	-	1,565,426
Reclassified	-	-	(112,774)	112,774	-	-
Transferred to non-current assets held for sale	-	(273,535)	-	-	-	(273,535)
Effect of foreign currency exchange differences	-	(135,460)	(523,502)	(210,559)	-	(869,521)
Balance at December 31, 2016	<u>\$ 8,067</u>	<u>\$ 5,183,012</u>	<u>\$ 14,491,447</u>	<u>\$ 5,053,536</u>	<u>\$ -</u>	<u>\$ 24,736,062</u>
Carrying amounts at December 31, 2016	<u>\$ 2,145,222</u>	<u>\$ 3,983,134</u>	<u>\$ 9,651,602</u>	<u>\$ 1,436,768</u>	<u>\$ 3,267,137</u>	<u>\$ 20,483,863</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 2,153,289	\$ 9,166,146	\$ 24,143,049	\$ 6,490,304	\$ 3,267,137	\$ 45,219,925
Additions	87	55,407	161,697	146,984	1,917,267	2,281,442
Disposals	-	(11,358)	(353,135)	(325,110)	(287)	(689,890)
Reclassified	-	49,577	440,309	133,942	(623,828)	-
Effect of foreign currency exchange differences	-	(58,353)	(127,684)	(63,218)	(51,666)	(300,921)
Balance at December 31, 2017	<u>\$ 2,153,376</u>	<u>\$ 9,201,419</u>	<u>\$ 24,264,236</u>	<u>\$ 6,382,902</u>	<u>\$ 4,508,623</u>	<u>\$ 46,510,556</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ 8,067	\$ 5,183,012	\$ 14,491,447	\$ 5,053,536	\$ -	\$ 24,736,062
Disposals	-	(7,610)	(312,314)	(285,213)	-	(605,137)
	-	-	-	163	-	163
Depreciation expense	-	246,298	1,004,640	288,869	-	1,539,807
Reclassified	-	-	(17,128)	17,128	-	-
Effect of foreign currency exchange differences	-	(25,637)	(70,453)	(49,139)	-	(142,229)
Balance at December 31, 2017	<u>\$ 8,067</u>	<u>\$ 5,396,063</u>	<u>\$ 15,096,192</u>	<u>\$ 5,025,344</u>	<u>\$ -</u>	<u>\$ 25,525,666</u>
Carrying amounts at December 31, 2017	<u>\$ 2,145,309</u>	<u>\$ 3,805,356</u>	<u>\$ 9,168,044</u>	<u>\$ 1,357,558</u>	<u>\$ 4,508,623</u>	<u>\$ 20,984,890</u>



The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	3-50 years
Machinery and equipment	3-20 years
Other equipment	3-15 years

The Group's main buildings and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

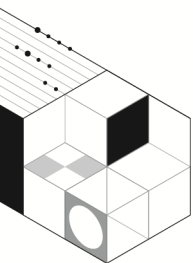
WLC owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, WLC keeps in its possession the land titles with the annotation of the land being pledged to WLC. As of December 31, 2017 and 2016, the recorded total carrying amount of such parcels of land amounted to NT\$418,425 thousand and NT\$418,362 thousand, respectively.

On January 29, 2016, the Group signed contracts to sell machinery and equipment, buildings and improvements located in the XiAn Hi-tech Industrial Development Zone and other related machinery and equipment to a third party. The sales transactions were completed in July 2017 and March 2016.

18. INVESTMENT PROPERTIES

	December 31	
	2017	2016
Completed investment properties	<u>\$ 10,406,246</u>	<u>\$ 10,655,622</u>
		Completed Investment Properties
<u>Cost</u>		
Balance at January 1, 2016		\$ 12,260,622
Reclassified		(35,191)
Effect of foreign currency exchange differences		<u>(139,688)</u>
Balance at December 31, 2016		<u>\$ 12,085,743</u>
Balance at January 1, 2017		\$ 12,085,743
Effect of foreign currency exchange differences		<u>(32,161)</u>
Balance at December 31, 2017		<u>\$ 12,053,582</u>

(Continued)



Accumulated depreciation and impairment

Balance at January 1, 2016	\$ 1,230,258
Depreciation expense	226,930
Effect of foreign currency exchange differences	<u>(27,067)</u>
Balance at December 31, 2016	<u>\$ 1,430,121</u>
Balance at January 1, 2017	\$ 1,430,121
Depreciation expense	222,357
Effect of foreign currency exchange differences	<u>(5,140)</u>
Balance at December 31, 2017	<u>\$ 1,647,336</u> (Concluded)

The completed investment properties are depreciated under the straight-line method over 20 to 50 years.

The main investment properties of the Group are the Walsin Xin Yi Building and the completed investment properties of Walsin (Nanjing) Construction Limited. The building valuation was commissioned by independent appraisal agencies (third parties). As of December 31, 2017 and 2016, the completed investment properties' real estate values were NT\$33,694,611 thousand and NT\$32,796,965 thousand, respectively.

19. PREPAYMENTS FOR LEASES

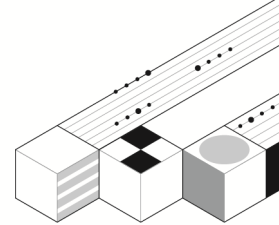
	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 62,230	\$ 65,071
Non-current assets	<u>1,161,364</u>	<u>1,208,657</u>
	<u>\$ 1,223,594</u>	<u>\$ 1,273,728</u>

Prepaid lease payments include land use rights for land which is located in mainland China.

The Group signed a contract to sell the land located in the XiAn Hi-tech Industrial Development Zone to a third party on January 29, 2016 and completed the transaction in July 2017.

20. BORROWINGS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Short-term borrowings	<u>\$ 6,815,772</u>	<u>\$ 4,194,335</u>
Current portion of long-term borrowings	<u>\$ 171,438</u>	<u>\$ 7,021,864</u>
Long-term borrowings	<u>\$ 21,950,366</u>	<u>\$ 15,293,975</u>



- a. Short-term borrowings as of December 31, 2017 and 2016 were as follows:

December 31				
	2017		2016	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials'				
procurement loans	1.15%-2.495%	\$ 323,492	0.90%-2.114%	\$ 745,701
Bank credit loans	0.80%-3.933%	<u>6,492,280</u>	0.79%-3.10%	<u>3,448,634</u>
		<u>\$ 6,815,772</u>		<u>\$ 4,194,335</u>

Refer to Notes 6 and 31 for collateral pledged for short-term borrowings as of December 31, 2017 and 2016.

- b. Long-term borrowings as of December 31, 2017 and 2016 were as follows:

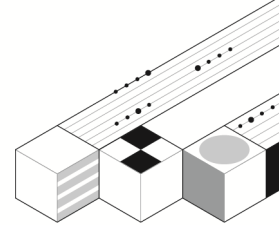
December 31				
	Significant Covenant	2017		2016
		Rate	Amount	Amount
Taipei Fubon Bank and others	Credit loan; principal repayments every six months at 30%, 35%, 35% from the end of the fourth year from drawing date (September 2015)	1.80%	\$ 15,000,000	\$ 15,000,000
Bank of Taiwan and others	Credit loan; principal repayments every six months at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012)	1.59%	-	6,630,000
Bank of Taiwan	Credit loan; principal repayments until maturity from August 7, 2017 to May 9, 2020	1.30%	1,000,000	-
Taishin International Bank	Credit loan; principal repayments every six months at 33.33%, 33.33%, 33.34% from the end of the second year from drawing date (September 2017)	1.34%	2,000,000	-
Taipei Fubon Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.38%	1,000,000	-
Chang Hwa Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.30%	1,500,000	-
First Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.25%	1,000,000	-
Cathay United Commercial Bank	Secured loan; monthly interest and principal repayments until maturity from June 15, 2012 to December 15, 2021	1.94%	176,766	196,407

(Continued)



Under the loan agreements with Bank of Taiwan and Taipei Fubon Bank, WLC should maintain certain financial ratios calculated based on its annual and semi-annual consolidated financial statements, audited by independent auditors, during the loan terms. The financial ratios are as follows:

- As of December 31, 2017 and 2016, the Group's current portion of long-term borrowings was NT\$171,438 thousand and NT\$7,021,864 thousand under all of its loan agreements, respectively. The Group's consolidated financial statements for the years ended December 31, 2017 and 2016 showed that the Group was in compliance with the above listed ratio requirements.



Refer to Note 31 for collateral pledged on bank borrowings as of December 31, 2017.

21. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

WLC and its subsidiaries in the ROC adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, WLC and its subsidiaries in the ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

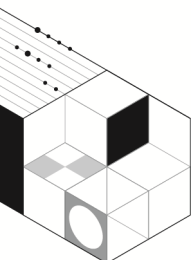
The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was NT\$74,743 thousand and NT\$67,991 thousand, respectively, which represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

b. Defined benefit plans

The defined benefit plans adopted by WLC and Walsin Info-Electric in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. WLC and Walsin Info-Electric contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

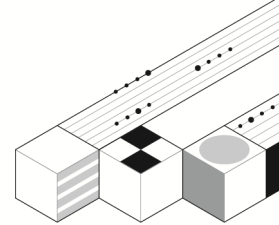
	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,500,384	\$ 1,385,363
Fair value of plan assets	<u>(698,056)</u>	<u>(622,340)</u>
Net defined benefit liabilities	<u>\$ 802,328</u>	<u>\$ 763,023</u>



	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	<u>\$ 1,401,501</u>	<u>\$ (17,682)</u>	<u>\$ 1,383,819</u>
Service cost			
Current service cost	16,956	-	16,956
Net interest expense (income)	<u>21,960</u>	<u>(284)</u>	<u>21,676</u>
Recognized in profit or loss	<u>38,916</u>	<u>(284)</u>	<u>38,632</u>
Remeasurement			
Actuarial (gain) loss - experience adjustments	<u>6,248</u>	<u>(3,191)</u>	<u>3,057</u>
Recognized in other comprehensive income (loss)	<u>6,248</u>	<u>(3,191)</u>	<u>3,057</u>
Contributions from the employer	-	(656,214)	(656,214)
Benefits paid	(55,031)	55,031	-
Account paid	<u>(6,271)</u>	<u>-</u>	<u>(6,271)</u>
Balance at December 31, 2016	<u>1,385,363</u>	<u>(622,340)</u>	<u>763,023</u>
Service cost			
Current service cost	15,517	-	15,517
Net interest expense (income)	<u>21,676</u>	<u>(10,516)</u>	<u>11,160</u>
Recognized in profit or loss	<u>37,193</u>	<u>(10,516)</u>	<u>26,677</u>
Remeasurement			
Actuarial (gain) loss - changes in financial assumption	59,985	-	59,985
Actuarial (gain) loss - experience adjustments	<u>86,259</u>	<u>4,492</u>	<u>90,751</u>
Recognized in other comprehensive income (loss)	<u>146,244</u>	<u>4,492</u>	<u>150,736</u>
Contributions from the employer	-	(138,108)	(138,108)
Benefits paid	<u>(68,416)</u>	<u>68,416</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 1,500,384</u>	<u>\$ (698,056)</u>	<u>\$ 802,328</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	\$ 16,704	\$ 23,754
Selling and marketing expenses	2,405	3,189
General and administrative expenses	7,165	11,430
Research and development expenses	<u>403</u>	<u>259</u>
	<u>\$ 26,677</u>	<u>\$ 38,632</u>



Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

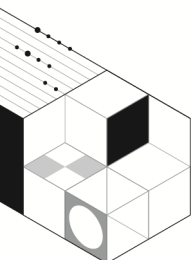
The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rates	1.4%	1.6%
Expected rates of salary increase	2.25%	2.0%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2017	2016
Discount rates		
0.5% increase	<u>\$ (66,555)</u>	<u>\$ (67,979)</u>
0.5% decrease	<u>\$ 71,358</u>	<u>\$ 73,238</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 70,406</u>	<u>\$ 72,587</u>
0.5% decrease	<u>\$ (66,348)</u>	<u>\$ (68,055)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.



22. EQUITY

	December 31	
	2017	2016
Share capital		
Common shares	\$ 33,660,002	\$ 33,960,002
Capital surplus	15,854,392	15,701,403
Retained earnings	19,234,380	15,211,219
Others	2,090,607	(897,872)
Treasury shares	(315,918)	(608,810)
Non-controlling interests	<u>1,756,793</u>	<u>1,916,063</u>
	<u>\$ 72,280,256</u>	<u>\$ 65,282,005</u>

a. Share capital

Common shares

	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>6,500,000</u>	<u>6,500,000</u>
Amount of authorized shares	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,366,001</u>	<u>3,396,001</u>
Amount of issued shares	<u>\$ 33,660,002</u>	<u>\$ 33,960,002</u>

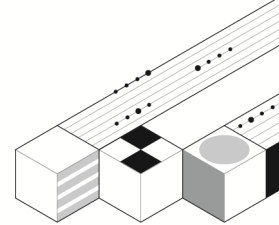
As of December 31, 2016, the balance of WLC's share capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at a NT\$10.00 par value.

WLC cancelled 30,000 thousand, 60,000 thousand and 120,000 thousand shares of treasury shares in May 2017, August 2016 and November 2016, respectively. As of December 31, 2017 and December 31, 2016, the balance of WLC's share capital account was NT\$33,660,002 thousand and NT\$33,960,002 thousand, divided into 3,366,001 thousand and 3,396,001 thousand shares at par values of NT\$10.00, respectively.

b. Capital surplus

	December 31	
	2017	2016
Premium from issuance of common shares	\$ 10,295,885	\$ 10,387,648
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	495
Arising from share of changes in capital surplus from investments in associates under equity method	214,990	68,609

(Continued)



	December 31	
	2017	2016
Arising from treasury share transactions	2,241,869	2,142,998
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,417</u>	<u>1,027,422</u>
	<u>\$ 15,854,392</u>	<u>\$ 15,701,403</u> (Concluded)

The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Group's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

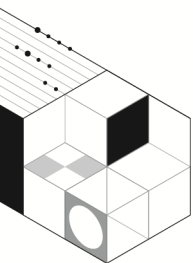
In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 25, 2016 and in that meeting, had resolved amendments to the Group's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation.

Based on WLC's amended Articles, 10% of WLC's annual earnings, net of tax and any deficit, should be appropriated as a legal reserve until this reserve equals WLC's paid-in capital. Also, WLC appropriated earnings to a special reserve based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by WLC and will be distributed to shareholders. Refer to Note 24 for WLC's amended Articles that stipulated distribution of employees' compensation and remuneration of directors and supervisors.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals WLC's paid-in capital. The legal reserve may be used to offset any deficits. If WLC has no deficit and the legal reserve has exceeded 25% of WLC's paid-in capital, the excess may be transferred to capital or distributed in cash.

WLC appropriates or reverses any special reserve in accordance with Order No. Financial-Supervisory-Securities-Corporation - 1010012865, 1010047490 and 1030006415 issued by FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs".

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by WLC.



Financial Information

The appropriation of earnings for 2016 and 2015 was approved in the shareholders' meeting on May 26, 2017 and May 25, 2016. The appropriation and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 456,813	\$ 160,173	\$ -	\$ -
Cash dividends	<u>2,328,200</u>	<u>701,200</u>	0.7	0.2
	<u>\$ 2,785,013</u>	<u>\$ 861,373</u>		

The appropriation of earnings for 2017 had been resolved by WLC's board of directors on February 23, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 655,998	\$ -
Cash dividends	<u>3,326,000</u>	1.00
	<u>\$ 3,981,998</u>	

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on May 25, 2018.

d. Special reserves

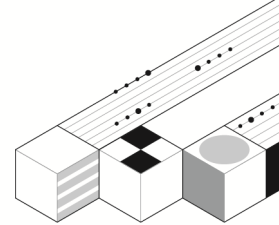
Information regarding the aforementioned special reserve did not change for the years ended December 31, 2017 and 2016.

e. Other equity items

1) Foreign currency translation reserve

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ (2,110,122)	\$ 1,428,373
Share of exchange difference of associates under equity method	<u>(834,636)</u>	<u>(3,538,495)</u>
Ending balance	<u>\$ (2,944,758)</u>	<u>\$ (2,110,122)</u>

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operations.



2) Investments revaluation reserve

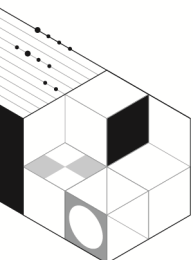
	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ 1,225,921	\$ (1,960,168)
Unrealized gain arising on revaluation of available-for-sale financial assets	760,541	1,526,373
Share of unrealized gain on revaluation of available-for-sale financial assets of associates under equity method	3,092,526	1,837,070
Disposal of available-for-sale financial assets	<u>(36,094)</u>	<u>(177,354)</u>
Ending balance	<u>\$ 5,042,894</u>	<u>\$ 1,225,921</u>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of the amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

3) Cash flow hedges reserve

	For the Year Ended December 31	
	2017	2016
Beginning balance	\$ (13,671)	\$ (89,318)
Gain (loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Foreign exchange forward contracts	-	3,683
Transferred to carrying amount of hedged items	2,133	79,268
Others	<u>4,009</u>	<u>(7,304)</u>
Ending balance	<u>\$ (7,529)</u>	<u>\$ (13,671)</u>

The cash flow hedges reserve represents the cumulative effective portion of the gains or losses arising from changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gains or losses arising from changes in the fair value of hedging instruments that were recognized and accumulated under the heading of the cash flow hedges reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or will be included as a basis adjustment to the non-financial hedged item.



f. Treasury shares

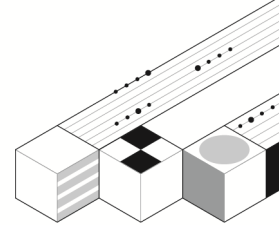
Treasury share transactions for the year ended December 31, 2017 were summarized as follows:

Purpose of Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2017	Treasury Share Increase During the Period	Treasury Share Decrease During the Period	Number of Treasury Shares as of December 31, 2017
Common shares held by WLC as reserve for employees' incentives	<u>70,000,000</u>	<u>-</u>	<u>30,000,000</u>	<u>40,000,000</u>

Treasury share transactions for the year ended December 31, 2016 were summarized as follows:

Purpose of Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2016	Treasury Share Increase During the Period	Treasury Share Decrease During the Period	Number of Treasury Shares as of December 31, 2016
Common shares held by WLC as reserve for employee incentives	70,000,000	-	-	70,000,000
To maintain WLC's credibility and shareholders' interest	<u>-</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>-</u>
	<u>70,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>70,000,000</u>

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by WLC should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, WLC shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other shareholder's rights on the treasury shares.



23. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales revenue	\$ 161,392,747	\$ 142,070,622
Sales of real estate	5,121,782	34,623
Revenue from the rendering of services	283,508	244,351
Construction contract revenue	24,797	40,607
Rental income	855,908	858,318
Other revenue	<u>113,843</u>	<u>106,720</u>
	<u>\$ 167,792,585</u>	<u>\$ 143,355,241</u>

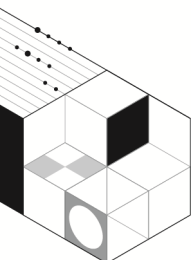
24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Non-operating Income and Expenses - Gain (Loss) on Disposal of Investments

	For the Year Ended December 31	
	2017	2016
Gain (loss) on disposal of investments - forward exchange contracts settled	\$ 39,942	\$ (1,605)
Gain on disposal of investments - associates under equity method	-	59,955
(Loss) gain on disposal of investments - exchange rate swap contracts settled	(71,035)	30,037
Loss on disposal of investments - commodity futures contracts settled	(275,052)	(99,560)
Gain on disposal of financial assets measured at cost	546	-
Gain on disposal of investments - funds	9,120	21,349
Gain on disposal of investments - available-for-sale financial assets - non-current	<u>35,871</u>	<u>172,036</u>
	<u>\$ (260,608)</u>	<u>\$ 182,212</u>

Non-operating Income and Expenses - Impairment Loss

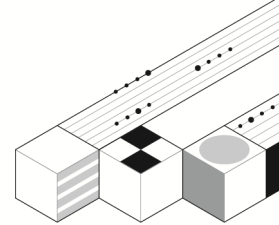
	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ 163	\$ 251,114
Financial assets measured at cost	-	200,000
Others	<u>(96)</u>	<u>3,148</u>
	<u>\$ 67</u>	<u>\$ 454,262</u>



Employee Benefits Expense, Depreciation and Amortization

For the Year Ended December 31, 2017				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	\$ 2,828,610	\$ 1,518,841	\$ -	\$ 4,344,451
Post-employment benefits	\$ 192,888	\$ 91,281	\$ -	\$ 284,169
Other employee benefits	\$ 358,289	\$ 156,913	\$ -	\$ 515,202
Depreciation				
Property, plant and equipment	\$ 1,382,089	\$ 150,658	\$ 7,060	\$ 1,539,807
Investment properties	213,417	8,940	-	222,357
	\$ 1,595,506	\$ 159,598	\$ 7,060	\$ 1,762,164
Amortization	\$ 8,560	\$ 18,844	\$ 2,380	\$ 29,784
For the Year Ended December 31, 2016				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	\$ 2,818,099	\$ 1,411,636	\$ -	\$ 4,229,735
Post-employment benefits	\$ 193,650	\$ 98,118	\$ -	\$ 291,768
Other employee benefits	\$ 344,330	\$ 171,055	\$ -	\$ 515,385
Depreciation				
Property, plant and equipment	\$ 1,394,193	\$ 162,266	\$ 8,967	\$ 1,565,426
Investment properties	220,776	6,154	-	226,930
	\$ 1,614,969	\$ 168,420	\$ 8,967	\$ 1,792,356
Amortization	\$ 18,258	\$ 16,538	\$ 8,078	\$ 42,874

In compliance with the Company Act as amended in May 2015, WLC's shareholders held their meeting on May 2016 and resolved amendments to WLC's Articles; the amendments stipulate the distribution of employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the years ended December 31, 2017 and 2016, the employees' compensation amounted to NT\$73,000 thousand and NT\$53,100 thousand, respectively, and the remuneration of directors and supervisors amounted to NT\$51,000 thousand and NT\$36,900 thousand, respectively, representing 1% and 0.7%, respectively, of the



base net profit before income tax. The employees' compensation and remuneration to directors and supervisors in cash for the years ended December 31, 2017 and 2016 were approved by the Group's board of directors on February 23, 2018 and February 17, 2017, respectively.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the compensation and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences will be recorded as a change in the accounting estimate.

The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 resolved by WLC's board of directors on February 17, 2017 and February 26, 2016, respectively, and the respective amounts recognized in the consolidated financial statements were equal.

Information on the employees' compensation and remuneration to directors and supervisors resolved by WLC's board of directors and approved by the shareholders of WLC is available on the Market Observation Post System (MOPS) on the web site of the Taiwan Stock Exchange.

25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

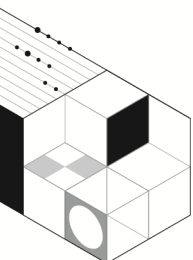
a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 1,649,596	\$ 1,126,488
Reserve for land value increment tax	1,067,575	26,877
Income tax expense of unappropriated earnings	174,552	59,210
In respect of prior periods	<u>15,576</u>	<u>1,721</u>
	<u>2,907,299</u>	<u>1,214,296</u>
Deferred tax		
In respect of the current year	(206,942)	120,543
Others	<u>78</u>	<u>29</u>
	<u>(206,864)</u>	<u>120,572</u>
Income tax expense recognized in profit or loss	<u>\$ 2,700,435</u>	<u>\$ 1,334,868</u>

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

	For the Year Ended December 31	
	2017	2016
Income before tax from continuing operations	<u>\$ 9,394,448</u>	<u>\$ 6,173,371</u>

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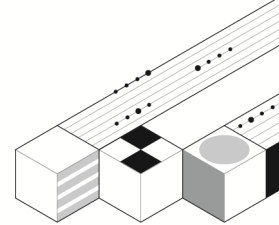
	For the Year Ended December 31	
	2017	2016
Income tax expense calculated at the statutory rate	\$ 2,680,979	\$ 1,436,478
Equity in investees' net (gain) loss	(966,360)	(296,455)
Dividend income	(26,852)	(3,662)
Net gain on disposal of investments	(6,191)	(29,246)
Realized loss on liquidation of investment	-	(25,091)
Loss on investees' capital reduction for cover accumulated deficits	(112,387)	(28,598)
Others	(314,269)	(462)
Unrecognized loss carryforwards/deductible temporary differences	187,734	194,099
Adjustments for prior years' tax	15,654	1,718
Income tax of unappropriated earnings	174,552	59,210
Reserve for land revaluation increment tax	<u>1,067,575</u>	<u>26,877</u>
Income tax expense recognized in profit or loss	<u>\$ 2,700,435</u>	<u>\$ 1,334,868</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced the Income Tax Act in the ROC was amended, and starting from 2018, the corporate surtax applicable to the unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and will increase by NT\$58,243 thousand in 2018.

b. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	<u>\$ 61,575</u>	<u>\$ 26,777</u>
Current tax liabilities		
Income tax payable	<u>\$ 3,147,811</u>	<u>\$ 1,619,577</u>



c. Deferred tax assets and liabilities

	December 31	
	2017	2016
Deferred tax assets		
Net operating loss carryforwards	\$ 36,939	\$ 83,889
Pension expense not currently deductible	111,000	130,000
Provision for devaluation loss on obsolete and slow-moving inventories	24,135	58,540
Provision for impairment loss on idle assets	18,000	18,061
Deemed sales	-	186,932
Unrealized gross profit from intercompany transactions	6,510	21,656
Provision for permanent devaluation loss on long-term investments	46,460	56,460
Difference between financial and tax accounting of the depreciation of property, plant and equipment	125	943
Prepaid expense	699,507	230,677
Others	279,754	223,971
Deferred income tax liabilities		
Difference between financial and tax accounting of the depreciation of property, plant and equipment	(12,623)	(43,494)
Reserve for land revaluation increment tax	(132,005)	(131,132)
Others	<u>(23,884)</u>	<u>10,551</u>
	<u>\$ 1,053,918</u>	<u>\$ 847,054</u>
Deferred income tax assets - non-current	\$ 1,222,430	\$ 1,011,129
Deferred income tax liabilities - non-current	<u>(168,512)</u>	<u>(164,075)</u>
	<u>\$ 1,053,918</u>	<u>\$ 847,054</u>

- d. The Group's loss carryforwards as of December 31, 2015 for income tax purposes were as follows:

Expiry Year	Net Operating Loss Tax Credit
2019	\$ 29,480
2021	7,050
2025	<u>409</u>
	<u>\$ 36,939</u>

e. The information on imputation credit accounts was as follows:

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	\$ 13,240,574	\$ 9,674,226
Balance of Imputation Credit Account (included current tax liabilities)	\$ 1,674,192	\$ 1,418,554
	For the Year Ended December 31	
	2017	2016
	(Expected)	(Actual)
Creditable ratio for distribution of earnings	(Note)	14.66%

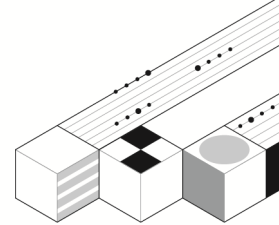
Effective from January 1, 2015, according to the revised Article 66 - 6-1 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for the distribution of earnings in 2018 is expected.

f. WLC's income tax returns through 2014 had been examined and cleared by the tax authorities.

26. EARNINGS PER SHARE

	For the Year Ended December 31					
	2017			2016		
	Amounts (Numerator) After Income Tax (Attributable to WLC's Shareholders)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars) After Income Tax (Attributable to WLC's Shareholders)	Amounts (Numerator) After Income Tax (Attributable to WLC's Shareholders)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars) After Income Tax (Attributable to WLC's Shareholders)
Basic earnings per share						
Net income	\$ 6,559,984	3,326,000	\$ 1.97	\$ 4,568,125	3,424,730	\$ 1.33
Effect of dilutive potential common shares						
Diluted earnings per share	-	4,638		-	4,817	
Diluted earnings per share						
Net income plus dilutive effect	\$ 6,559,984	3,330,638	\$ 1.97	\$ 4,568,125	3,429,547	\$ 1.33



27. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

As of December 31, 2017, the Group's future minimum lease payments on non-cancelable operating lease commitments were as follows:

Year of 2018	\$ 62,440
2019-2023	100,013
After 2023	<u>146,027</u>
	<u>\$ 308,480</u>

b. The Group as lessor

Lease arrangements

Operating leases are related to the investment properties owned by the Group with lease terms between 5 and 10 years, each with an option of extension for an additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. No lessee has a bargain purchase option to acquire the property at the expiry of the respective lease period.

As of December 31, 2017 and 2016, deposits received under operating leases amounted to NT\$203,216 thousand and NT\$191,389 thousand, respectively (recorded under other non-current liabilities).

As of December 31, 2017, the Group's future minimum lease receivables on non-cancelable operating lease commitments were as follows:

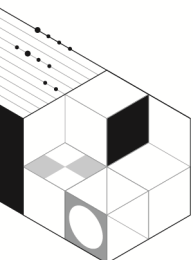
Year of 2018	\$ 843,659
2019-2023	<u>1,548,553</u>
	<u>\$ 2,392,212</u>

28. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure that it has the necessary financial resources and operational plan so that it can cope with the next 12 months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.



29. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Except for the financial assets that are measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximates of their respective fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

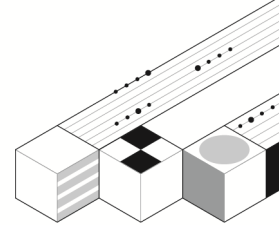
December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 129,615	\$ -	\$ -	\$ 129,615
Derivative financial assets for hedging	-	7,430	-	7,430
Available-for-sale financial assets	<u>3,702,495</u>	<u>-</u>	<u>-</u>	<u>3,702,495</u>
	<u>\$ 3,832,110</u>	<u>\$ 7,430</u>	<u>\$ -</u>	<u>\$ 3,839,540</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 27,710</u>	<u>\$ -</u>	<u>\$ 27,710</u>

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 506,651	\$ -	\$ -	\$ 506,651
Available-for-sale financial assets	<u>2,990,945</u>	<u>-</u>	<u>-</u>	<u>2,990,945</u>
	<u>\$ 3,497,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,497,596</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 2,162</u>	<u>\$ -</u>	<u>\$ 2,162</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

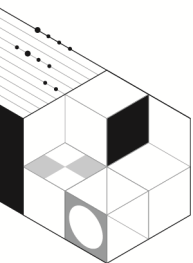


2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - exchange rate swap contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Loans and receivables		
Cash and cash equivalents	\$ 10,952,691	\$ 7,733,584
Notes receivable and trade receivables (including related parties)	14,802,967	13,749,815
Finance lease receivables (current and non-current)	934,238	983,323
Other receivables	488,554	659,673
Other financial assets	1,401,866	2,265,139
Refundable deposits	186,507	184,148
Debt investments with no active market - current	1,459,958	1,440,569
Financial assets at FVTPL (current and non-current)	129,615	506,651
Derivative financial assets for hedging	7,430	-
Available-for-sale financial assets (current and non-current)	3,702,495	2,990,945
Financial assets measured at cost - non-current	2,509,320	1,847,079
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	27,710	2,162
Amortized cost		
Short-term borrowings	6,815,772	4,194,335
Notes payable and trade payables	9,690,297	8,219,083
Other payables	3,635,500	3,249,467
Long-term borrowings (including current portion)	22,121,804	22,315,839
Deposits received (recorded as other non-current liabilities)	352,186	247,623



d. Financial risk management objectives and policies

The Group's major financial instruments included equity and investments, trade receivables, and trade payables. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provides written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and investments of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments for speculative purposes.

1) Market risk

The Group is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward exchange contracts and fixed and floating rate deposits and borrowings to hedge foreign currency risk and interest rate risk, respectively.

There was no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

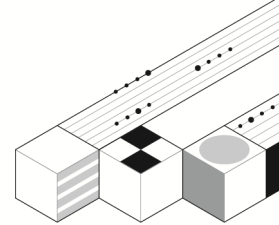
The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward exchange contracts.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	December 31	
	2017	2016
<u>Assets</u>		
U.S. dollars	\$ 6,039,250	\$ 4,943,269
Japanese yen	66,520	111,161
Euros	899,703	396,277
Singapore dollars	26,816	10,002
Hong Kong dollars	18,424	16,325

(Continued)



	December 31	
	2017	2016
Australian dollars	-	2,987
Malaysian ringgit	334,663	178,146
Indonesian rupiah	31,739	200,059

Liabilities

U.S. dollars	5,881,138	6,150,434
Euros	1,311	1,821
Japanese yen	31,190	790
Malaysian ringgit	52,341	33,556
		(Concluded)

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	December 31	
	2017	2016
<u>Assets</u>		
U.S. dollars	\$ 4,462,525	\$ 4,837,500
Euros	-	-

Liabilities

U.S. dollars	1,817,635	-
Euros	33,275	71,396

Sensitivity analysis

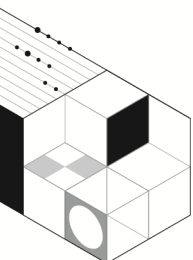
The Group was mainly exposed to U.S. dollars.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss	\$ 28,030	\$ 36,303

b) Interest rate risk

The Group's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.



The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	2016
Cash flow interest rate risk		
Financial assets	\$ 1,459,958	\$ 1,440,569
Financial liabilities	28,937,576	26,510,174

Sensitivity analysis

The sensitivity analysis below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at end of the reporting period were higher by 1% and all other variables were held constant, the Group's pre-tax income for the years ended December 31, 2017 and 2016 would have decreased by NT\$274,776 thousand and NT\$250,696 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group, due to a failure of counterparties to discharge their obligations and financial guarantees, would equal to the following:

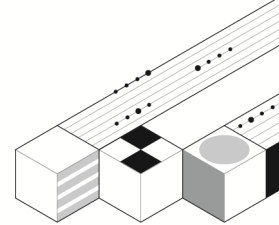
- The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- The amount of contingent liabilities in relation to financial guarantees issued by the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst the approved counterparties. Also, credit exposure is controlled by setting credit limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash



equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

- a) The Group's non-derivative financial liabilities with agreed upon repayment periods were as follows:

December 31, 2017

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 6,987,210	\$ 5,220,896	\$ 16,729,470	\$ -	\$ 28,937,576
Non-interest bearing	<u>13,325,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,325,797</u>
	<u>\$ 20,313,007</u>	<u>\$ 5,220,896</u>	<u>\$ 16,729,470</u>	<u>\$ -</u>	<u>\$ 42,263,373</u>

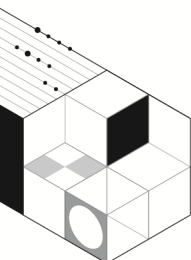
December 31, 2016

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 11,216,199	\$ 15,009,967	\$ 284,008	\$ -	\$ 26,510,174
Non-interest bearing	<u>11,468,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,468,550</u>
	<u>\$ 22,684,749</u>	<u>\$ 15,009,967</u>	<u>\$ 284,008</u>	<u>\$ -</u>	<u>\$ 37,978,724</u>

- b) The Group's derivative financial instruments with agreed upon settlement dates were as follows:

December 31, 2017

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ (7,661)	\$ 10,156	\$ 34,755	\$ -	\$ 37,250
Forward exchange contracts	4,943	-	-	-	4,943
Foreign exchange rate swap contracts	<u>6,833</u>	<u>(31,679)</u>	<u>68</u>	<u>-</u>	<u>(25,223)</u>
	<u>\$ 3,670</u>	<u>\$ (21,523)</u>	<u>\$ 34,823</u>	<u>\$ -</u>	<u>\$ 16,970</u>



Financial Information

December 31, 2016

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ 5,009	\$ 20,126	\$ 8,188	\$ -	\$ 33,323
Forward exchange contracts	(172)	(282)	(553)	-	(1,007)
Exchange rate swap contracts	<u>(1,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
	<u>\$ 3,682</u>	<u>\$ 19,844</u>	<u>\$ 7,635</u>	<u>\$ -</u>	<u>\$ 31,161</u>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2017 and 2016 were as follows:

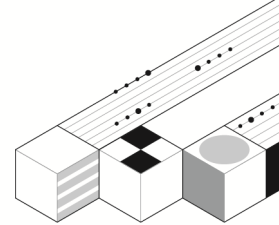
Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
For the year ended <u>December 31, 2017</u>					
CTBC Bank	<u>\$ 148,157</u>	<u>\$ 128,351</u>	<u>\$ -</u>	-	US\$ 3,000
For the year ended <u>December 31, 2016</u>					
CTBC Bank	<u>\$ 91,202</u>	<u>\$ 89,902</u>	<u>\$ -</u>	-	US\$ 3,000

30. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between WLC and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed as below:

a. Related parties and nature of relationships

Related Party	Nature of Relationship
Winbond Electronics Corp.	Associate
Walsin Technology Corp.	Associate
Walton Advanced Engineering, Inc.	Associate
Chin-Xin Investment Co., Ltd.	Associate



Related Party	Nature of Relationship
Changzhou China Steel Precision Materials Co., Ltd.	Associate
Dongguan Walsin Technology Electronics Co., Ltd.	Associate
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associate
Walsin Color Co., Ltd.	Associate
HannStar Display Corp.	Actual related party
Kuong Tai Metal Industrial Co., Ltd.	Actual related party
HannStar Board Corp.	Actual related party
Prosperity Dielectrics Co., Ltd.	Actual related party
Powertec Energy Corp.	Actual related party
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
VVG Inc.	Actual related party
Nuvoton Technology Corporation	Actual related party

b. Sales

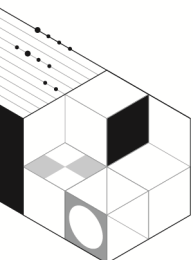
	For the Year Ended December 31	
	2017	2016
Associates	\$ 8,827	\$ 813,194
Other related parties	<u>812,293</u>	<u>707,100</u>
	<u><u>\$ 821,120</u></u>	<u><u>\$ 1,520,294</u></u>

c. Rental income

	For the Year Ended December 31	
	2017	2016
Associates	\$ 27,488	\$ 22,212
Other related parties	<u>19,918</u>	<u>20,319</u>
	<u><u>\$ 47,406</u></u>	<u><u>\$ 42,531</u></u>

d. Purchases

	For the Year Ended December 31	
	2017	2016
Associates	\$ 44,884	\$ 22,178
Other related parties	<u>849</u>	<u>-</u>
	<u><u>\$ 45,733</u></u>	<u><u>\$ 22,178</u></u>



Financial Information

e. Administrative expenses

	For the Year Ended December 31	
	2017	2016
Associates	\$ 9,722	\$ 9,762
Other related parties	<u>11,661</u>	<u>14,763</u>
	<u>\$ 21,383</u>	<u>\$ 24,525</u>

The share registration matters of WLC and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

f. Notes receivable

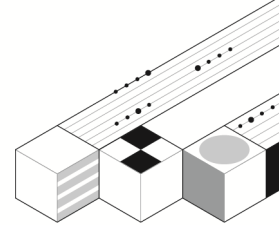
	December 31	
	2017	2016
Associates	\$ 594	\$ 656
Other related parties	<u>83</u>	<u>99</u>
	<u>\$ 677</u>	<u>\$ 755</u>

g. Dividend income

	For the Year Ended December 31	
	2017	2016
HannStar Display Corp.	\$ 118,646	\$ -
HannStar Board Corp.	35,373	11,791
Other related parties	<u>9,632</u>	<u>-</u>
	<u>\$ 163,651</u>	<u>\$ 11,791</u>

h. Trade receivables

	December 31	
	2017	2016
Associates	\$ 263	\$ 284
Other related parties	<u>11,764</u>	<u>15,965</u>
	<u>\$ 12,027</u>	<u>\$ 16,249</u>



i. Notes payable

	December 31	
	2017	2016
Associates	\$ <u>38,339</u>	\$ <u>2,272</u>

j. Trade payables

	December 31	
	2017	2016
Associates	\$ 668	\$ 12,631
Other related parties	<u>-</u>	<u>198</u>
	\$ <u>668</u>	\$ <u>12,829</u>

k. Other receivables

	December 31	
	2017	2016
Associates	\$ 6,965	\$ 1,798
Other related parties	<u>2,470</u>	<u>3,370</u>
	\$ <u>9,435</u>	\$ <u>5,168</u>

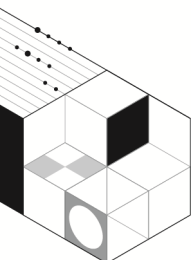
l. Other payables

	December 31	
	2017	2016
Other related parties	\$ <u>-</u>	\$ <u>1,788</u>

Trading transactions with related parties do not have a significant difference from that of general customers.

m. Guarantee deposits

	December 31	
	2017	2016
Other related parties	\$ <u>1,722</u>	\$ <u>1,722</u>



n. Property, plant and equipment disposed of

	For the Year Ended December 31			
	2017		2016	
	Price	Gain on Disposals	Price	Gain on Disposals
Associates	\$ <u>-</u>	\$ <u>-</u>	\$ <u>295</u>	\$ <u>277</u>

o. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	December 31	
	2017	2016
Short-term benefits	\$ 193,632	\$ 144,102
Post-employment benefits	<u>2,355</u>	<u>2,782</u>
	<u>\$ 195,987</u>	<u>\$ 146,884</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

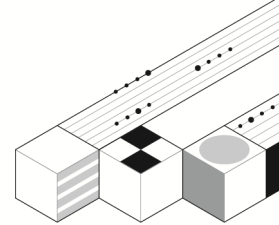
31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and guarantees for tariffs of imported raw materials:

	December 31	
	2017	2016
Restricted deposits (recorded under other financial assets - current)	\$ 328,049	\$ 248,906
Time deposits (recorded under other financial assets - current)	114,329	62,972
Finance lease receivables - current	50,758	49,085
Finance lease receivables - non-current	883,480	934,238
Other non-current assets	<u>33,400</u>	<u>87,755</u>
	<u>\$ 1,410,016</u>	<u>\$ 1,382,956</u>

32. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:



- a. Outstanding letters of credit not reflected in these consolidated financial statements as of December 31, 2017 and 2016 were as follows (in thousands):

	December 31	
	2017	2016
U.S. dollars	US\$ 46,523	US\$ 32,427
Japanese yen	JPY 92,480	JPY 48,421
Euros	EUR 1,206	EUR 25,484
New Taiwan dollars	NT\$ 24,009	NT\$ 83,663

- b. As of December 31, 2017, the outstanding standby letters of credit not reflected in these consolidated financial statements amounted to approximately NT\$358,899 thousand and RMB110,631 thousand. As of December 31, 2016, the outstanding standby letters of credit not reflected in these consolidated financial statements amounted to approximately NT\$421,321 thousand, US\$66 thousand and RMB113,881. As of December 31, 2017 and 2016, tariff letters of credit amounted to approximately NT\$657,000 thousand and NT\$706,500 thousand, respectively.
- c. Non-cancelable copper and nickel procurement contracts with a total contract value of US\$45,383 thousand and RMB72,016 thousand and US\$34,210 thousand and RMB29,456 thousand were in effect as of December 31, 2017 and 2016, respectively.

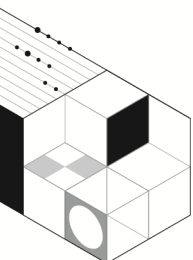
33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is aggregated by foreign currencies other than functional currencies of the group entities, and the exchange rates between foreign currencies and the respective functional currencies are disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 202,932	29.7600	\$ 6,039,250
Japanese yen	251,777	0.2642	66,520
Euros	25,294	35.5700	899,703
Singapore dollars	1,205	22.2600	26,816
Hong Kong dollars	4,840	3.8070	18,424
Malaysian ringgit	47,322	7.0720	334,663
Indonesian rupiah	14,232,717	0.0022	31,739

(Continued)



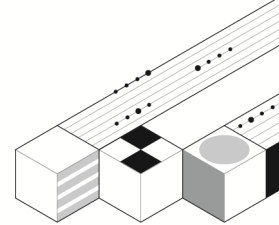
Financial Information

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	197,619	29.7600	5,881,138
Euros	877	35.5700	31,190
Japanese yen	4,962	0.2642	1,311
Malaysian ringgit	7,401	7.0720	52,341
Swiss francs	17	31.2450	531
Non-monetary items			
U.S. dollars	2,311	29.7600	68,780
Euros	393	35.5700	13,964
			(Concluded)

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 153,280	32.250	\$ 4,943,269
Japanese yen	403,343	0.2756	111,161
Euros	11,690	33.900	396,277
Singapore dollars	449	22.290	10,002
Hong Kong dollars	3,926	4.158	16,325
Australian dollars	128	23.285	2,897
Malaysian ringgit	25,800	6.905	178,146
Indonesian rupiah	82,328,789	0.0024	200,059
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	190,711	32.250	6,150,434
Euros	23	33.900	790
Japanese yen	6,606	0.2756	1,821
Malaysian ringgit	4,860	6.905	33,556
Non-monetary items			
U.S. dollars	36	32.250	1,155
Malaysian ringgit	146	6.905	1,007

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains (losses) were gains of NT\$16,008 thousand and gains of NT\$73,517 thousand, respectively.



It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

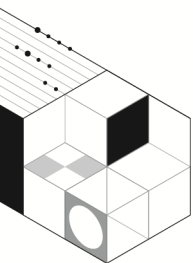
34. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Financing provided: See Table 1 attached;
- b. Endorsements/guarantees provided: See Table 2 attached;
- c. Marketable securities held: See Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of paid-in capital: See Table 4 attached;
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None;
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None;
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 5 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 6 attached;
- i. Trading in derivative instruments: See Note 7, 8 and 20;
- j. Information on investees (names, locations, and related information of investees over which the Group exercises significant influence): See Table 7 attached;
- k. Intercompany relationships and significant intercompany transactions: See Table 9 attached;

Information on investments in mainland China:

- a. See Table 8 attached for information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area.
- b. See Table 8 attached for any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period;



- 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period;
- 3) The amount of property transactions and the amount of the resultant gains or losses;
- 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes;
- 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds; and
- 6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

35. OPERATION SEGMENT FINANCIAL INFORMATION

a. Basic information

1) Classification

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

a) Wires and cables

The segment's main products include copper rods, wires, connectors and components which are sold to industries involving cables and wires, communications cable, heavy electronics, home electrical appliances and construction.

b) Stainless steel

The segment's main products included smelting, rolled stainless steel, carbon steel and precision alloy wire which are sold to industries involving construction components, crankshafts, machine tools, plumbing, heat exchange, drainage, petrochemicals and construction.

c) Real estate

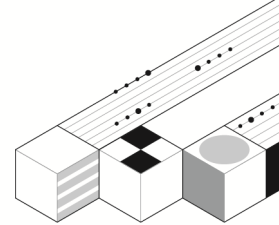
Real estate is responsible for the development of commercial and real estate complexes and real estate management. Furthermore, the modes of operation are the construction of residences, offices, markets and hotels, and the offering of rental space, operating management and after-sales services.

d) Administration and investing

The segment of administration and investing refers to other investments in mainland China.

2) Estimates of operating segment income and expenses, assets and liabilities

Accounting policies of operating segments are the same with those summarized in Note 4



to the consolidated financial statements. Operating segment income and expenses are measured based on estimated future potential profit and pre-tax operating profit adjusted by hedge accounting. Sales and transfers between segments are treated as transactions with third parties and evaluated at fair value.

The Group does not allocate income tax expense (benefit), investment income (loss) recognized under equity method, foreign exchange gain (loss), net investment income (loss), gain (loss) on disposal of investments, gain (loss) on valuation of financial assets and liabilities and extraordinary items to reportable segments. The amounts reported are consistent with the report used by operating decision-makers.

3) Identification of operating segments

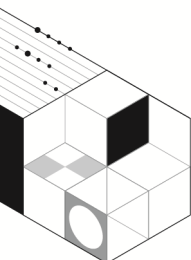
The reported operating segments are classified according to the different products and services that are managed separately because they use different technology and selling strategies.

b. Financial information

1) Segment revenue and results:

	(NT\$ in Thousand)				
	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>For the year ended December 31, 2017</u>					
External net sales and operating revenue	\$ 98,643,991	\$ 54,895,297	\$ 6,046,560	\$ 8,206,738	\$ 167,792,585
Operating profit	1,424,382	2,058,128	3,523,888	431,514	7,437,911
Net non-operating income (expenses)					
Net interest income (expenses)					(181,013)
Share of profit of associates under equity method					2,017,026
Dividend income					167,634
Gain on disposal of property, plant and equipment					60,284
Gain on disposal of investments					195,227
Foreign exchange loss, net					(16,008)
Gain on financial assets and liabilities at fair value through profit or loss					(23,734)
Reversal of impairment loss					(67)
Net other income (expenses)					<u>(262,812)</u>
Consolidated income before income tax					<u>\$ 9,394,448</u>
<u>For the year ended December 31, 2016</u>					
External net sales and operating revenues	85,826,403	47,643,754	921,920	8,963,164	\$ 143,355,241
Operating profit (loss)	1,278,526	2,654,441	159,076	663,100	4,755,143
Net non-operating income (expenses)					
Net interest income (expenses)					(10,774)
Share of profit of associates under equity method					987,866
Dividend income					21,585
Gain on disposal of property, plant and equipment					275,150
Gain on disposal of investments					748,843
Foreign exchange gain, net					73,517
Loss on financial assets and liabilities at fair value through profit or loss					(91,062)
Impairment loss					(454,262)
Net other income (expenses)					<u>(132,635)</u>
Consolidated income before income tax					<u>\$ 6,173,371</u>

2) Segment assets and liabilities



Financial Information

	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>Segment assets</u>					
December 31, 2017	\$ 17,395,883	\$ 31,885,133	\$ 32,387,785	\$ 48,581,944	<u>\$ 130,250,745</u>
December 31, 2016	16,329,620	28,877,477	28,808,581	40,163,536	<u>\$ 114,179,214</u>
<u>Segment liabilities</u>					
December 31, 2017	7,629,543	17,963,162	21,666,521	10,711,263	<u>\$ 57,970,489</u>
December 31, 2016	6,512,611	13,785,932	19,778,832	8,819,834	<u>\$ 48,897,209</u>

3) Geographical information

The Group's revenue from external customers and non-current assets, excluding those classified as held for sale, financial instruments, deferred tax assets, and post-employment benefit, categorized by geographical location are as follows:

	<u>Revenue from External Customers</u>		<u>Non-current Assets December 31</u>	
	2017	2016	2017	2016
Asia	\$ 152,521,105	\$ 129,606,839	\$31,644,449	\$31,359,080
United States of America	9,440,512	10,139,330	-	-
Europe	2,812,151	1,926,065	-	-
Others	<u>3,018,817</u>	<u>1,683,007</u>	<u>-</u>	<u>-</u>
	<u>\$ 167,792,585</u>	<u>\$ 143,355,241</u>	<u>\$31,644,449</u>	<u>\$31,359,080</u>

Note: Revenue from external customers classified by geographical location.

4) Major customer

No individual customer accounted for at least 10% of consolidated revenue in 2017 and 2016.

TABLE 1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars, U.S. Dollars, and Renminbi)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limit (Note 1)
													Item	Value		
1	Walsin Lihwa Holdings Limited	Jiangyin Walsin Steel Cable Co., Ltd.	Other receivables	Yes	\$ 313,150 (US\$ 10,000)	\$ - (US\$ -)	\$ - (US\$ -)	2.81%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 653,768 (US\$ 21,968)	\$ 28,209,385 (US\$ 947,896)
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Other receivables	Yes	281,835 (US\$ 9,000)	- (US\$ -)	- (US\$ -)	2.81%	Operating capital	-	Operating capital	-	-	-	1,041,008 (US\$ 34,980)	
		Walsin (China) Investment Co., Ltd.	Other receivables	Yes	9,896,172 (US\$ 39,000) (RMB 1,900,000)	9,814,133 (US\$ 39,000) (RMB 1,900,000)	7,032,787 (US\$ 19,000) (RMB 1,420,000)	2.05%- 3.915%	Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	
		Walsin Lihwa Corporation	Other receivables	Yes	1,966,900 (US\$ 65,000)	1,934,400 (US\$ 65,000)	1,784,125 (US\$ 59,950)	1.82778%- 1.93389%	Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	
2	Walsin (China) Investment Co., Ltd.	Walsin (Nanjing) Development Co., Ltd.	Other receivables	Yes	8,674,887 (RMB 1,900,000)	8,653,493 (RMB 1,900,000)	1,554 (RMB 341)	5.22%	Operating capital	-	Operating capital	-	-	-	8,653,493 (RMB 1,900,000)	28,209,385 (US\$ 947,896)
		Yantai Walsin Stainless Steel Co., Ltd.	Other receivables	Yes	2,348,625 (US\$ 75,000)	2,232,000 (US\$ 75,000)	2,214,491 (US\$ 74,412)	2.13%	Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Other receivables	Yes	1,722,325 (US\$ 55,000)	1,636,800 (US\$ 55,000)	1,327,193 (US\$ 44,597)	2.13%	Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	
		Changshu Walsin Specialty Steel Co., Ltd.	Other receivables	Yes	1,816,270 (US\$ 58,000)	1,726,080 (US\$ 58,000)	1,504,462 (US\$ 50,553)	2.13%	Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	
		Jiangyin Walsin Steel Cable Co., Ltd.	Other receivables	Yes	626,300 (US\$ 20,000)	595,200 (US\$ 20,000)	296,587 (US\$ 9,966)	2.13%	Operating capital	-	Operating capital	-	-	-	653,768 (US\$ 21,968)	
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Other receivables	Yes	594,985 (US\$ 19,000)	565,440 (US\$ 19,000)	266,869 (US\$ 8,967)	2.13%	Operating capital	-	Operating capital	-	-	-	1,041,008 (US\$ 34,980)	

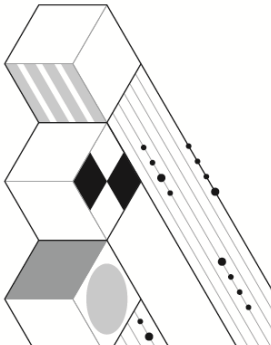
Notes:

1. According to the Financing Provided of Walsin Lihwa Corporation, for Walsin Lihwa Holdings Limited and Walsin (China) Investment Co., Ltd., the total limit on the amount of the financing provided cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limit on the amount of financing provided to a single enterprise that holds directly or indirectly 100% voting rights of an overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limit on the amount of financing provided to a single enterprise that holds more than a 2/3 ratio but less than 100% of a subsidiary cannot exceed the equity multiplied by the investment ratio of the financing company. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation. If subsidiaries need to raise their financing limits, the individual financing limit shall be discussed and resolved by the board of directors.

a. The limit on the amount of financing provided to a single enterprise was as follows:

Jiangyin Walsin Steel Cable Co., Ltd. = US\$29,290 × 100% × 75% = US\$21,968.
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. = US\$36,548 × 100% × 95.71% = US\$34,980.
Walsin (China) Investment Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).
Walsin Lihwa Corporation = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896)
Walsin (Nanjing) Development Co., Ltd. = RMB1,900,000 × 4.55447 = NT\$8,653,493.
Yantai Walsin Stainless Steel Co., Ltd. = NT\$70,523,462 × 10% = NT\$6,894,961 (US\$236,974).
Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = NT\$70,523,462 × 10% = NT\$6,894,961 (US\$236,974).
Changshu Walsin Specialty Steel Co., Ltd. = NT\$70,523,462 × 10% = NT\$7,052,346 (US\$236,974).

(Continued)



- b. The limit on the amount of financing provided was as follows:
The limit on the amount of financing provided = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).
- 2. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars and Renminbi.
- 3. The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$= 1:29.76; RMB to NT\$= 1:4.55447.

(Concluded)



TABLE 1-1

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limit (Note 1)
													Item	Value		
3	Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Other receivables	Yes	\$ 1,722,325 (US\$ 55,000)	\$ - (US\$ -)	\$ - (US\$ -)	2.13%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 28,209,385 (US\$ 947,896)	\$ 28,209,385 (US\$ 947,896)
		Yantai Walsin Stainless Steel Co., Ltd.	Other receivables	Yes	2,348,625 (US\$ 75,000)	- (US\$ -)	- (US\$ -)	2.13%	Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	
		Walsin Lihwa Holdings Limited	Other receivables	Yes	1,456,148 (US\$ 46,500)	- (US\$ -)	- (US\$ -)		Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	
		Changshu Walsin Specialty Steel Co., Ltd.	Other receivables	Yes	1,503,120 (US\$ 48,000)	- (US\$ -)	- (US\$ -)	2.13%	Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	
		Walsin (China) Investment Co., Ltd.	Other receivables	Yes	5,887,220 (US\$ 188,000)	5,594,880 (US\$ 188,000)	5,297,280 (US\$ 178,000)	2.05%	Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	
4	Walsin Specialty Steel Corp.	Walsin Lihwa Holdings Limited	Other receivables	Yes	795,401 (US\$ 25,400)	- (US\$ -)	- (US\$ -)		Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	28,209,385 (US\$ 947,896)

Notes:

1. According to the Financing Provided of Concord Industries Limited and Walsin Specialty Steel Corp., the total limit on the amount of the financing provided cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. The limit on the amount of financing provided to a single enterprise that holds directly or indirectly 100% voting rights of an overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.

a. The limit on the amount of financing provided to a single enterprise was as follows:

.Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).

Yantai Walsin Stainless Steel Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).

Changshu Walsin Specialty Steel Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).

Walsin (China) Investment Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).

Walsin Lihwa Holdings Limited = NT\$70,523,462 × 10% = NT\$28,209,385 (US\$236,947).

b. The limit on the amount of financing provided was as follows:

The limit on the amount of financing provided = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).

2. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars.

3. The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$= 1:29.76.
- 華新麗華一〇六年年報

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TABLE 1-2

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limit (Note 1)
													Item	Value		
5	Joint Success Enterprises Limited	Walsin (Nanjing) Development Co., Ltd.	Other receivables	Yes	\$ 829,221 (US\$ 26,480)	\$ 788,045 (US\$ 26,480)	\$ 788,045 (US\$ 26,480)	2.13%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 5,355,729 (US\$ 179,964)	\$ 28,209,385 (US\$ 947,896)
		Walsin Lihwa Holdings Limited	Other receivables	Yes	93,945 (US\$ 3,000)	- (US\$ -)	- (US\$ -)	0.35%	Operating capital	-	Operating capital	-	-	-	7,052,346 (US\$ 236,974)	

Notes:

- According to the Financing Provided of Joint Success Enterprises Limited, the total limit on the amount of financing provided cannot exceed 40% of the equity of Walsin Lihwa Corporation's consolidated financial statements. The limit on the amount of financing provided to a single enterprise that holds a more than 2/3 ratio but less than 100% of a subsidiary cannot exceed the equity multiplied by the investment ratio of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.
 - The limit on the amount of financing provided to the single enterprise was as follows:

Walsin (Nanjing) Development Co., Ltd. = US\$180,687 × 100% × 99.60% = US\$179,964.
Walsin Lihwa Holdings Limited = NT\$70,523,462 × 10% = NT\$7,052,346 (US\$236,974).
 - The limit on the amount of financing provided was as follows:

The limit on the amount of financing provided = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).
- Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars.
- The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$= 1:29.76.

TABLE 1-3

MARKET PILOT LIMITED

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

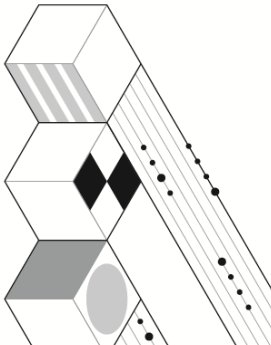
No.	Financing Company	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate	Type of Financing	Transaction Amounts	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limit (Note 1)
													Item	Value		
6	Market Pilot Limited	Walsin Lihwa Holdings Limited	Other receivables	Yes	\$ 31,315 (US\$ 1,000)	\$ - (US\$ -)	\$ - (US\$ -)	-	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 7,052,346 (US\$ 236,974)	\$ 28,209,385 (US\$ 947,896)
		XiAn Walsin United Technology Co., Ltd.	Other receivables	Yes	876,820 (US\$ 28,000)	- (US\$ -)	- (US\$ -)	2.13%	Operating capital	-	Operating capital	-	-	-	28,209,385 (US\$ 947,896)	

Notes:

- According to the Financing Provided of Market Pilot Limited, the total limit on the amount of financing provided cannot exceed 40% of the equity of Walsin Lihwa Corporation's consolidated financial statements. The limit on the amount of financing provided to a single enterprise that holds directly or indirectly 100% voting rights of an overseas invested company cannot exceed 40% of the equity of the consolidated financial statements of Walsin Lihwa Corporation. In addition, the lending that the chairman of the board of directors can make in a year to a single borrower cannot exceed 10% of the equity of the latest consolidated financial statement of Walsin Lihwa Corporation.
 - The limit on the amount of financing provided to a single enterprise was as follows:

Walsin Lihwa Holdings Limited = NT\$70,523,462 × 10% = NT\$7,052,346 (US\$236,974).
XiAn Walsin United Technology Co., Ltd. = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,890).
 - The limit on the amount of financing provided was as follows:

The limit on the amount of financing provided = NT\$70,523,462 × 40% = NT\$28,209,385 (US\$947,896).
- Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars.
- The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$= 1:29.76.



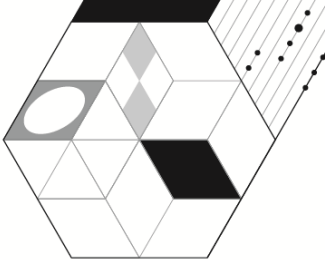


TABLE 2

WALSIN LIHWA CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 3)	Highest Balance for the Period	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 3)	Guaranteed Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	Walsin Lihwa Corporation	Borrego Solar Systems, Inc.	c	NT\$ 2,322,976 (US\$ 78,057)	NT\$ 814,190 (US\$ 26,000)	NT\$ 773,760 (US\$ 26,000)	NT\$ 598,176 (US\$ 20,100)	\$ -	1	NT\$ 70,523,462	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,860,000 (US\$ 62,500)	NT\$ 328,808 (US\$ 10,500)	NT\$ 312,480 (US\$ 10,500)	NT\$ - (US\$ -)	-	-		Yes	No	No
				NT\$ 4,182,976	NT\$ 1,142,998	NT\$ 1,086,240	NT\$ 598,176		1				

Notes:

- The information on Walsin Lihwa Corporation and its subsidiaries is listed and labeled on the entitled “No.” column.
 - “0” represents Walsin Lihwa Corporation.
 - Subsidiaries are numbered consecutively starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six categories.
 - An entity with business transactions.
 - A subsidiary in which over 50% of the common shares are held by the parent company directly.
 - An invested company in which over 50% of the common shares are held directly/indirectly by Walsin Lihwa Corporation and its subsidiaries.
 - A parent company which holds, directly or indirectly through subsidiaries, over 50% of the common shares of Walsin Lihwa Corporation.
 - A mutually endorsed company due to the requirement of project work.
 - A company which is endorsed due to a co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.
- According to the Endorsements/Guarantees Provided and Financing Provided of Walsin Lihwa Corporation, the total limit on the amount of endorsements/guarantees cannot exceed 100% of the net value of Walsin Lihwa Corporation’s current financial statement (including the consolidated financial statement). The limit on the amount of endorsements/guarantees provided and financing provided to a single enterprise cannot exceed the net value of the guaranteed company. The limit on the amount of guarantees to an invested company in which over 66.67% of the common shares are held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation’s wholly-owned holding companies incorporated in duty-free areas overseas.
 - The limit on the amount of endorsements/guarantees provided was as follows:

NT\$70,523,462 × 100% = NT\$70,523,462.
 - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:

Borrego Solar Systems, Inc.: US\$40,964 × 250% × 76.22% = US\$78,057.
Green Lake Exchange, LLC.: US\$25,000 × 250% × 100% = US\$62,500.
- The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$= 1:29.76.

TABLE 3

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Walsin Lihwa Corporation	<u>Share</u>							
	HannStar Display Corp.	The holding company is a director of the issuer company	Available-for-sale financial assets - non-current	237,292,180	\$ 2,358,684	7.34	\$ 2,358,684	
	HannStar Board Corp.	The chairman of the board of directors is an immediate relative of the chairman of the board of directors of WLC	Available-for-sale financial assets - non-current	58,955,639	1,276,390	13.09	1,276,390	
	Taiwan High Speed Rail	-	Available-for-sale financial assets - non-current	2,869,000	67,421	0.05	67,422	
	Powertec Energy Corp.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	611,025,882	1,631,334	18.90	2,044,129	
	Kuong Tai Metal Industrial Co., Ltd.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	9,631,802	114,355	9.39	188,697	
	One-Seven Trading Co., Ltd.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	30,000	300	6.67	304	
	Global Investment Holdings	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	5,562,000	43,680	2.93	46,069	
	WK Technology Fund	-	Financial assets measured at cost - non-current	380,477	7,238	1.91	10,930	
	Universal Venture Capital Investment	-	Financial assets measured at cost - non-current	1,400,000	13,280	1.16	13,631	
	Parawin Venture Capital Corp.	-	Financial assets measured at cost - non-current	381,076	-	0.87	1,546	

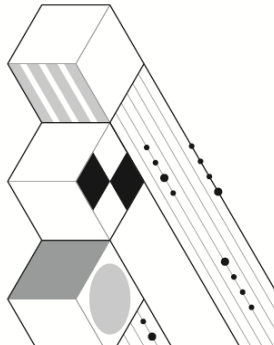




TABLE 3-1

CONCORD INDUSTRIES CONSTRUCTION CO. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of Renminbi)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
XiAn Lvjing Technology Co., Ltd.	<u>Certification of capital verification</u> Shaanxi Tianhong Silicon Industrial Corporation	Investee accounted for by the cost method	Financial assets measured at cost - non-current	N/A	\$ 134,000	19.00	\$ 202,966	

TABLE 3-2

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chin-Cherng Construction Co.	Share							
	Chinshan Hotspring Development Co., Ltd.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	8	\$ -	8.00	\$ -	
	Gsharp Corporation	Investee accounted for by the cost method	Financial assets measured at cost - non-current	270,000	-	2.73	-	
	Parawin Venture Capital Corp.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	4,103	18	0.01	18	

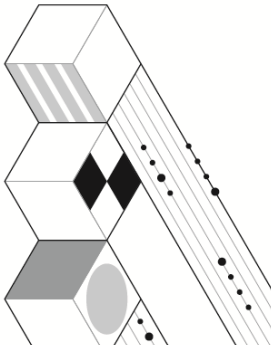




TABLE 3-3

WALSIN INFO-ELECTRIC CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Walsin Info-Electric Corp.	<u>Share</u> W T International Inc.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	228,000	\$ 2,280	7.60	\$ 3,055	

TABLE 3-4

MARKET PILOT LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of Renminbi)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
XiAn Walsin United Technology Co., Ltd.	<u>Certificate of capital verification</u> Shaanxi Optoelectronics Technology Co., Ltd.	Investee accounted for by the cost method	Financial assets measured at cost - non-current	N/A	\$ 19,000	19.00	\$ 14,147 (Note)	

Note: The difference of fair value less carrying amount is not permanent, so no impairment is recognized.

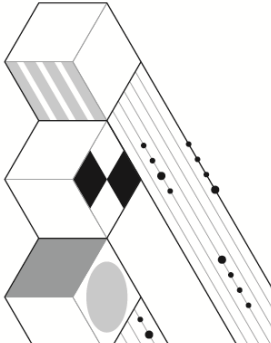




TABLE 4

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	Stock Winbond Electronics Corp.	Investments accounted for using equity method	Capital investment	Related parties	811,327,531	\$ 10,023,613	72,520,892	\$ 3,396,465 (Note)	-	\$ -	\$ -	\$ -	883,848,423	\$ 13,420,078

Note: The amount included investment income or loss and adjustments on cumulative translation adjustments.

TABLE 4-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of Renminbi)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin (China) Investment Co., Ltd.	Certificate of capital verification	Financial instruments at fair value through profit or loss	Wanjia Co-win Asset Management Co., Ltd.	-	N/A	\$ 80,196	N/A	\$ (196) (Note)	N/A	\$ 82,039	\$ 80,000	\$ 2,039	N/A	\$ -
	No. 1 Fund													

Note: The amount included investment income.

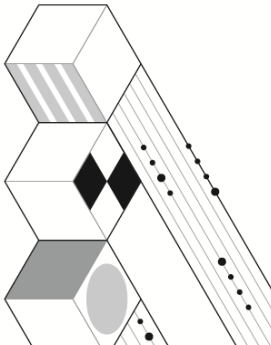




TABLE 4-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of Renminbi)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Concord Industries Limited	Share Walsin Specialty Steel Corp.	Investments accounted for using equity method	Capital reduction	Subsidiary	125,200,000	\$ 114,330	-	\$ (49,702) (Note)	1,800,000	\$ 11,980	\$ 11,980	\$ -	123,400,000	\$ 52,649
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Certificate of capital verification Shanghai Bank No. 2 Structured Product		Bank of Shanghai	-	N/A	308,000	N/A	945,000	N/A	945,000	935,000	10,756	N/A	318,000

Note: The amount included investment income.

TABLE 5

WALSIN LIHWA CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Subsidiary	Sales	\$ (135,093)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	\$ -	-	
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	(343,883)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	-	-	
	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(4,159,475)	(5)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	412,653	13	
	Koung Tai Metal Industrial Co., Ltd.	Director of the related party	Sales	(812,245)	(1)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	11,764	-	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(166,104)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	23,547	1	
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(115,645)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	36,102	2	

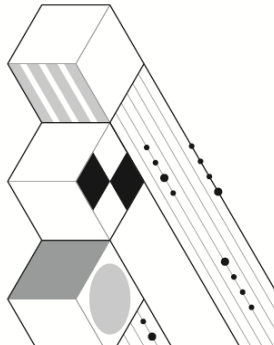




TABLE 5-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and Renminbi)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(RMB 846,926)	(63)	Normal	Normal	Normal	RMB 96,061	37	
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	(RMB 397,529)	(30)	Normal	Normal	Normal	RMB 81,464	31	
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Sales	(RMB 101,400)	(7)	Normal	Normal	Normal	RMB 83,982	32	
Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	Sales	(RMB 516,440)	(5)	Normal	Normal	Normal	RMB -	-	
	Dongguan Walsin Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	Sales	(RMB 445,886)	(4)	Normal	Normal	Normal	RMB -	-	
Walsin Lihwa Holdings Limited	Walsin Lihwa Corporation	Parent company	Purchases	135,093	2	Normal	Normal	Normal	-	-	

Note: Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi.

TABLE 5-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of Renminbi)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	\$ (246,083)	(10)	Normal	Normal	Normal	\$ 27,721	3	
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	(56,456)	(2)	Normal	Normal	Normal	22,753	3	
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	(43,800)	(2)	Normal	Normal	Normal	36,530	4	
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	(44,890)	(18)	Normal	Normal	Normal	-	-	
Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sales	(23,952)	(17)	Normal	Normal	Normal	3,419	4	

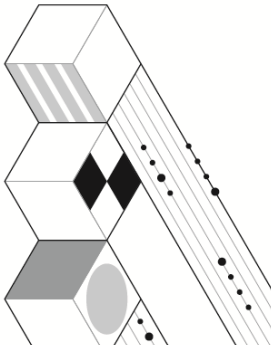




TABLE 6

WALSIN LIHWA CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Corporation	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Trade receivables \$ 412,653	20.16	\$ -	-	\$ 412,653	\$ -

TABLE 6-1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of Renminbi and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Trade receivables \$ 96,061	1.27	\$ -	-	\$ 96,061	\$ -
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Trade receivables 81,464	1.22	-	-	8,443	-
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Trade receivables 83,981	1.35	-	-	-	-
	Walsin (China) Investment Co., Ltd.	100% owned subsidiary	Other receivables 1,985,518	-	-	-	-	-
	Walsin Lihwa Corporation	Parent company	Other receivables US\$ 60,019	-	-	-	-	-
Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Parent company	Other receivables US\$ 4,900	-	-	-	-	-
	Walsin (Nanjing) Development Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables 1,008	-	-	-	-	-
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables US\$ 74,548	-	-	-	-	-
	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables US\$ 50,645	-	-	-	-	-
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	18.37% owned subsidiary	Other receivables US\$ 44,678	-	-	-	-	-
	Jianyin Walsin Steel Cable Co., Ltd.	75% indirectly owned subsidiary	Other receivables US\$ 9,984	-	-	-	-	-
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	95.71% indirectly owned subsidiary	Other receivables US\$ 8,984	-	-	-	-	-

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

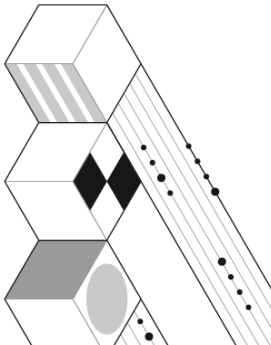




TABLE 6-2

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of Renminbi and U.S. Dollars)

Company Name	Related Party	Nature of Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Trade receivables \$ 27,721	17.31	\$ -	-	\$ 17,997	\$ -
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Trade receivables 22,753	1.34	-	-	-	-
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Both subsidiaries of Concord Industries Limited	Trade receivables 36,530	2.40	-	-	-	-
Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables US\$ 180,181	-	-	-	-	-

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

TABLE 6-3

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of Renminbi)

Company Name	Related Party	Nature of Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Joint Success Enterprises	Walsin (Nanjing) Development Co., Ltd.	Subsidiary	Other receivables \$ 173,097	-	\$ -	-	\$ -	\$ -

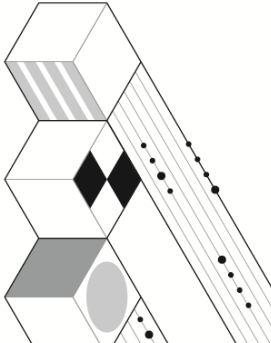




TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE GROUP EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2017

1. Information of investees that Walsin Lihwa Corporation has the ability to control or significant influence over was as follows (in thousands of New Taiwan dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	Investments	\$ 12,062,611	\$ 12,062,611	391,147,848	100.00	\$ 20,208,719	\$ 719,613	\$ 719,068	
	Concord Industries Limited	Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands	Investments	16,193,663	16,328,743	405,903,187	100.00	7,930,626	(6,502)	(6,502)	
	Touch Micro-System Technology Corp.	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	OEM on MEMS foundry services	750,000	750,000	2,100,000	100.00	9,227	(131)	(131)	
	Ace Result Global Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	1,587,416	1,676,504	44,739,988	100.00	575,607	(53,830)	(53,830)	
	Energy Pilot Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	744,020	53,924	53,924	
	Market Pilot Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	3,799,884	3,799,884	127,000,000	100.00	101,931	(7,284)	(7,284)	
	Min Maw Precision Industry Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Solar power systems management, design, and installation	180,368	180,368	24,150,000	100.00	304,554	43,238	43,392	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction	611,687	611,687	277,257,758	99.22	4,189,651	783,956	777,841	
	Walsin Info-Electric Corp.	2nd Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	66,406	9,491,461	98.87	140,167	8,035	7,945	
	PT. Walsin Lippo Industries	Jl. MH. Thamrin Block A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	Steel wires	481,663	481,663	10,500	70.00	585,466	110,922	77,646	
	PT. Walsin Lippo Kabel	Kawasan Newton J 7-5 Rt. 001 Rw. 04, Serang, Cikarang Selatan, Bekasi	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	(2,134)	(1,693)	(1,185)	
	Joint Success Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	1,164,273	1,224,479	36,058,184	49.05	3,077,331	1,517,646	743,112	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Investments	2,237,969	2,237,969	179,468,270	37.00	4,254,450	522,034	193,153	
	Walsin Color Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Management of investments and conglomerates	416,849	416,849	47,114,093	33.97	588,331	(8,116)	(2,757)	
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	257,860	257,860	26,670,699	26.67	200,420	(18,755)	(5,002)	
	Winbond Electronics Corp.	No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan, R.O.C.	Research, development, production and sale of semiconductors and related components	7,429,920	5,834,460	883,848,423	22.21	13,420,078	5,550,563	1,257,757	
	Walton Advanced Engineering, Inc.	No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C.	Production, sale, and testing of semiconductors	1,185,854	1,185,854	109,628,376	20.83	2,131,792	675,829	152,672	
	Walsin Technology Corp.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Production and sale of ceramic capacitors	1,649,039	1,707,966	88,902,325	18.30	3,133,527	2,611,092	476,966	

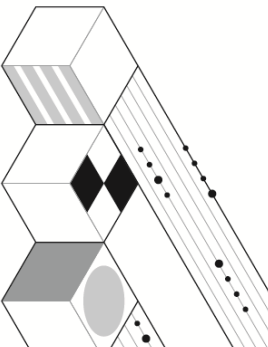
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2. Information of investees that Walsin Lihwa Holdings Limited and its subsidiaries have the ability to control or significant influence over was as follows (in thousands of U.S. dollars/Hong Kong dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China	Investments	US\$ 78,600	US\$ 78,600	N/A	100.00	\$ 974,054	\$ 26,827	\$ 26,827	Carrying amount included an investment premium amounting to RMB24,143 thousand
	Walsin International Investments Limited	Unit 9-15, 22/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	Investments	HK\$ 0.002	HK\$ 0.002	2	100.00	(17,585)	1,068	1,068	
	Renowned International Limited	Akara Building, 24 De Castro Street Wickhams Cay I, Road Town, Tortola, BVI.	Investments	US\$ 16,937	US\$ 16,937	16,937,020	83.97	759,656	37,409	31,412	
	Walcom Chemicals Industrial Limited	Suite 1111, Tower II, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong	Commerce	US\$ 0.030	US\$ 0.030	325,000	65.00	-	HK\$ 4	-	
	Borrego Solar Systems, Inc.	6210 Lake Shore Drive, San Diego, CA92119, USA	Specializes in commercial, residential, and public sector turnkey, grid-connected solar electric systems	US\$ 15,000	US\$ 15,000	1,460,458	76.22	239,205	80,487	61,185	
	Nanjing Walsin Expo Exhibition Ltd.	No. 199 Yanshan Road, Nanjing	Exhibition and conference organizing services	US\$ 265	US\$ 265	N/A	60.00	53	(89)	(54)	
	Nanjing Taiwan Trade Mart Management Co., Ltd.	Room 205, 2/F, No. 156, Mengdu Avenue, Jianye Zone, Nanjing	Business and asset management, consulting and advertising services	US\$ 1,000	US\$ 1,000	N/A	100.00	(141,256)	12,209	12,209	
	Jiangsu Taiwan Trade Mart Development Co., Ltd.	No. 901, Yingtian Avenue, Jianye Zone, Nanjing	Nanjing Taiwan Trade Mart Management Co., Ltd. development and construction, and management	2,000	2,000	N/A	20.00	2,041	69	14	
Renowned International Limited	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ 72,001	US\$ 72,001	N/A	92.29	903,792	52,122	48,103	
Walsin (China) Investment Co., Ltd.	Hangzhou Walsin Power Cable & Wire Co., Ltd.	No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang	Production and sale of cables and wires	US\$ 25,405	US\$ 25,405	N/A	14.41	98,098	(44,658)	(6,435)	
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai	Production and sale of cables and wires	US\$ 14,956	US\$ 14,956	N/A	95.71	228,567	20,011	19,152	
	Jiangyin Walsin Steel Cable Co., Ltd.	No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu	Manufacture and sale of steel cables and wires	US\$ 15,000	US\$ 15,000	N/A	75.00	143,539	(31,654)	(23,740)	
	Dongguan Walsin Wire & Cable Co., Ltd.	Xiniupo Industrial Zone District, Dalang Town, Dongguan, Guangdong	Production and sale of bare copper cables and wires	US\$ 26,000	US\$ 26,000	N/A	100.00	315,189	18,273	18,273	
	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ 2,151	US\$ 300	N/A	2.01	19,684	52,122	1,048	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	Cold-rolled stainless steel and flat rolled products	US\$ 9,000	US\$ 9,000	N/A	18.37	14,759	64,969	11,935	

Note: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars and Hong Kong dollars

(Continued)



3. Information of investees that Concord Industries Limited and its subsidiaries have the ability to control or significant influence over was as follows (in thousands of U.S. dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Concord Industries Limited	Walsin Specialty Steel Corp.	Offshore Incorporations Centre, Road Town, Tortola, BVI	Commerce and investments	US\$ 101,400 (Note 2)	US\$ 125,200 (Note 2)	123,400,000	100.00	\$ 52,649	\$ (49,702)	\$ (49,702)	
	Walsin Precision Technology Sdn. Bhd.	2115-1, Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia	Production and sale of stainless steel plates	US\$ 8,470	US\$ 8,470	32,178,385	100.00	133,255	20,283	20,283	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	Cold-rolled stainless steel and flat-rolled products	US\$ 40,000	US\$ 40,000	N/A	81.63	65,579	64,969	53,034	
	XiAn Walsin Metal Product Co., Ltd.	2/F, Building B, No. 15, Shanglinyuan First Road, New Industrial Park, Hi-and-New Tech Park of XiAn, Shaanxi	Production and sale of medium and heavy specialized stainless steel plates	US\$ 10,000	US\$ 10,000	N/A	100.00	(218,059)	2,230	2,230	
	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	US\$ 32,927	US\$ 32,927	N/A	25.00	(2,858)	74,394	18,598	
	Changzhou China Steel Precision Materials Co., Ltd.	No. 281, Changhong Road (West), Wujin Economic & Technology Development Zone, Changzhou City, Jiangsu Province	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	US\$ 13,080	US\$ 13,080	N/A	30.00	72,476	12,941	3,882	
	Walsin Lihwa (Changzhou) Investment Co., Ltd.	6/F, No. 2, Tenglong Road, Wujin Economic Development Area, Jiangsu	Commerce and investments	US\$ 49,000	US\$ 49,000	N/A	100.00	329,819	8,446	8,446	
	XiAn Walsin Opto-electronic Limited	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of XiAn, Shaanxi	LED, micro projector, and solar cell assembly	US\$ 150	US\$ 150	N/A	100.00	(29,307)	(445)	(445)	
	XiAn Lv Jing Technology Co., Ltd.	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of XiAn, Shaanxi	Solar module assembly	US\$ 45,200	US\$ 45,200	N/A	100.00	151,037	(852)	(852)	
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	168,086	168,086	N/A	75.00	(8,574)	74,394	55,795	
Walsin Specialty Steel Corp.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	Manufacture and sale of stainless steel	US\$ 39,000	US\$ 39,000	N/A	100.00	(155,797)	(14,721)	(14,721)	
	Changshu Walsin Specialty Steel Co., Ltd.	No. 56 Renmin Road, Haiyu Town, Changshu City, Jiangsu Province	Manufacture and sale of specialized steel tubes	US\$ 97,000	US\$ 97,000	N/A	100.00	189,139	(35,013)	(35,013)	

Note 1: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

Note 2: The amount included capitalization of retained earnings of US\$4,500 thousand.

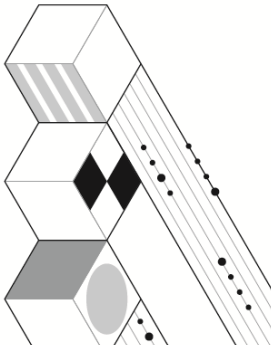
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4. Information of investees that Chin-Cherng Construction Co. and its subsidiaries have the ability to control or significant influence over was as follows (in thousands of New Taiwan dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Chin-Cherng Construction Co.	Joint Success Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	\$ 1,202,993	\$ 1,265,603	37,461,816	50.95	\$ 3,101,113	\$ 1,517,646	\$ 773,241	
	Dingsin Development Co., Ltd.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Investment of real estate and related business	8,540	8,540	2,119,200	35.32	42,762	2,423	856	
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	1,603	1,603	172,342	0.17	1,295	(18,755)	(30)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Investments	54,154	54,154	3,264,092	0.67	78,766	522,034	3,498	
Joint Success Enterprises Limited	Walsin (Nanjing) Development Co., Ltd.	No. 236 Jiangdong Road, Jianye District, Nanjing, Jiangsu Province	Construction, rental and sale of buildings and industrial factories	RMB 375,542	RMB 375,542	N/A	100.00	RMB 1,180,650	RMB 348,659	RMB 348,659	
Walsin (Nanjing) Development Co., Ltd.	Nanjing Walsin Property Management Co., Ltd.	No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu	Property management, business management and housing leasing	RMB 1,000	RMB 1,000	N/A	100.00	RMB (1,154)	RMB 1,842	RMB 1,842	

Note: Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi.

(Continued)





5. Information of investees that Energy Pilot Limited and its subsidiaries have the ability to control or significant influence over was as follows (in thousands of U.S. dollars):

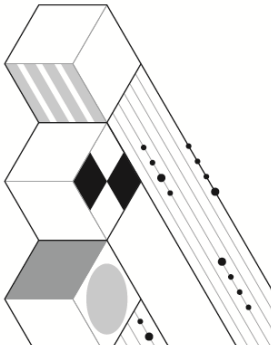
Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Energy Pilot Limited	Green Lake Capital, LLC.	1209 Orange Street, Wilmington, Delaware 19801	Solar power business	\$ 20,670	\$ 20,670	N/A	100.00	\$ 25,001	\$ 1,796	\$ 1,796	
Green Lake Capital, LLC.	Green Lake Exchange, LLC.	160 Greentree Drive, Suite 101, Dover, Delaware 19904, USA	Solar power related business	11,355	11,355	N/A	100.00	23,906	2,940	2,940	

(Continued)

6. Information of investees that Market Pilot Limited has the ability to control or significant influence over was as follows (in thousands of Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of XiAn, Shaanxi	Electronic devices and modules	\$ 642,719	\$ 642,719	N/A	100.00	\$ 19,243	\$ 192,005	\$ 192,005	

(Continued)





7. Information of investees that Ace Result Global Limited has the ability to control or significant influence over was as follows (in thousands of Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Ace Result Global Limited	Hangzhou Walsin Power Cable & Wire Co., Ltd.	No. 9, 12 Road, Xiasha Economic & Technology Development Zone, Hangzhou, Zhejiang	Production and sale of cables and wires	\$ 271,744	\$ 271,744	N/A	24.52	\$ 125,846	\$ (44,658)	\$ (10,951)	

(Concluded)

TABLE 8

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

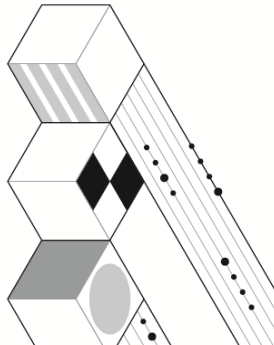
INFORMATION ON INVESTMENTS IN MAINLAND CHINA
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)

A. Walsin Lihwa Corporation

1. The names of investee companies in mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying amount, accumulated inward remittance of earnings and upper limit on investment in mainland China were as follows:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 595,200 (US\$ 20,000)	b	\$ 446,400 (US\$ 15,000) (Note 2)	\$ - -	\$ - -	\$ 446,400 (US\$ 15,000) (Note 2)	\$ (140,994)	75.00	\$ (105,743)	\$ 653,744	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	465,060 (US\$ 15,627)	b	445,091 (US\$ 14,956) (Note 3)	- -	- -	445,091 (US\$ 14,956) (Note 3)	89,133	95.71	85,307	1,041,002	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,823,501 (US\$ 162,080)	b	2,946,538 (US\$ 99,010) (Note 4)	- -	- -	2,946,538 (US\$ 99,010) (Note 4)	(198,916)	38.93	(77,441)	1,019,947	-
Walsin (China) Investment Co., Ltd.	Investments	2,339,136 (US\$ 78,600)	b	2,339,136 (US\$ 78,600) (Note 5)	- -	- -	2,339,136 (US\$ 78,600) (Note 5)	119,493	100.00	119,493	4,436,300	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,886,720 (US\$ 97,000)	b	2,886,720 (US\$ 97,000) (Note 6)	- -	- -	2,886,720 (US\$ 97,000) (Note 6)	(155,956)	100.00	(155,956)	861,429	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	1,160,640 (US\$ 39,000)	b	1,160,640 (US\$ 39,000) (Note 7)	- -	- -	1,160,640 (US\$ 39,000) (Note 7)	(65,517)	100.00	(65,517)	(709,575)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	773,760 (US\$ 26,000)	b	773,760 (US\$ 26,000) (Note 8)	- -	- -	773,760 (US\$ 26,000) (Note 8)	81,392	100.00	81,392	1,435,519	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,416,512 (US\$ 81,200) (Note 9)	b	1,808,158 (US\$ 60,758) (Note 10)	55,086 (US\$ 1,851)	- -	1,863,244 (US\$ 62,069) (Note 10)	232,162	79.51	184,582	3,546,101	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,458,240 (US\$ 49,000)	b	1,458,240 (US\$ 49,000) (Note 11)	- -	- -	1,458,240 (US\$ 49,000) (Note 11)	289,385	100.00	289,385	365,925	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	297,600 (US\$ 10,000)	b	297,600 (US\$ 10,000)	- -	- -	297,600 (US\$ 10,000)	9,934	100.00	9,934	(993,142)	-
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	4,614,734 (US\$ 155,065) (Note 12)	b	979,897 (US\$ 32,927)	- -	- -	979,897 (US\$ 32,927)	331,366	100.00	331,366	(52,067)	-

(Continued)





Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	\$ 1,458,240 (US\$ 49,000)	b	\$ 1,458,240 (US\$ 49,000)	\$ -	\$ -	\$ 1,458,240 (US\$ 49,000)	\$ 37,619	100.00	\$ 37,619	\$ 1,502,152	\$ -
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,297,536 (US\$ 43,600)	b	389,261 (US\$ 13,080)	-	-	389,261 (US\$ 13,080)	57,643	30.00	17,293	330,090	908,275
XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	2,973,024 (US\$ 99,900)	b	2,974,750 (US\$ 99,958)	-	-	2,974,750 (US\$ 99,958)	855,231	100.00	855,231	87,642	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing services	13,065 (US\$ 439)	b	7,886 (US\$ 265)	-	-	7,886 (US\$ 265)	(396)	60.00	(241)	241	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	29,760 (US\$ 1,000)	b	29,760 (US\$ 1,000)	-	-	29,760 (US\$ 1,000)	54,381	100.00	54,381	(643,346)	-
XiAn Lvjing Technology Co., Ltd.	Solar module assembly	1,345,152 (US\$ 45,200)	c	595,200 (US\$ 20,000)	-	-	595,200 (US\$ 20,000)	(3,796)	100.00	(3,796)	687,892	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon production	5,465,364 (RMB 1,200,000)	b	- (US\$ -)	-	-	- (US\$ -)	(4,354)	19.00	-	610,299 (Note 13)	-
XiAn Walsin Opto-electronic Limited	LED, micro projector, and solar cell assembly	4,464 (US\$ 150)	b	4,464 (US\$ 150)	-	-	4,464 (US\$ 150)	(1,983)	100.00	(1,983)	(133,478)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	45,545 (RMB 10,000)	b	9,047 (US\$ 304)	-	-	9,047 (US\$ 304)	307	20.00	62	9,296	-
Shaanxi Optoelectronics Technology Co., Ltd.	Communications equipment and electronic components	455,447 (RMB 100,000)	b	- (RMB -)	-	-	- (RMB -)	4,539	19.00	-	86,535	-
Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	1,710,395 (RMB 375,542)	b	1,710,395 (RMB 375,542) (Note 14)	-	-	1,710,395 (RMB 375,542) (Note 14)	1,553,000	99.60	1,546,827	5,355,865	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	4,554 (RMB 1,000)	b	- (RMB -)	-	-	- (RMB -)	8,205	99.60	8,173	(5,233)	-

(Continued)

2. The upper limit on investment of WLC in mainland China was as follows:

Accumulated Investment in Mainland China as of December 31, 2017 (NT\$ and US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$ and US\$ in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
\$ 20,809,055 (US\$ 699,229)	\$ 21,583,886 (US\$ 725,265)	N/A (Note 18)

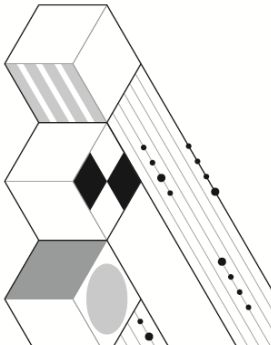
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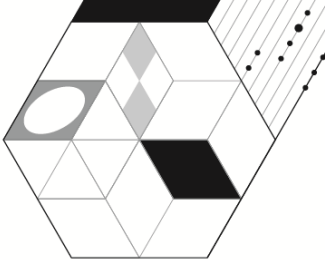
1. Investments can be classified into three categories as follows:

a. Direct investment in mainland China.
b. Reinvestment in mainland China through third country companies.
c. Others.
2. Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.
3. Including US\$7,349 thousand investment through Walsin (China) Investment Co., Ltd.
4. Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.
5. Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.
6. Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
7. Including US\$4,800 thousand investment through Walsin (China) Investment.
8. Investment through Walsin (China) Investment Co., Ltd.
- 9 Including US\$3,500 thousand revaluation increment of assets.
10. Including dividends of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
11. Including investments through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and US\$4,500 thousand of the own capital of Walsin (China) Investment Co., Ltd.
12. Including investments of the own capital of RMB578,796 thousand of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd. and RMB3,750 thousand made through Changzhou Wujin NSL. Co., Ltd. Including US\$32,927 thousand investment through Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd. were merged.
13. The amount was adjusted by the own capital of XiAn Lv Jing Technology Co., Ltd. of RMB228,000 thousand and by the fair value.
- 14 The amount included investment through Joint Success Enterprise Limited approved in the previous years.
15. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars and Renminbi.
16. The currency exchange rates as of December 31, 2017 were as follows: US\$ to NT\$ = 1:29.76, RMB to NT\$ = 1:4.55447. The average exchange rates of December 31, 2017 were as follows: US\$ to NT\$ = 1:30.021, RMB to NT\$ = 1:4.45421.
17. Amount was recognized based on reviewed financial statements.
18. Upper limit on investment:

WLC was approved as the operation headquarters by the Industrial Development Bureau, Ministry of Economic Affairs and is thus exempted from the related regulations of “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China”.

(Continued)





B. Chin-Cherng Construction Co.

1. The names of investee companies in mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying amount, accumulated inward remittance of earnings and upper limit on investment in mainland China were as follows:

(In Thousands of Renminbi)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Walsin (Nanjing) Construction Limited	Construction, rental and sale of buildings and industrial factories	\$ 375,542	Note 1	\$ 375,542	\$ -	\$ -	\$ 375,542	\$ 348,659	50.95	\$ 177,642	\$ 601,541	\$ -
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	1,000	Note 1	-	-	-	-	1,842	50.95	939	(588)	-

2. The upper limit on investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2017 (RMB in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (RMB in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
RMB375,542	RMB375,542	NT\$2,533,554 (Note 3)

Note 1: Investing in companies in China through the companies already established and existing in the areas other than Taiwan and China.

Note 2: Amount was recognized based on reviewed financial statements.

Note 3: The upper limit on investment in mainland China was as follows:

$$\text{NT\$4,222,590 thousand} \times 60\% = \text{NT\$2,533,554 thousand}.$$

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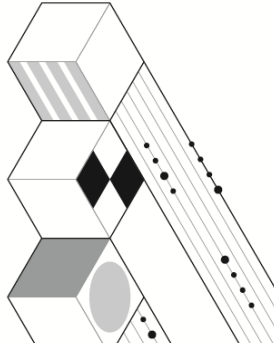
TABLE 9

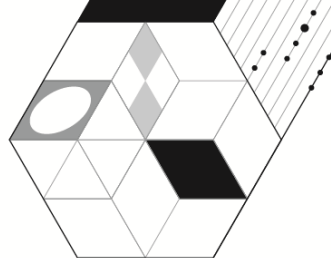
WALSIN LIHWA CORPORATION AND INVESTEEES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)**

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	2017 Walsin Lihwa Corporation	Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	\$ 412,653	The terms are set by quotations on the local market and are similar to those of general customers	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	23,547	The terms are set by quotations on the local market and are similar to those of general customers	-
		Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	36,102	The terms are set by quotations on the local market and are similar to those of general customers	-
		Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Sales	135,093	The terms are set by quotations on the local market and are similar to those of general customers	-
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	4,159,475	The terms are set by quotations on the local market and are similar to those of general customers	2
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	343,883	The terms are set by quotations on the local market and are similar to those of general customers	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	166,104	The terms are set by quotations on the local market and are similar to those of general customers	-
		Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries	Sales	115,645	The terms are set by quotations on the local market and are similar to those of general customers	-
1	Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 96,061	The terms are set by quotations on the local market and are similar to those of general customers	-
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 81,464	The terms are set by quotations on the local market and are similar to those of general customers	-
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 83,928	The terms are set by quotations on the local market and are similar to those of general customers	-
		Walsin (China) Investment Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 1,985,518	Based on capital demand	7
		Walsin Lihwa Corporation	Transactions between parent company and subsidiaries	Other receivables	US\$ 60,019	Based on capital demand	1
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 846,926	The terms are set by quotations on the local market and are similar to those of general customers	2
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 397,529	The terms are set by quotations on the local market and are similar to those of general customers	1
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 101,408	The terms are set by quotations on the local market and are similar to those of general customers	-

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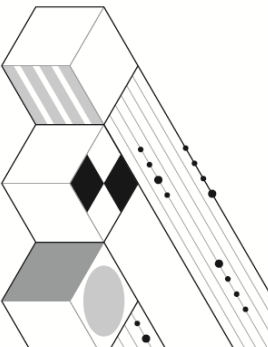


No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
2	Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 516,440	The terms are set by quotations on the local market and are similar to those of general customers	1
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 455,886	The terms are set by quotations on the local market and are similar to those of general customers	1
3	Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 180,181	Based on capital demand	4
4	Joint Success Enterprise Limited	Walsin (Nanjing) Development Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 173,105	Based on capital demand	1
5	Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Transactions between subsidiaries and parent company	Other receivables	US\$ 4,900	Based on capital demand	-
		Walsin (Nanjing) Development Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 1,008	Based on capital demand	-
		Yantai Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 74,548	Based on capital demand	2
		Jiangyin Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 44,678	Based on capital demand	1
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,984	Based on capital demand	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 8,984	Based on capital demand	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 50,648	Based on capital demand	1
6	Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 22,753	The terms are set by quotations on the local market and are similar to those of general customers	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 27,721	The terms are set by quotations on the local market and are similar to those of general customers	-
		Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 36,530	The terms are set by quotations on the local market and are similar to those of general customers	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 56,456	The terms are set by quotations on the local market and are similar to those of general customers	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 246,083	The terms are set by quotations on the local market and are similar to those of general customers	1
		Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Sales	RMB 43,800	The terms are set by quotations on the local market and are similar to those of general customers	-
7	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Yantai Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 23,952	The terms are set by quotations on the local market and are similar to those of general customers	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Walsin Lihwa Corporation	2016 Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Trade receivables	\$ 358,948	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	72,586	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	15,190	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin Lihwa Holdings Limited	Transactions between parent company and subsidiaries	Sales	3,876,969	The terms are set by quotations on the local market, and are similar to those of general customers.	3
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	174,211	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	104,994	The terms are set by quotations on the local market, and are similar to those of general customers.	-
1	Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 1,238,215	The terms are set by quotations on the local market, and are similar to those of general customers.	5
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 570,914	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	RMB 66,510	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Walsin (China) Investment Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 639,259	Based on capital demand	3
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 10,286	Based on capital demand	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,250	Based on capital demand	-
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 2,003,165	The terms are set by quotations on the local market, and are similar to those of general customers.	7
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 578,523	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 69,606	The terms are set by quotations on the local market, and are similar to those of general customers.	-
2	Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 79	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 477,701	The terms are set by quotations on the local market, and are similar to those of general customers.	2
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries	Sales	RMB 268,540	The terms are set by quotations on the local market, and are similar to those of general customers.	1

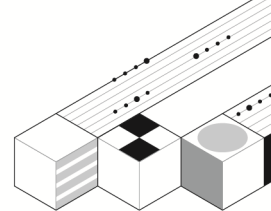
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No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
3	Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 55,862	Based on capital demand	2
		Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 76,151	Based on capital demand	2
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 48,148	Based on capital demand	1
4	Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 58,640	Based on capital demand	2
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 73,657	Based on capital demand	2
5	Joint Success Enterprise Limited	Walsin (Nanjing) Development Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 183,768	Based on capital demand	1
6	Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Transactions between subsidiaries and parent company	Other receivables	US\$ 4,900	Based on capital demand	-
7	Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 61,769	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 1,286,159	The terms are set by quotations on the local market, and are similar to those of general customers.	5
8	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 42,024	The terms are set by quotations on the local market, and are similar to those of general customers.	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 163,099	The terms are set by quotations on the local market, and are similar to those of general customers.	1

(Concluded)



5. Financial report of the parent company of the most recent year audited and certified by Supervisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Walsin Lihwa Corporation

Opinion

We have audited the accompanying financial statements of Walsin Lihwa Corporation (the Company), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (as set out in the Other Matter section of our report), the accompany financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

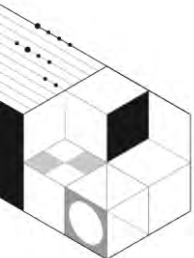
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as of and for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our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

The following are key audit matters of the financial statements of the Company as of and for the year ended December 31, 2017:

Sales Revenue Recognition

The recognition of sales revenue depends on whether the risks and rewards of ownership of goods have been transferred to customers. The point of transferring the risks and rewards of ownership of goods to customers of the Company is based on the transaction terms of a diverse range of sales contracts, such as on the dispatch day, free on board (FOB), and the day of receipt. As the transaction terms are determined by individual sales contracts, the recognition of sales revenue is





regarded as key audit matter. Refer to Notes 4 and 19 for related disclosures related to sales transaction and revenue recognition.

Our audit procedures in response to sales revenue recognition consist of selecting samples of sales contracts from main customers and examining the transaction terms of the sales contracts selected to confirm that sales revenue was recognized according to the point of transferring the risks and rewards of ownership of the goods.

Inventory Valuation

As of December 31, 2017, the inventory of the Company amounted to NT\$9,174,197 thousand which constituted 9% of the total assets, and the amount is material. Refer to Notes 4, 5 and 10 of the accompanying financial statements for disclosures related to inventory and inventory valuation.

The inventory of the Company is stated at the lower of cost or net realizable value. The valuation of the net realizable value required significant judgment and estimation. In addition, the market price of copper and nickel fluctuated frequently, which significantly affects the valuation of wire, cable and specialty steel inventory. As a result, inventory valuation is regarded as key audit matter.

Our audit procedures in response to inventory valuation consisted of obtaining inventory valuation sheets prepared by management, selecting samples of estimated selling prices and tracing them to recent sales records to assess the rationale of the net realizable value determined by management. Moreover, by attending year-end inventory count, we assess the condition of the inventory to verify the completeness of obsolete goods.

Other Matter

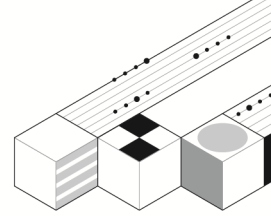
The financial statements of certain equity-method investees included in the financial statements as of and for the years ended December 31, 2017 and 2016 were audited by other auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT\$2,878,841 thousand and NT\$2,843,728 thousand, which constituted 2.73% and 3.02% of the total assets as of December 31, 2017 and 2016, respectively, and the investment gains amounted to NT\$502,051 thousand and NT\$725,406 thousand for the years ended December 31, 2017 and 2016, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including audit committee) are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

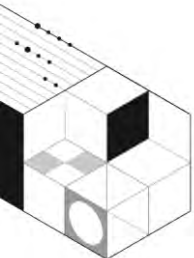
As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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





related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our 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 Ming-Yu Chiu and Hung-Bin Yu.

Deloitte & Touche

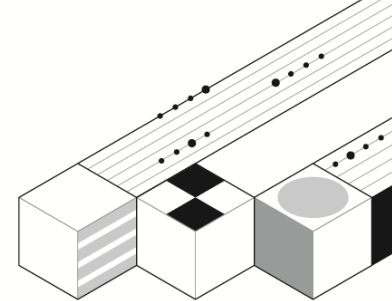
Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2018

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.



WALSIN LIHWA CORPORATION

BALANCE SHEETS

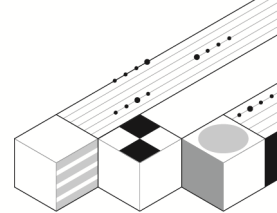
DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,192,403	2	\$ 1,375,045	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	18,882	-
Notes receivable (Notes 4 and 9)	27,353	-	27,710	-
Trade receivables (Notes 4 and 9)	2,585,153	2	1,954,780	2
Trade receivables from related parties (Notes 4, 9 and 26)	481,485	1	446,725	1
Other receivables	328,742	-	417,023	-
Inventories (Notes 4 and 10)	9,174,197	9	8,079,979	9
Other current assets	399,270	-	299,516	-
Total current assets	15,188,603	14	12,619,660	13
NON-CURRENT ASSETS				
Available-for-sale financial assets - non-current (Notes 4 and 8)	3,702,495	4	2,990,945	3
Financial assets measured at cost - non-current (Notes 4 and 11)	1,810,187	2	1,133,555	1
Investments accounted for using equity method (Notes 4 and 12)	61,595,898	58	54,351,963	58
Property, plant and equipment (Notes 4 and 13)	14,356,176	14	13,853,939	15
Investment properties (Notes 4 and 14)	8,603,604	8	8,730,768	9
Deferred tax assets - non-current (Notes 4 and 21)	319,919	-	373,919	1
Refundable deposits	58,764	-	62,907	-
Other non-current assets	1	-	2,474	-
Total non-current assets	90,447,044	86	81,500,470	87
TOTAL	\$ 105,635,647	100	\$ 94,120,130	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 4,083,492	4	\$ 2,515,701	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	68,780	-	1,155	-
Derivative financial liabilities hedging - current (Notes 4 and 16)	13,964	-	-	-
Trade payables	4,146,066	4	3,174,672	4
Current tax liabilities (Notes 4 and 21)	351,234	-	342,045	-
Other payables (Note 26)	3,658,528	4	1,773,759	2
Current portion of long-term borrowings (Note 15)	-	-	6,630,000	7
Other current liabilities	175,626	-	250,784	-
Total current liabilities	12,497,690	12	14,688,116	16
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	21,500,000	20	15,000,000	16
Deferred tax liabilities - non-current (Notes 4 and 21)	131,132	-	131,132	-
Net defined benefit liabilities (Notes 4 and 17)	805,033	1	766,162	1
Other non-current liabilities (Notes 13 and 23)	178,329	-	168,778	-
Total non-current liabilities	22,614,494	21	16,066,072	17
Total liabilities	35,112,184	33	30,754,188	33
EQUITY (Note 18)				
Share capital	33,660,002	32	33,960,002	36
Capital surplus	15,854,392	15	15,701,403	17
Retained earnings				
Legal reserve	3,281,556	3	2,824,743	3
Special reserve	2,712,250	3	2,712,250	3
Unappropriated earnings	13,240,574	12	9,674,226	10
Total retained earnings	19,234,380	18	15,211,219	16
Other equity				
Exchange differences on translating foreign operations	(2,944,758)	(3)	(2,110,122)	(2)
Unrealized gain on available-for-sale financial assets	5,042,894	5	1,225,921	1
Cash flow hedges	(7,529)	-	(13,671)	-
Total other equity	2,090,607	2	(897,872)	(1)
Treasury shares (Notes 4 and 18)	(315,918)	-	(608,810)	(1)
Total equity	70,523,463	67	63,365,942	67
TOTAL	\$ 105,635,647	100	\$ 94,120,130	100

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)



WALSIN LIHWA CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 19)	\$ 76,123,074	100	\$ 67,074,039	100
OPERATING COSTS (Note 10)	(70,808,645)	(93)	(61,086,408)	(91)
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>3,635</u>	<u>-</u>	<u>(5,070)</u>	<u>-</u>
GROSS PROFIT	<u>5,318,064</u>	<u>7</u>	<u>5,982,561</u>	<u>9</u>
OPERATING EXPENSES				
Selling and marketing expenses	707,416	1	618,942	1
General and administrative expenses	710,297	1	551,690	1
Research and development expenses	<u>63,816</u>	<u>-</u>	<u>26,410</u>	<u>-</u>
Total operating expenses	<u>1,481,529</u>	<u>2</u>	<u>1,197,042</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>3,836,535</u>	<u>5</u>	<u>4,785,519</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	6,764	-	8,316	-
Dividend income	167,584	-	21,540	-
Other income	41,282	-	29,481	-
Gain on disposal of property, plant and equipment	1,380	-	4,945	-
(Loss) gain on disposal of investments (Note 20)	(369,204)	-	39,639	-
Foreign exchange gain, net	35,426	-	42,152	-
Loss on valuation of financial assets and liabilities	(86,508)	-	(124,378)	-
Impairment loss (Note 20)	-	-	(213,797)	-
Other expenses	(75,913)	-	(97,291)	-
Interest expense	(434,314)	(1)	(465,978)	(1)
Share of gain of subsidiaries and associates under equity method	<u>4,004,420</u>	<u>5</u>	<u>1,145,471</u>	<u>2</u>
Total non-operating income and expenses	<u>3,290,917</u>	<u>4</u>	<u>390,100</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	7,127,452	9	5,175,619	8
INCOME TAX EXPENSE (Notes 4 and 21)	<u>(567,468)</u>	<u>(1)</u>	<u>(607,494)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>6,559,984</u>	<u>8</u>	<u>4,568,125</u>	<u>7</u>

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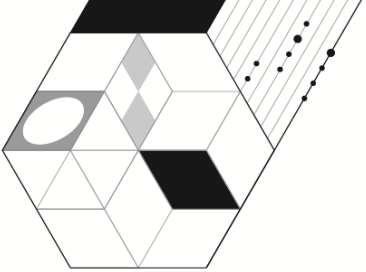
WALSIN LIHWA CORPORATION
**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 17)	\$ (150,736)	-	\$ (3,204)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(742,010)	(1)	(3,243,323)	(5)
Unrealized gain on available-for-sale financial assets	724,447	1	1,349,020	2
Cash flow hedges gain	6,142	-	75,647	-
Share of other comprehensive income of subsidiaries and associates under equity method	<u>2,964,567</u>	<u>4</u>	<u>1,506,270</u>	<u>2</u>
Other comprehensive income (loss) for the year	<u>2,802,410</u>	<u>4</u>	<u>(315,590)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 9,362,394</u>	<u>12</u>	<u>\$ 4,252,535</u>	<u>6</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 1.97</u>		<u>\$ 1.33</u>	
Diluted	<u>\$ 1.97</u>		<u>\$ 1.33</u>	

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)

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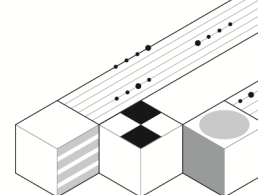
WALSIN LIHWA CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

						Other Equity				
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets			
Legal Reserve			Special Reserve	Unappropriated Earnings	Cash Flow Hedges			Treasury Shares	Total Equity	
BALANCE AT JANUARY 1, 2016	\$ 35,760,002	\$ 15,766,866	\$ 2,664,570	\$ 2,712,250	\$ 6,006,305	\$ 1,428,373	\$ (1,960,168)	\$ (89,318)	\$ (608,810)	\$ 61,680,070
Appropriation of 2015 earnings										
Legal reserve	-	-	160,173	-	(160,173)	-	-	-	-	-
Cash dividends	-	-	-	-	(701,200)	-	-	-	-	(701,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	495	-	-	-	-	-	-	-	495
Change in capital surplus from investments in subsidiaries and associates under equity method	-	(69,209)	-	-	-	-	-	-	-	(69,209)
Net profit for the year ended December 31, 2016	-	-	-	-	4,568,125	-	-	-	-	4,568,125
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(38,831)	(3,538,495)	3,186,089	75,647	-	(315,590)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	4,529,294	(3,538,495)	3,186,089	75,647	-	4,252,535
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(1,796,741)	(1,796,741)
Cancellation of treasury shares	(1,800,000)	3,259	-	-	-	-	-	-	1,796,741	-
Others	-	(8)	-	-	-	-	-	-	-	(8)
BALANCE, DECEMBER 31, 2016	33,960,002	15,701,403	2,824,743	2,712,250	9,674,226	(2,110,122)	1,225,921	(13,671)	(608,810)	63,365,942
Appropriation of 2016 earnings										
Legal reserve	-	-	456,813	-	(456,813)	-	-	-	-	-
Cash dividends	-	-	-	-	(2,328,200)	-	-	-	-	(2,328,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(495)	-	-	(22,554)	-	-	-	-	(23,049)
Change in capital surplus and retained earnings from investments in subsidiaries and associates under equity method	-	146,381	-	-	-	-	-	-	-	146,381
Net profit for the year ended December 31, 2017	-	-	-	-	6,559,984	-	-	-	-	6,559,984
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(186,069)	(834,636)	3,816,973	6,142	-	2,802,410
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	6,373,915	(834,636)	3,816,973	6,142	-	9,362,394
Cancellation of treasury shares	(300,000)	7,108	-	-	-	-	-	-	292,892	-
Others	-	(5)	-	-	-	-	-	-	-	(5)
BALANCE, DECEMBER 31, 2017	\$ 33,660,002	\$ 15,854,392	\$ 3,281,556	\$ 2,712,250	\$ 13,240,574	\$ (2,944,758)	\$ 5,042,894	\$ (7,529)	\$ (315,918)	\$ 70,523,463

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)



WALSIN LIHWA CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 7,127,452	\$ 5,175,619
Adjustments for:		
Depreciation expenses	1,026,334	853,281
Amortization expenses	2,380	11,149
Reversal of impairment loss recognized on trade receivables	(799)	(48)
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	86,508	124,378
Interest expense	434,314	465,978
Interest income	(6,764)	(8,316)
Dividend income	(167,584)	(21,540)
Share of gain of subsidiaries and associates under equity method	(4,004,420)	(1,145,471)
Gain on disposal of property, plant and equipment	(1,380)	(4,945)
Loss (gain) on disposal of investments	369,204	(39,639)
Impairment loss recognized on financial assets	-	200,000
Impairment loss recognized on property, plant and equipment	-	13,797
(Realized) unrealized gain on the transaction with associates	(3,635)	5,070
Net loss on foreign currency exchange	14,131	1,600
Changes in operating assets and liabilities		
Increase in financial assets held for trading	(479,073)	(8,104)
Decrease (increase) in notes receivable	357	(16,496)
Increase in trade receivables	(664,334)	(249,694)
Decrease in other receivables	24,763	115,808
Increase in inventories	(1,094,218)	(2,585,635)
Increase in other current assets	(99,754)	(83,236)
Decrease (increase) in other operating assets	93	(4,833)
Increase in trade payables	971,394	434,637
Increase in other payables	341,426	201,741
Decrease in net defined benefit liabilities	(111,865)	(623,784)
(Increase) decrease in other current liabilities	(71,522)	161,849
Increase (decrease) in other operating liabilities	8,485	(5,120)
Cash generated from operations	3,701,493	2,968,046
Interest paid	(446,622)	(472,849)
Interest received	6,317	7,845
Dividends received	949,548	258,603
Income tax paid	(504,278)	(39,275)
Net cash generated from operating activities	3,706,458	2,722,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at cost	(692,576)	(233,052)
Proceeds from disposal of financial assets measured at cost	546	-
Proceeds from capital return and liquidation return of investments in associates under equity method	343,301	5,623,771

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WALSIN LIHWA CORPORATION

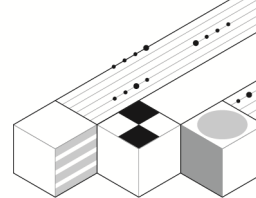
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from capital return of investments in financial assets measured at cost	\$ 15,944	\$ 5,320
Derivative instruments not held for trading	1,701	64,018
Purchase of associates under equity method	(1,595,460)	(873,858)
Purchase of property, plant and equipment	(1,492,691)	(2,822,779)
Proceeds from disposal of property, plant and equipment	1,441	12,089
Decrease in refundable deposits	4,143	1,970
Proceeds from sale of available-for-sale financial assets	48,769	273,916
Other investing activities	<u>(422,369)</u>	<u>(459,829)</u>
Net cash (used in) generated from investing activities	<u>(3,787,251)</u>	<u>1,591,566</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	1,572,064	14,111
Increase in long-term borrowings	6,500,000	-
Decrease in long-term borrowings	(6,630,000)	(2,550,000)
Increase in other payables to related parties	1,784,112	-
Dividends paid	(2,328,020)	(701,200)
Cash paid for acquisition of treasury shares	-	(1,796,741)
Other financing activities	<u>(5)</u>	<u>(8)</u>
Net cash generated from (used in) financing activities	<u>898,151</u>	<u>(5,033,838)</u>
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	817,358	(719,902)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,375,045</u>	<u>2,094,947</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,192,403</u>	<u>\$ 1,375,045</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche auditors' report dated February 23, 2018)

(Concluded)



WALSIN LIHWA CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

1. GENERAL INFORMATION

Walsin Lihwa Corporation (the Company) was incorporated in December 1966 and commenced business in December 1966. The Company made various investments in construction, electronics, material science, real estate, etc., to diversify its operations. The Company's main products are wires, cables and stainless steel.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since November 1972. In October 1995 and November 2010, the Company increased its share capital and issued Global Depositary Shares (GDR), which are listed on the Luxembourg Stock Exchange under stock number 168527.

The financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 23, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China (ROC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC by the Company would not have any material impact on the Company's accounting policies:

- 1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Company is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by





using present value technique. The amendment should be applied retrospectively from January 1, 2017. Refer to Note 13 for related disclosures.

2) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Company accrues related liability when the transaction or activity that triggers the payment of the levy occurs. If the obligating event occurs over a period of time, the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold, the liability is recognized when that minimum threshold is reached.

There is no anticipated material impact of retrospective application of the above amendments to the financial statements starting from 2017.

3) Annual Improvements to IFRSs 2010-2012 Cycle

Several standards, including IFRS 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments”, were amended in this annual improvement.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate should be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) Annual Improvements to IFRSs 2011-2013 Cycle

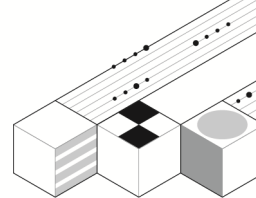
Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32. When the Group applies the amended IFRS 13 in 2017, the amendment would not have material impact to the consolidated financial statements.

5) Annual Improvements to IFRSs 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale. The amendment should be applied prospectively to transactions that occur on or after January 1, 2017.



6) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related-party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Company or is the spouse or second immediate family of the chairman of the board of directors or president of the Company are deemed to have a substantive related-party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Company has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Company's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related-party transactions are enhanced. Refer to Note 26 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for the fiscal periods beginning on or after their respective effective dates.



Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 “Financial Instruments” and related amendment

Recognition, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

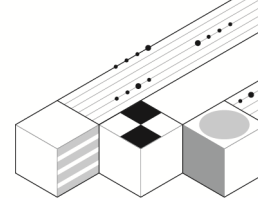
For the Company’s debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Company may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Company analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal]. Besides this, unlisted shares measured at cost will be measured at fair value instead;



- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the expected credit loss model. The loss allowance is required for financial assets measured at amortized cost, investments in debt instruments measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

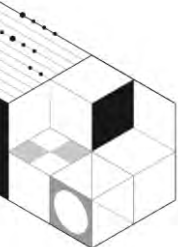
For purchased or originated credit-impaired financial assets, the Company takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Company has performed a preliminary assessment whereby the Company will apply the simplified approach for recognizing full-lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to debt instruments and the financial guarantee contracts, the Company will assess whether there has been a significant increase in the credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses. In general, the Company anticipates that the application of the expected credit loss model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:





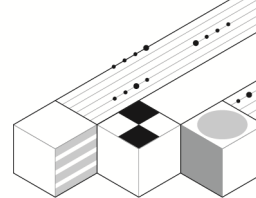
	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through other comprehensive income - non-current	\$ -	\$ 6,211,812	\$ 6,211,812
Financial assets measured at cost - current	1,810,187	(1,810,187)	-
Available-for-sale financial assets - non-current	3,702,495	(3,702,495)	-
Investments accounted for using equity method	<u>61,595,898</u>	<u>779,084</u>	<u>62,374,982</u>
Total effect on assets	<u>\$ 67,108,580</u>	<u>\$ 1,478,214</u>	<u>\$ 68,586,794</u>
Financial liability at fair value through profit or loss - current	\$ 68,780	\$ -	\$ 68,780
Derivative financial liability for hedging - current	<u>13,964</u>	<u>-</u>	<u>13,964</u>
Total effect on liabilities	<u>\$ 82,744</u>	<u>\$ -</u>	<u>\$ 82,744</u>
Retained earnings	\$ 19,234,380	\$ 4,645,146	\$ 23,879,526
Other equity	<u>2,090,607</u>	<u>(3,166,932)</u>	<u>(1,076,325)</u>
Total effect on equity	<u>\$ 21,324,987</u>	<u>\$ 1,478,214</u>	<u>\$ 22,803,201</u>

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts", and a number of revenue-related interpretations from January 1, 2018.



When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are effective, an entity may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application.

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Company should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Company’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Company will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

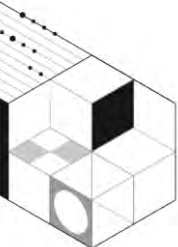
In assessing a deferred tax asset, the Company currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendments will be applied retrospectively in 2018.

4) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Company should transfer to, or from, investment property when, and only when, a property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

There is no anticipated material impact of the amendments to reflect the conditions that exist of January 1, 2018.





5) IFRIC 22“Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

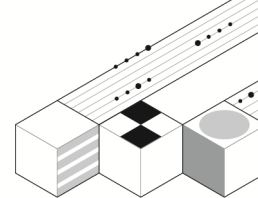
Note 2: The FSC permits the election of early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a



subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

2) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Company as lessor.

When IFRS 16 becomes effective, the Company may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Company shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized





at the date of initial application.

4) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

5) Amendments to IFRS 9 “Prepayment Features with Negative Compensation”

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

When the amendments become effective, the Company shall apply the amendments retrospectively. However, the Company may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight

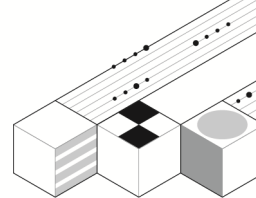
6) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that the Company borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

7) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of



other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. 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.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries and associates, share of other comprehensive income of subsidiaries and associates and related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within 12 months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than 12 months after the reporting period. Property, plant and equipment, intangible assets, other than assets classified as current are classified as non-current. Current liabilities are obligations incurred for trading purposes or to be settled within 12 months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least 12 months after the reporting period. Liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.





d. Foreign currencies

In preparing the financial statements of each individual company entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

- 1) Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- 2) Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 3) Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investments.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

e. Inventories

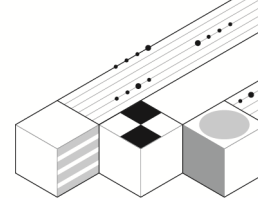
Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

f. Investments accounted for using equity method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

1) Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the



Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value on that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

2) Investment in associates

An associate is an entity over which the Company has significant influence and the associate is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an





investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate recognized on the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

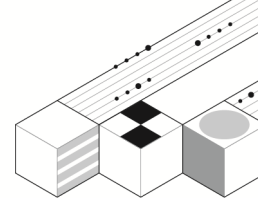
When the Company subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investments and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value on that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.



g. Property, plant and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss.

i. Intangible assets

Intangible assets are measured initially at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

On derecognition of an intangible asset, the differences between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset





belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

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

1) Measurement category

The categories of financial assets held by the Company are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

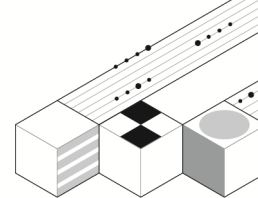
a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.



Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes time deposits and placements with original maturities within three months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indication of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and other situation.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest





rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

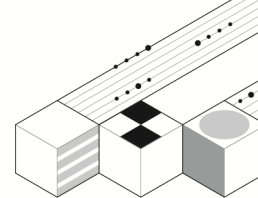
- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable are considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.



3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value on the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.





1. Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Company revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

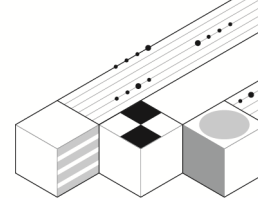
m. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n. Revenue recognition

Revenue from sales of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, primarily upon shipment, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors. Sales of goods are recognized when goods are delivered and title has passed.



1) Rendering of services

Service income is recognized when services are provided. Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

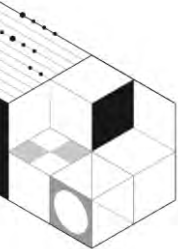
Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and return on plan assets (excluding interest), are recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.





q. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

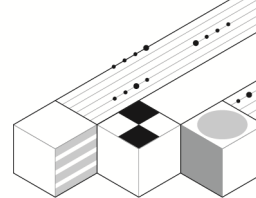
2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all (deductible temporary differences and unused loss carry forward) to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounts include allowance for doubtful trade receivable accounts, inventory valuation losses, depreciation, impairment, pension, deferred tax assets, etc. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are audited on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the main assumptions and sources of estimation uncertainty at the end of financial reporting period:

Valuation of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 1,130	\$ 1,130
Checking accounts and cash in bank	<u>2,191,273</u>	<u>1,373,915</u>
	<u>\$ 2,192,403</u>	<u>\$ 1,375,045</u>

The ranges of market rates of cash in bank at the end of the reporting period were as follows (except the market rate of checking account was zero):

	December 31	
	2017	2016
Bank balance	0.05%-0.40%	0.05%-0.40%

Cash in bank in the total of EUR2,400 thousand and EUR2,841 thousand at December 31, 2017 and 2016, respectively, was intended for payment of equipment for use in the Taichung Port. The deposits are designated as cash flow hedge to manage exposures to exchange rate fluctuations.



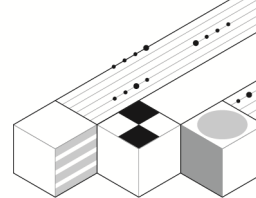


Certain time deposits as of December 31, 2017 and 2016 were classified and pledged as follows:

		December 31	
		2017	2016
Non-current assets			
Refundable deposits	To meet required security deposit	\$ 600	\$ 4,300
	To meet contract requirements for completing contractions	32,800	32,800
		<u> </u>	<u> </u>
		<u>\$ 33,400</u>	<u>\$ 37,100</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		December 31	
		2017	2016
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Commodity futures contracts		<u>\$ -</u>	<u>\$ 18,882</u>
Financial assets at FVTPL			
Current		\$ -	\$ 18,882
Non-current		<u>-</u>	<u>-</u>
		<u>\$ -</u>	<u>\$ 18,882</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Commodity futures contracts		\$ 33,467	\$ -
Foreign exchange forward contracts		32,826	-
Exchange rate swap contracts		<u>2,487</u>	<u>1,155</u>
Financial liabilities at FVTPL		<u>\$ 68,780</u>	<u>\$ 1,155</u>
Current		\$ 68,780	\$ 1,155
Non-current		<u>-</u>	<u>-</u>
		<u>\$ 68,780</u>	<u>\$ 1,155</u>



As of December 31, 2017 and 2016, outstanding commodity futures not under hedge accounting were as follows:

	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
<u>December 31, 2017</u>							
Commodity futures							
Copper	Buy	1,875	2017.09.11-2017.12.27	2018.02.21-2018.11.21	US\$ 12,852	US\$ 13,581	US\$ 729
Copper	Sell	6,050	2017.11.14-2017.12.29	2018.01.17-2018.02.28	US\$ 41,805	US\$ 43,658	US\$ (1,853)
<u>December 31, 2016</u>							
Commodity futures							
Copper	Buy	600	2016.05.10-2016.12.29	2017.02.15-2017.04.19	US\$ 3,203	US\$ 3,299	US\$ 96
Copper	Sell	10,025	2016.12.09-2016.12.30	2017.01.18-2017.03.29	US\$ 55,779	US\$ 55,289	US\$ 490

As of December 31, 2017 and 2016, outstanding exchange rate swap contracts not under hedge accounting were as follows:

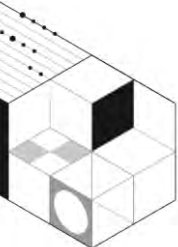
	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
December 31, 2017	US\$ to NT\$	2018.01.19	US\$20,000/NT\$598,800
December 31, 2016	US\$ to NT\$	2017.01.19	US\$150,000/NT\$4,833,100

As of December 31, 2017, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2017	USD/NTD	2018.01.31-2018.03.24	USD110,000/NTD3,279,950

For the years ended December 31, 2017 and 2016, the Company's strategy for commodity futures contracts, forward exchange contracts and exchange rate swap contracts was to hedge exposures to fluctuations of essential materials' prices and foreign exchange rates. However, those derivative financial instruments did not meet the criteria of hedge effectiveness; therefore, they were not accounted for by hedge accounting.





8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

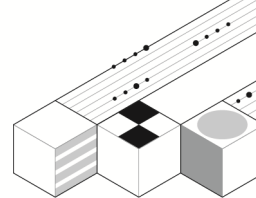
	December 31	
	2017	2016
<u>Domestic investments</u>		
Listed shares and emerging market stocks		
HannStar Display Corp.	\$ 2,358,684	\$ 1,865,116
Hannstar Board Corp.	1,276,389	1,037,619
Taiwan High Speed Rail Corp.	<u>67,422</u>	<u>88,210</u>
	<u>\$ 3,702,495</u>	<u>\$ 2,990,945</u>
Current	\$ -	\$ -
Non-current	<u>3,702,495</u>	<u>2,990,945</u>
	<u>\$ 3,702,495</u>	<u>\$ 2,990,945</u>

For the years ended December 31, 2017 and 2016, the Company sold 1,925 thousand shares and 15,206 thousand shares of Taiwan High Speed Rail Corp. at market value on the Taiwan Stock Exchange, resulting in gains on disposal of investments amounting NT\$35,871 thousand and NT\$172,036 thousand, respectively.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2017	2016
<u>Notes receivable</u>		
Notes receivable	\$ 27,353	\$ 27,710
Notes receivable from related parties	<u>-</u>	<u>-</u>
	<u>\$ 27,353</u>	<u>\$ 27,710</u>
<u>Trade receivables</u>		
Trade receivables	\$ 2,586,485	\$ 1,956,911
Less: Allowance for impairment loss	<u>(1,332)</u>	<u>(2,131)</u>
	2,585,153	1,954,780
Trade receivables from related parties	<u>481,485</u>	<u>446,725</u>
	<u>\$ 3,066,638</u>	<u>\$ 2,401,505</u>

The average credit period on sales of goods was 60 days. In determining the collectability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for



impairment loss based on estimated uncollectable amounts determined by reference to age of receivables, past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited due to the fact that the customer base was large and unrelated.

The Company did not recognize impairment loss on trade receivables balances that were past due at the end of the reporting period because there was no significant change in credit quality and the amounts were still considered collectable.

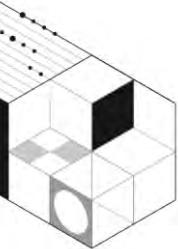
The aging of receivables was as follows:

	December 31	
	2017	2016
Not overdue	\$ 3,049,977	\$ 2,176,923
Less than 90 days	16,661	120,557
91-180 days	-	486
Overdue more than one year	<u>1,332</u>	<u>105,670</u>
	<u>\$ 3,067,970</u>	<u>\$ 2,403,636</u>

The above aging schedule was based on the past due date.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	Individually Assessed Impairment Loss	Group Assessed Impairment Loss	Total
Balance at January 1, 2016	\$ 2,179	\$ -	\$ 2,179
Less: Reversal of impairment loss	<u>(48)</u>	<u>-</u>	<u>(48)</u>
Balance at December 31, 2016	<u>\$ 2,131</u>	<u>\$ -</u>	<u>\$ 2,131</u>
Balance at January 1, 2017	\$ 2,131	\$ -	\$ 2,131
Less: Reversal of impairment loss	<u>(799)</u>	<u>-</u>	<u>(799)</u>
Balance at December 31, 2017	<u>\$ 1,332</u>	<u>\$ -</u>	<u>\$ 1,332</u>



10. INVENTORIES

	December 31	
	2017	2016
Raw materials	\$ 2,265,970	\$ 2,198,652
Raw materials in transit	1,266,640	1,816,182
Supplies	1,024,927	709,377
Work-in-process	1,169,227	752,691
Finished goods and merchandise	3,437,884	2,598,747
Contracts in progress	<u>9,549</u>	<u>4,330</u>
	<u>\$ 9,174,197</u>	<u>\$ 8,079,979</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2017 and 2016 was NT\$70,468,115 thousand and NT\$60,752,694 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 included reversal of inventory write-downs of NT\$134,843 thousand and NT\$177,280 thousand. Previous write-downs had been reversed according to the result of inventory close-out.

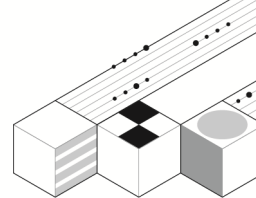
Contracts in progress of the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet dates.

11. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2017	2016
Domestic unlisted common shares		
Kuong Tai Welding Ind. Co., Ltd.	\$ 114,355	\$ 114,355
Powertec Energy Corp.	1,631,334	938,758
Others	<u>64,498</u>	<u>80,442</u>
	<u>\$ 1,810,187</u>	<u>\$ 1,133,555</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 1,810,187</u>	<u>\$ 1,133,555</u>

The Company participated in Powertec Energy Corp.'s capital increase by cash on September 22, 2016 and May 26, 2017. The investments amounted to NT\$233,052 thousand and NT\$692,576 thousand, respectively. The respective number of shares held by the Company at those dates were 380,167 thousand and 611,026 thousand shares, and the post subscription ownership percentages were 17.03% and 18.90%, respectively.

Management believed that fair value of the above unlisted equity investments held by the Company cannot be reliably measured due to the very wide range of reasonable fair value estimates; therefore, the investments were measured at cost less impairment at the end of



reporting period.

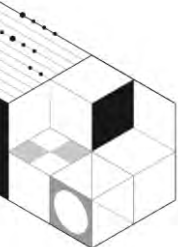
The Company recognized impairment loss on financial assets measured at cost of NT\$200,000 thousand for the year ended December 31, 2016, after appropriate evaluation.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	\$ 37,867,300	\$ 36,692,259
Investments in associates	<u>23,728,598</u>	<u>17,659,704</u>
	<u>\$ 61,595,898</u>	<u>\$ 54,351,963</u>

a. Investments in subsidiaries

Name of Associate	December 31			
	2017		2016	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies:				
Walsin Lihwa Holdings Ltd.	\$ 20,208,719	100.00	\$ 19,939,154	100.00
Concord Industries Ltd.	7,930,626	100.00	8,203,136	100.00
Energy Pilot Ltd.	744,020	100.00	748,344	100.00
Market Pilot Ltd.	101,931	100.00	111,636	100.00
Ace Result Ltd.	575,608	100.00	732,108	100.00
Chin-Cherng Construction Co., Ltd.	4,189,651	99.22	3,484,702	99.22
P.T Walsin Lippo Industries	585,466	70.00	607,271	70.00
Joint Success Enterprises Ltd.	3,077,331	49.05	2,426,940	49.05
Others	<u>453,948</u>		<u>438,968</u>	
	<u>\$ 37,867,300</u>		<u>\$ 36,692,259</u>	



b. Investments in associates

Name of Associate	December 31			
	2017		2016	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,420,078	22.21	\$ 10,023,613	22.66
Walton Advanced Engineering, Inc.	2,131,792	20.83	1,855,648	22.71
Walsin Technology Corp.	3,133,527	18.30	2,651,897	18.30
<u>Associates that are not individually materials</u>				
Others	<u>5,043,201</u>		<u>3,128,546</u>	
	<u>\$ 23,728,598</u>		<u>\$ 17,659,704</u>	

Refer to Table 6 “Information on Investees” and Table 7 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

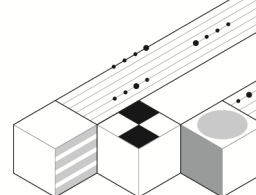
In November 2017, the Company subscribed for NT\$72,521 thousand shares of Winbond Electronics Corporation through the issuance of common shares for cash of NT\$1,595,460 thousand which was approved by the board of directors; after the subscription, the Company’s percentage of ownership in Winbond Electronics Corporation was 22.21%.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2017	2016
Winbond Electronics Corp.	<u>\$ 20,726,246</u>	<u>\$ 8,088,935</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,765,017</u>	<u>\$ 1,282,652</u>
Walsin Technology Corp.	<u>\$ 9,334,744</u>	<u>\$ 3,351,002</u>

All the associates are accounted for using the equity method.

The summarized financial information below represents amounts shown in the associates’ financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.



1) Material associates

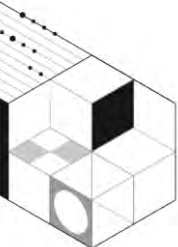
December 31, 2017

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 37,240,205	\$ 4,144,042	\$ 19,085,362
Non-current assets	50,875,918	12,161,716	16,073,004
Current liabilities	(16,240,188)	(3,061,689)	(12,327,143)
Non-current liabilities	<u>(10,248,944)</u>	<u>(3,060,202)</u>	<u>(3,750,567)</u>
Equity	61,626,991	10,183,867	19,080,656
Non-controlling interests	<u>(1,414,827)</u>	<u>-</u>	<u>(2,022,605)</u>
	<u>\$ 60,212,164</u>	<u>\$ 10,183,867</u>	<u>\$ 17,058,051</u>
Proportion of the Company's ownership	22.21%	20.83%	18.30%
Equity attributable to the Company	\$ 13,373,122	\$ 2,121,299	\$ 3,121,623
Other adjustments	<u>46,956</u>	<u>10,493</u>	<u>11,904</u>
Carrying amount	<u>\$ 13,420,078</u>	<u>\$ 2,131,792</u>	<u>\$ 3,133,527</u>
Operating revenue	<u>\$ 47,591,792</u>	<u>\$ 8,883,775</u>	<u>\$ 21,645,463</u>
Net profit for the year	\$ 5,822,950	\$ 675,829	\$ 2,611,092
Other comprehensive income	<u>3,749,701</u>	<u>878,783</u>	<u>962,512</u>
Total comprehensive income for the year	<u>\$ 9,572,651</u>	<u>\$ 1,554,612</u>	<u>\$ 3,573,604</u>

December 31, 2016

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 27,259,743	\$ 4,970,546	\$ 16,385,319
Non-current assets	40,730,266	10,742,285	12,414,084
Current liabilities	(14,605,735)	(4,340,026)	(8,866,424)
Non-current liabilities	<u>(8,163,475)</u>	<u>(3,294,871)</u>	<u>(3,706,811)</u>
Equity	45,220,799	8,077,934	16,226,168

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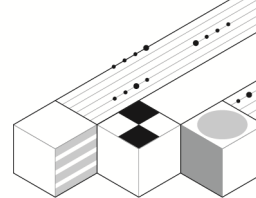


Non-controlling interests	<u>(1,299,838)</u>	<u>-</u>	<u>(1,820,394)</u>
	<u>\$ 43,920,961</u>	<u>\$ 8,077,934</u>	<u>\$ 14,405,774</u>
Proportion of the Company's ownership	22.66%	22.71%	18.30%
Equity attributable to the Company	\$ 9,952,490	\$ 1,834,499	\$ 2,636,257
Other adjustments	<u>71,123</u>	<u>21,149</u>	<u>15,640</u>
Carrying amount	<u>\$ 10,023,613</u>	<u>\$ 1,855,648</u>	<u>\$ 2,651,897</u>
Operating revenue	<u>\$ 42,091,709</u>	<u>\$ 8,748,398</u>	<u>\$ 18,490,529</u>
Net profit for the year	\$ 3,140,074	\$ 440,354	\$ 2,296,495
Other comprehensive income (loss)	<u>2,485,116</u>	<u>117,721</u>	<u>(707,418)</u>
Total comprehensive income for the year	<u>\$ 5,625,190</u>	<u>\$ 558,075</u>	<u>\$ 1,589,077</u> (Concluded)

2) Associates that are not individually material

	For the Year Ended December 31	
	2017	2016
The Company's share of:		
Profit (loss) from continuing operations	\$ 185,394	\$ (185)
Other comprehensive income	<u>1,729,574</u>	<u>957,166</u>
Total comprehensive income for the year	<u>\$ 1,914,968</u>	<u>\$ 956,981</u>

The Company's share of profit and other comprehensive income of associates for the years ended December 31, 2017 and 2016 was based on the associates' financial statements audited by independent auditors for the same period. The financial statements of certain equity-method investees included the financial statement referred to above were not audited by the auditors of the Company, but were audited by other independent auditors. The investment in such investee amounted to NT\$2,878,841 thousand and NT\$2,843,728 thousand as of December 31, 2017 and 2016; investment gain amounted to NT\$502,051 thousand and NT\$725,406 thousand for the years ended December 31, 2017 and 2016.



13. PROPERTY, PLANT AND EQUIPMENT

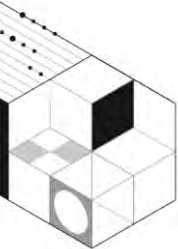
	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Cost</u>						
Balance at January 1, 2016	\$ 2,131,242	\$ 5,861,220	\$ 14,408,940	\$ 3,688,104	\$ 1,193,668	\$ 27,283,174
Additions	23,848	362,353	1,988,874	139,063	460,948	2,975,086
Disposals	(1,801)	(17,001)	(85,272)	(318,475)	-	(422,549)
Reclassified	-	132,110	773,360	51,868	(957,338)	-
Balance at December 31, 2016	<u>\$ 2,153,289</u>	<u>\$ 6,338,682</u>	<u>\$ 17,085,902</u>	<u>\$ 3,560,560</u>	<u>\$ 697,278</u>	<u>\$ 29,835,711</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2016	\$ 8,067	\$ 3,777,480	\$ 8,983,987	\$ 2,887,729	\$ -	\$ 15,657,263
Disposals	-	(11,680)	(86,944)	(316,781)	-	(415,405)
Depreciation expense	-	104,306	481,189	140,622	-	726,117
Impairment losses recognized in profit or loss	-	-	13,797	-	-	13,797
Balance at December 31, 2016	<u>\$ 8,067</u>	<u>\$ 3,870,106</u>	<u>\$ 9,392,029</u>	<u>\$ 2,711,570</u>	<u>\$ -</u>	<u>\$ 15,981,772</u>
Carrying amounts at December 31, 2016	<u>\$ 2,145,222</u>	<u>\$ 2,468,576</u>	<u>\$ 7,693,873</u>	<u>\$ 848,990</u>	<u>\$ 697,278</u>	<u>\$ 13,853,939</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ 2,153,289	\$ 6,338,682	\$ 17,085,902	\$ 3,560,560	\$ 697,278	\$ 29,835,711
Additions	87	45,682	78,077	102,337	1,175,285	1,401,468
Disposals	-	(4,318)	(111,960)	(67,393)	-	(183,671)
Reclassified	-	40,264	303,608	73,796	(417,668)	-
Balance at December 31, 2017	<u>\$ 2,153,376</u>	<u>\$ 6,420,310</u>	<u>\$ 17,355,627</u>	<u>\$ 3,669,300</u>	<u>\$ 1,454,895</u>	<u>\$ 31,053,508</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2017	\$ 8,067	\$ 3,870,106	\$ 9,392,029	\$ 2,711,570	\$ -	\$ 15,981,772
Disposals	-	(4,299)	(111,960)	(67,351)	-	(183,610)
Depreciation expense	-	120,909	624,772	153,489	-	899,170
Reclassified	-	-	559	(559)	-	-
Balance at December 31, 2017	<u>\$ 8,067</u>	<u>\$ 3,986,716</u>	<u>\$ 9,905,400</u>	<u>\$ 2,797,149</u>	<u>\$ -</u>	<u>\$ 16,697,332</u>
Carrying amounts at December 31, 2017	<u>\$ 2,145,309</u>	<u>\$ 2,433,594</u>	<u>\$ 7,450,227</u>	<u>\$ 872,151</u>	<u>\$ 1,454,895</u>	<u>\$ 14,356,176</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings and improvements	3-50 years
Machinery and equipment	3-20 years
Other equipment	3-15 years

The Company's main building and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.





The Company owns parcels of land which were registered in the name of certain individuals because of certain regulatory restrictions. To secure its ownership of such parcels of land, the Company keeps in its possession the land titles with the annotation of being pledged to the Company. As of December 31, 2017 and 2016, the recorded total carrying value of such parcels of land amounted to NT\$418,425 thousand and NT\$418,362 thousand, respectively.

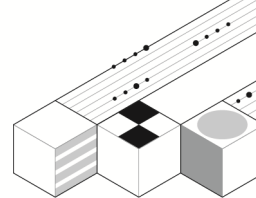
After appropriate evaluation, the Company recognized impairment loss on property, plant and equipment of NT\$13,797 thousand for the year ended December 31, 2016, which were recorded as impairment loss.

14. INVESTMENT PROPERTIES

	December 31	
	2017	2016
Completed investment property	<u>\$ 8,603,604</u>	<u>\$ 8,730,768</u>
		Completed Investment Property
<u>Cost</u>		
Balance at January 1, 2016		<u>\$ 9,772,725</u>
Balance at December 31, 2016		<u>\$ 9,772,725</u>
Balance at January 1, 2017		<u>\$ 9,772,725</u>
Balance at December 31, 2017		<u>\$ 9,772,725</u>
<u>Accumulated depreciation and impairment</u>		
Balance at January 1, 2016		\$ 914,793
Depreciation expense		<u>127,164</u>
Balance at December 31, 2016		<u>\$ 1,041,957</u>
Balance at January 1, 2017		\$ 1,041,957
Depreciation expense		<u>127,164</u>
Balance at December 31, 2017		<u>\$ 1,169,121</u>

The completed investment properties are depreciated under straight-line method over 20 to 50 years.

The main investment property of the Company is the Walsin Xin Yi Building. The building valuation was commissioned by independent appraisal agencies (a third party). As of December



31, 2017 and 2016, the completed investment properties' real estate value was NT\$29,032,022 thousand and NT\$28,307,139 thousand, respectively.

15. BORROWINGS

	December 31	
	2017	2016
Short-term borrowings	\$ 4,083,492	\$ 2,515,701
Current portion of long-term borrowings	\$ -	\$ 6,630,000
Long-term borrowings	\$ 21,500,000	\$ 15,000,000

a. Short-term borrowings as of December 31, 2017 and 2016 were as follows:

	December 31			
	2017		2016	
	Interest Rate		Interest Rate	
	%	Amount	%	Amount
Materials procurement loans	1.15-2.495	\$ 323,492	0.9-2.114	\$ 745,701
Bank lines of credit	0.8-1.2	<u>3,760,000</u>	0.79-1.2	<u>1,770,000</u>
		<u>\$ 4,083,492</u>		<u>\$ 2,515,701</u>

b. Long-term borrowings as of December 31, 2017 and 2016 were as follows:

	December 31			
		2017	2016	
	Significant Covenant	Rate	Amount	Amount
Taipei Fubon Bank and others	Credit loan; principal repayments every six months at 30%, 35%, 35% from the end of the fourth year from drawing date (September 2015)	1.80%	\$ 15,000,000	\$ 15,000,000
Bank of Taiwan and others	Credit loan; principal repayments every six months at 10%, 10%, 15%, 15%, 50% from the end of the third year from drawing date (August 2012)	1.59%	-	6,630,000
Bank of Taiwan	Credit loan; principal repayments until maturity from August 7, 2017 to May 9, 2020	1.30%	1,000,000	-
Taishin International Bank	Credit loan; principal repayments every six months at 33.33%, 33.33%, 33.34% from the end of the second year from drawing date (September 2017)	1.34%	2,000,000	-
Taipei Fubon Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.38%	1,000,000	-
Chang Hwa Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.30%	1,500,000	-
First Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1.25%	1,000,000	-
			<u>21,500,000</u>	<u>21,630,000</u>
Less current portion of long-term borrowings			-	(6,630,000)
			<u>\$ 21,500,000</u>	<u>\$ 15,000,000</u>





Under the loan agreements with Bank of Taiwan and Taipei Fubon Bank, the Company should maintain certain financial ratios calculated based on its annual and semi-annual financial statements, audited by independent auditors, during the loan terms. The financial ratios are as follows:

- 1) Ratio of current assets to current liabilities not less than 100%;
- 2) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;
- 3) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%; and
- 4) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.

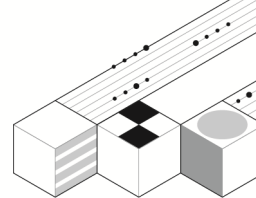
As of December 31, 2016, the Company's current portion of long-term borrowings was NT\$6,630,000 thousand under the loan agreement. The Company's financial reports for the years ended December 31, 2017 and 2016 showed that the Company was in compliance with these ratio requirements.

16. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
<u>Derivative financial liabilities under hedge accounting</u>		
Fair value hedges - foreign exchange swap	<u>\$ 13,964</u>	<u>\$ -</u>

The Company used exchange rate swap contracts to minimize its exposure to changes in the exchange rate of its foreign-currency trade receivable and trade payable. The exchange rate swaps and the corresponding financial assets have the same terms, and management believes that the exchange rate swaps are highly effective hedging instruments. The outstanding exchange rate swap contracts of the Company at the end of the reporting period were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2016</u>			
Forward exchange swap	US\$ to NT\$	2018.01.16	US\$29,950/NT\$897,015
Buy forward exchange contracts	US\$ to NT\$	2018.01.08	US\$10,000/NT\$301,400
For the Year Ended December 31			
		2017	2016
Losses on the hedging instruments		<u>\$ (13,964)</u>	<u>\$ -</u>
Gains on the hedged items		<u>\$ 12,447</u>	<u>\$ -</u>



17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Company in ROC make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total expense recognized in profit or loss for the years ended December 31, 2017 and 2016 was NT\$74,417 thousand and NT\$67,593 thousand, respectively, which represents contributions payable to these plans by the Company at rates specified in the rules of the plans.

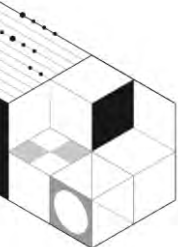
b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,494,988	\$ 1,379,967
Fair value of plan assets	<u>(688,475)</u>	<u>(612,759)</u>
Net defined benefit liabilities	<u>\$ 806,513</u>	<u>\$ 767,208</u>

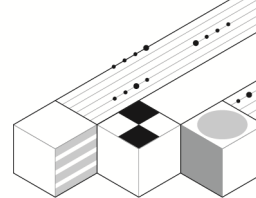
As of December 31, 2017 and 2016, net defined benefit liabilities of NT\$1,357 thousand and NT\$1,046 thousand, respectively, were recorded as "other payables - accrued expense."



	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2016	\$ 1,395,962	\$ (8,169)	\$ 1,387,793
Service cost			
Current service cost	16,956	-	16,956
Net interest expense (income)	21,871	(131)	21,740
Recognized in profit or loss	38,827	(131)	38,696
Remeasurement			
Actuarial (gain) loss - experience adjustments	6,480	(3,276)	3,204
Recognized in other comprehensive income (loss)	6,480	(3,276)	3,204
Contributions from the employer	-	(656,214)	(656,214)
Benefits paid	(55,031)	55,031	-
Account paid	(6,271)	-	(6,271)
Balance at December 31, 2016	1,379,967	(612,759)	767,208
Service cost			
Current service cost	15,517	-	15,517
Net interest expense (income)	21,676	(10,516)	11,160
Recognized in profit or loss	37,193	(10,516)	26,677
Remeasurement			
Actuarial loss - changes in financial assumptions	59,985	-	59,985
Actuarial loss - experience adjustments	86,259	4,492	90,751
Recognized in other comprehensive income (loss)	146,244	4,492	150,736
Contributions from the employer	-	(138,108)	(138,108)
Benefits paid	(68,416)	68,416	-
Balance at December 31, 2017	\$ 1,494,988	\$ (688,475)	\$ 806,513

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2017	2016
Operating costs	\$ 16,704	\$ 23,754
Selling and marketing expenses	2,405	3,189
General and administrative expenses	7,165	11,494
Research and development expenses	403	259
	<u>\$ 26,677</u>	<u>\$ 38,696</u>



Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Fund or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

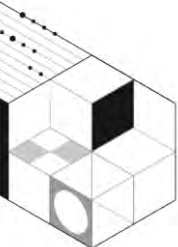
The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	2016
Discount rate(s)	1.40%	1.60%
Expected rate(s) of salary increase	2.25%	2.00%

If possible reasonable change in each of the significant actuarial assumptions occurs and all other assumptions remain constant, the present value of the defined benefit obligation would decrease/increase as follows:

	December 31	
	2017	2016
Discount rates		
0.5% increase	<u>\$ (66,555)</u>	<u>\$ (63,862)</u>
0.5% decrease	<u>\$ 71,358</u>	<u>\$ 68,622</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 70,406</u>	<u>\$ 68,014</u>
0.5% decrease	<u>\$ (66,348)</u>	<u>\$ (63,934)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.



18. EQUITY

	December 31	
	2017	2016
Share capital		
Common shares	\$ 33,660,002	\$ 33,960,002
Capital surplus	15,854,392	15,701,403
Retained earnings	19,234,380	15,211,219
Others	2,090,607	(897,872)
Treasury shares	<u>(315,918)</u>	<u>(608,810)</u>
	<u>\$ 70,523,463</u>	<u>\$ 63,365,942</u>

a. Share capital

Common shares

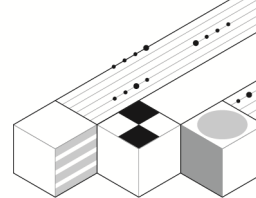
	December 31	
	2017	2016
Number of shares authorized (in thousands)	<u>6,500,000</u>	<u>6,500,000</u>
Amount of authorized shares	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,366,001</u>	<u>3,396,001</u>
Amount of issued shares	<u>\$ 33,660,002</u>	<u>\$ 33,960,002</u>

As of January 1, 2016, the balance of the Company's share capital account was NT\$35,760,002 thousand, divided into 3,576,001 thousand shares at a NT\$10.00 par value.

The Company cancelled 30,000 thousand, 60,000 thousand and 120,000 thousand shares of treasury shares in May 2017, August 2016 and November 2016, respectively. As of December 31, 2017 and 2016, the balance of the Company's share capital account was NT\$33,660,002 thousand and NT\$33,960,002 thousand, divided into 3,366,001 thousand and 3,396,001 thousand shares at par values of NT\$10, respectively.

b. Capital surplus

	December 31	
	2017	2016
Premium from issuance of common shares	\$ 10,295,885	\$ 10,387,648
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	495
Arising from share of changes in capital surplus from investments in associates under equity method	214,990	68,609
Arising from treasury share transactions	2,241,869	2,142,998
		(Continued)



	December 31	
	2017	2016
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,417</u>	<u>1,027,422</u>
	<u>\$ 15,854,392</u>	<u>\$ 15,701,403</u> (Concluded)

The premium from shares issued in excess of par (share premium from issuance of common shares, conversion of bonds and treasury share transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investments, employee share options and share warrants may not be used for any purpose.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 25, 2016 and in that meeting, had resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividend distribution and the addition of the policy of employees' compensation.

Based on the Company's amended Articles of Incorporation, 10% of the Company's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals the Company's paid-in capital. Also, the Company appropriated earnings to special reserve based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by the Company and will be distributed to shareholders. Refer to Note 20 for the Company's amended Articles of Incorporation that stipulated distribution of employees' compensation and remuneration to directors and supervisors.

The Company appropriates or reverses special reserve in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, 1010047490 and 1030006415 issued by FSC and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs".

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2016 and 2015 are subject to the resolution of the shareholders' meeting to be held on May 26, 2017 and May 25, 2016.



	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 456,813	\$ 160,173	\$ -	\$ -
Cash dividends	<u>2,328,200</u>	<u>701,200</u>	0.7	0.2
	<u>\$ 2,785,013</u>	<u>\$ 861,373</u>		

The appropriation of earnings for 2017 had been resolved by the Company's board of directors on February 23, 2018. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 655,998	\$ -
Cash dividends	<u>3,326,000</u>	1.00
	<u>\$ 3,981,998</u>	

The appropriation of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held on May 25, 2018.

d. Special reserve

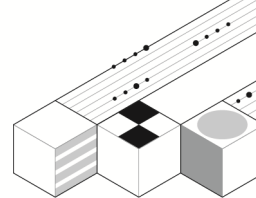
Special reserve remained unchanged for the years ended December 31, 2017 and 2016.

e. Other equity items

1) Foreign currency translation reserve

	2017	2016
Balance at January 1	\$ (2,110,122)	\$ 1,428,373
Share of exchange difference of associates for using the equity method	<u>(834,636)</u>	<u>(3,538,495)</u>
Balance at December 31	<u>\$ (2,944,758)</u>	<u>\$ (2,110,122)</u>

Exchange differences relating to the translation of the results and net assets of the Company's foreign operations from their functional currencies to the Company's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve were reclassified to profit or loss on the disposal of the foreign operation.



2) Investments revaluation reserve

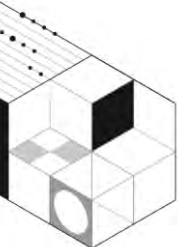
	2017	2016
Balance at January 1	\$ 1,225,921	\$ (1,960,168)
Unrealized loss arising on revaluation of available-for-sale financial assets	760,541	1,526,373
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates under equity method	3,092,526	1,837,070
Disposal of available-for-sale financial assets	<u>(36,094)</u>	<u>(177,354)</u>
Balance at December 31	<u>\$ 5,042,894</u>	<u>\$ 1,225,921</u>

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

3) Cash flow hedging reserve

	2017	2016
Balance at January 1	\$ (13,671)	\$ (89,318)
Gain (loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Forward foreign exchange contracts	-	3,683
Transferred to carrying amount of hedged items	2,133	79,268
Others	<u>4,009</u>	<u>(7,304)</u>
Balance at December 31	<u>\$ (7,529)</u>	<u>\$ (13,671)</u>

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising from changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising from changes in fair value of the hedging instruments that was recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item.



f. Treasury shares

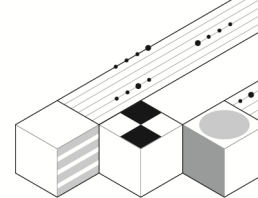
Treasury shares transactions for the year ended December 31, 2017 were summarized as follows:

Purpose for Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2017	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2017
Common shares held by the Company as reserve for employee incentives	<u>70,000,000</u>	<u>-</u>	<u>30,000,000</u>	<u>40,000,000</u>

Treasury shares transactions for the year ended December 31, 2016 were summarized as follows:

Purpose for Reacquisition of Common Shares	Number of Treasury Shares as of January 1, 2016	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2016
Common shares held by the Company as reserve for employees' incentives	70,000,000	-	-	70,000,000
To maintain the Company's credibility and shareholders' interest	<u>-</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>-</u>
	<u>70,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>	<u>70,000,000</u>

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury shares held by the Company should not exceed 10% of the number of shares issued and that the cost of acquisition of treasury shares should not exceed the total of retained earnings, additional-paid-in capital and other realized capital surplus. In addition, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote, or exercise other shareholder's rights on the treasury shares.



19. REVENUE

	For the Year Ended December 31	
	2017	2016
Sales revenue	\$ 75,241,334	\$ 66,237,497
Revenue from the rendering of services	98,219	69,381
Construction contract revenue	17,180	-
Rental income	703,244	704,545
Other revenue	<u>63,097</u>	<u>62,616</u>
	<u>\$ 76,123,074</u>	<u>\$ 67,074,039</u>

20. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Non-operating Income and Expenses - Gain (Loss) on Disposal of Investments

	For the Year Ended December 31	
	2017	2016
Gain (loss) on disposal of investments - forward exchange contracts settled	\$ 39,500	\$ (4,948)
Gain on disposal of available-for-sale financial assets - non-current	35,871	172,036
Gain on disposal of financial assets measured at cost - non-current	546	-
Loss on disposal of investment - commodity futures settled	(374,086)	(157,486)
(Loss) gain on disposal of investment - exchange rate swap contracts settled	<u>(71,035)</u>	<u>30,037</u>
	<u>\$ (369,204)</u>	<u>\$ 39,639</u>

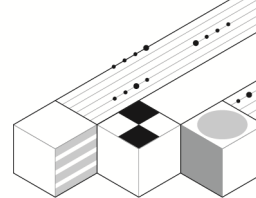
Non-operating Income and Expenses - Impairment Loss

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	\$ -	\$ 13,797
Financial assets measured at cost - non-current	<u>-</u>	<u>200,000</u>
	<u>\$ -</u>	<u>\$ 213,797</u>



Employee Benefits Expense, Depreciation and Amortization

For the Year Ended December 31, 2017				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits				
Salary	\$ 1,512,071	\$ 865,001	\$ -	\$ 2,377,072
Labor health insurance	129,507	46,267	-	175,774
Post-employment benefits	<u>69,149</u>	<u>31,945</u>	<u>-</u>	<u>101,094</u>
	<u>\$ 1,710,727</u>	<u>\$ 943,213</u>	<u>\$ -</u>	<u>\$ 2,653,940</u>
Depreciation				
Property, plant and equipment	\$ 842,352	\$ 56,818	\$ -	\$ 899,170
Investment property	<u>118,224</u>	<u>8,940</u>	<u>-</u>	<u>127,164</u>
	<u>\$ 960,576</u>	<u>\$ 65,758</u>	<u>\$ -</u>	<u>\$ 1,026,334</u>
Amortization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,380</u>	<u>\$ 2,380</u>
For the Year Ended December 31, 2016				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits				
Salary	\$ 1,398,601	\$ 726,701	\$ -	\$ 2,125,302
Labor health insurance	119,350	41,095	-	160,445
Post-employment benefits	<u>72,120</u>	<u>34,169</u>	<u>-</u>	<u>106,289</u>
	<u>\$ 1,590,071</u>	<u>\$ 801,965</u>	<u>\$ -</u>	<u>\$ 2,392,036</u>
Depreciation				
Property, plant and equipment	\$ 662,023	\$ 64,094	\$ -	\$ 726,117
Investment property	<u>121,010</u>	<u>6,154</u>	<u>-</u>	<u>127,164</u>
	<u>\$ 783,033</u>	<u>\$ 70,248</u>	<u>\$ -</u>	<u>\$ 853,281</u>
Amortization	<u>\$ 7,069</u>	<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ 11,149</u>



As of December 31, 2017 and 2016, the Company had 2,468 and 2,317 employees, respectively.

In compliance with the Company Act amended in May 2015, the Company's shareholders held their meeting on May 2016 and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the years ended December 31, 2017 and 2016, the employees' compensation amounted to NT\$73,000 thousand and NT\$53,100 thousand, and the remuneration to directors and supervisors amounted to NT\$51,000 thousand and NT\$36,900 thousand, representing 1% and 0.7%, respectively, of the base net profit before income tax. The employees' compensation and remuneration to directors and supervisors in cash for the years ended December 31, 2017 and 2016 were approved by the Company's board of directors on February 23, 2018, and February 17, 2017, respectively.

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences will be recorded as a change in accounting estimate.

The employees' compensation and the remuneration to directors and supervisors for 2016 and 2015 were not any different from the amounts recognized in the financial statements for 2016 and 2015.

Information on the employees' compensation and remuneration to directors and supervisors for 2017 resolved by the Company's board of directors in 2018 and bonus to employees, directors and supervisors for 2016 resolved by the shareholders' meeting in 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 329,000	\$ 283,741
Income tax expense of unappropriated earnings	174,428	58,923
In respect of prior periods	<u>10,040</u>	<u>2,830</u>
	<u>513,468</u>	<u>345,494</u>
Deferred tax		
In respect of the current year	54,000	235,000
In respect of prior periods	<u>-</u>	<u>27,000</u>
Income tax expense recognized in profit or loss	<u>\$ 567,468</u>	<u>\$ 607,494</u>



A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

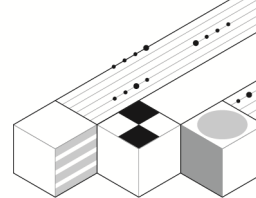
	For the Year Ended December 31	
	2017	2016
Income before tax from continuing operations	<u>\$ 7,127,452</u>	<u>\$ 5,175,619</u>
Income tax expense calculated at the statutory rate	\$ 1,211,667	\$ 879,855
Net gain on disposal of investments	(6,191)	(29,246)
Gain on disposal of land-exemption of taxation	-	(1,130)
Equity in investees' net (gain) loss	(752,553)	(272,900)
Dividend income	(26,852)	(3,662)
Loss on investees' capital reduction to complement accumulated deficits	(112,387)	(28,598)
Realized loss on liquidation of investment	-	(25,091)
Income tax on unappropriated earnings	174,428	58,923
Adjustments for prior years' tax	10,040	29,830
Others	<u>69,316</u>	<u>(487)</u>
Income tax expense recognized in profit or loss	<u>\$ 567,468</u>	<u>\$ 607,494</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Company.

In February 2018, it was announced that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets recognized as at December 31, 2017 are expected to be adjusted and will increase by NT\$56,456 thousand in 2018.

b. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	<u>\$ -</u>	<u>\$ -</u>
Current tax liabilities		
Income tax payable	<u>\$ 351,234</u>	<u>\$ 342,045</u>



c. Deferred tax assets and liabilities:

	December 31	
	2017	2016
Deferred tax assets (liabilities)		
Pension expense not currently deductible	\$ 111,000	130,000
Provision for permanent devaluation loss on long-term investments	46,000	56,000
Provision for devaluation loss on obsolete and slow-moving inventories	17,000	40,000
Provision for impairment loss on idle assets	18,000	18,000
Others	127,919	129,919
Deferred income tax liabilities		
Reserve for land revaluation increment tax	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 188,787</u>	<u>\$ 242,787</u>
Deferred income tax assets - non-current	\$ 319,919	\$ 373,919
Deferred income tax liabilities - non-current	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 188,787</u>	<u>\$ 242,787</u>

d. The information on imputation credit accounts was as follows:

	December 31	
	2017	2016
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 13,240,574</u>	<u>\$ 9,674,226</u>
Balance of Imputation Credit Account (included current tax liabilities)	<u>\$ 1,674,192</u>	<u>\$ 1,418,554</u>

	For the Year Ended December 31	
	2017 (Expected)	2016 (Actual)

Creditable ratio for distribution of earnings	(Note)	14.76%
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Effective from January 1, 2015, according to the revised Article 66 - 6-1 of the Income Tax Law, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio.

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, no creditable ratio for the distribution of earnings in 2018 is expected.



- e. The Company's income tax returns through 2014 had been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

	For the Year Ended December 31					
	2017			2016		
	Amounts (Numerator)		Earnings Per Share (In Dollars)	Amounts (Numerator)		Earnings Per Share (In Dollars)
	After Income Tax		After Income Tax	After Income Tax		After Income Tax
	(Attributable to Parent's Shareholders)	Shares (Denominator) (In Thousands)	(Attributable to Parent's Shareholders)	(Attributable to Parent's Shareholders)	Shares (Denominator) (In Thousands)	(Attributable to Parent's Shareholders)
Basic earnings per share						
Net income	\$ 6,559,984	3,326,000	<u>\$ 1.97</u>	\$ 4,568,125	3,424,730	<u>\$ 1.33</u>
Effect of dilutive potential common shares	-	4,638		-	4,817	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 6,559,984</u>	<u>3,330,638</u>	<u>\$ 1.97</u>	<u>\$ 4,568,125</u>	<u>3,429,547</u>	<u>\$ 1.33</u>

23. OPERATING LEASE ARRANGEMENTS

- a. The Company as lessee

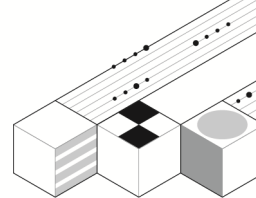
As of December 31, 2017, the Company's future minimum lease payments on non-cancelable operating lease commitments were as follows:

Years of 2018	\$ 19,347
2019-2023	50,630
After 2024	<u>7,782</u>
	<u>\$ 77,759</u>

- b. The Company as lessor

Lease arrangements

Operating leases are related to the investment property owned by the Company with lease terms between 5 and 10 years, with an option to extend for additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.



As of December 31, 2017 and 2016, deposits received under operating leases amounted to NT\$160,310 thousand and NT\$159,053 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2016, the Company's future minimum lease receivables on non-cancelable operating lease commitments were as follows:

Years of 2018	\$ 677,095
2019-2023	<u>856,613</u>
	<u>\$ 1,533,708</u>

24. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure that it has the necessary financial resources and operational plan so that it can cope with the next 12 months working capital requirements, capital expenditures, debt repayments and dividends spending.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Company (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Company review the capital structure on a quarterly basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Company may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except for the financial assets that are measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as an approximate of fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	<u>\$ 3,702,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,702,945</u>

(Continued)



	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging	\$ -	\$ 13,964	\$ -	\$ 13,964
Financial liabilities at FVTPL	<u>32,467</u>	<u>35,313</u>	<u>-</u>	<u>68,780</u>
	<u>\$ 32,467</u>	<u>\$ 49,277</u>	<u>\$ -</u>	<u>\$ 82,744</u> (Concluded)

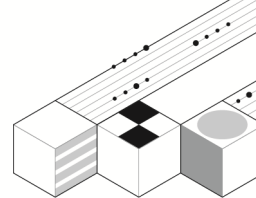
December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	\$ 18,882	\$ -	\$ -	\$ 18,882
Available-for-sale financial assets	<u>2,990,945</u>	<u>-</u>	<u>-</u>	<u>2,990,945</u>
	<u>\$ 3,009,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,009,827</u>
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ 1,155</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2017 and 2016.

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - forward exchange contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Derivatives - exchange rate swaps contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.



c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Loans and receivables		
Cash and cash equivalents	\$ 2,192,403	\$ 1,375,045
Notes receivable and trade receivables (included related parties)	3,093,991	2,429,215
Other receivables	328,741	417,023
Refundable deposits	58,764	62,907
Financial assets at FVTPL (current and non-current)	-	18,882
Available-for-sale financial assets (current and non-current)	3,702,495	2,990,945
Financial assets measured at cost - non-current	1,810,187	1,133,555
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	68,780	1,155
Derivative financial liabilities for hedging (current and non-current)	13,964	-
Amortized cost		
Short-term borrowings	4,083,492	2,515,701
Notes payable and trade payables	4,146,066	3,174,672
Other payables	3,658,528	1,773,759
Long-term borrowings (included current portion)	21,500,000	21,630,000
Deposits received (recorded as other non-current liabilities - other)	174,857	166,373

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and investments, trade receivable, and trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provides written principles on foreign exchange risk, interest rate risk and credit risk, use of financial derivatives and non-derivative financial instruments, and investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company did not enter into or trade financial instruments for speculative purposes.





1) Market risk

The Company is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

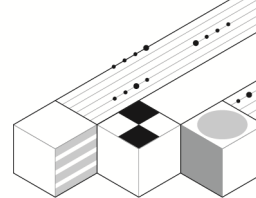
a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	December 31	
	2017	2016
<u>Assets</u>		
U.S. dollars	\$ 2,864,653	\$ 2,217,072
Japanese yen	66,520	111,161
Euro	864,686	361,139
Singapore dollars	4,679	2,610
Hong Kong dollars	18,424	16,325
Australian dollar	-	2,987
Renminbi	-	1,159
<u>Liabilities</u>		
U.S. dollars	3,111,525	2,079,303
Euro	31,190	790
Japanese yen	1,311	1,821



The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	December 31	
	2017	2016
<u>Assets</u>		
U.S. dollars	\$ 5,077,165	\$ 4,837,500
Euro	-	-

The Company was mainly exposed to the U.S. dollars.

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss	\$ 48,303	\$ 49,753

b) Interest rate risk

The Company's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

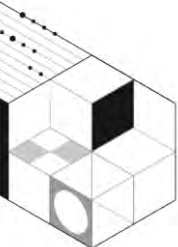
The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2017	2016
Cash flow interest rate risk		
Financial liabilities	\$ 25,583,492	\$ 24,145,701

Sensitivity analysis

The sensitivity analysis below shows the possible effect on profit and loss assuming a change in the interest rates at the end of the reporting period.

If interest rates at the end of the reporting period increased by 1% and all other variables were held constant, the Company's pre-tax income for the years ended December 31, 2017 and 2016 would have been decreased by NT\$255,835 thousand and NT\$241,457 thousand, respectively.



2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge their obligation and financial guarantees would equal to the following:

- a) The carrying amount of the respective recognized financial assets as stated in the condensed balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Company

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst the approved counterparties. Credit exposure is controlled by setting credit limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk was significantly reduced.

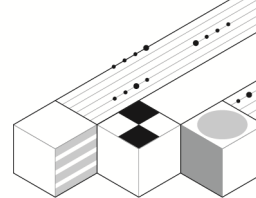
3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

- a) The Company's non-derivative financial liabilities with their agreed repayment period were as follows:

December 31, 2017

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
Non-derivative <u>financial liabilities</u>					
Variable interest rate liabilities	\$ 4,083,492	\$ 5,166,667	\$ 16,333,333	\$ -	\$ 25,583,492
Non-interest bearing	<u>7,804,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,804,593</u>
	<u>\$ 11,888,085</u>	<u>\$ 5,166,667</u>	<u>\$ 16,333,333</u>	<u>\$ -</u>	<u>\$ 33,388,085</u>



December 31, 2016

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
Non-derivative <u>financial liabilities</u>					
Variable interest rate liabilities	\$ 9,145,701	\$ 15,000,000	\$ -	\$ -	\$ 24,145,701
Non-interest bearing	<u>4,948,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,948,431</u>
	<u>\$ 14,094,132</u>	<u>\$ 15,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,094,132</u>

- b) The Company's derivative financial instruments with agreed settlement date were as follows:

December 31, 2017

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ (10,893)	\$ (34,226)	\$ 11,652	\$ -	\$ (33,467)
Forward exchange contracts	(4,459)	(32,826)	-	-	(37,285)
Exchange rate swaps contracts	(2,487)	-	-	-	(2,487)
Cross-currency swap contracts	<u>(9,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,505)</u>
	<u>\$ (27,344)</u>	<u>\$ (67,052)</u>	<u>\$ 11,652</u>	<u>\$ -</u>	<u>\$ (82,744)</u>

December 31, 2016

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<u>Net settled</u>					
Commodity futures contracts	\$ (464)	\$ 19,036	\$ 310	\$ -	\$ 18,882
Exchange rate swaps contracts	<u>(1,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,155)</u>
	<u>\$ (1,619)</u>	<u>\$ 19,036</u>	<u>\$ 310</u>	<u>\$ -</u>	<u>\$ 17,727</u>



e. Transfers of financial assets

Factored trade receivables for the nine months ended December 31, 2017 and 2016 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
<u>2017</u>					
CTBC bank	\$ 148,757	\$ 128,351	\$ -	-	US\$ 3,000
<u>2016</u>					
CTBC bank	\$ 91,202	\$ 89,902	\$ -	-	US\$ 3,000

The above credit lines may be used on a revolving basis.

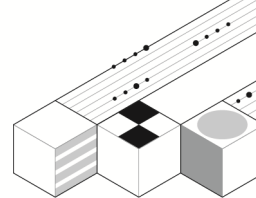
26. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties were disclosed as below:

a. Related parties and nature of relationships

Related Party	Nature of Relationship
Walsin Lihwa Holdings Ltd.	Subsidiary
Walsin Info-Electric Corp.	Subsidiary
Chin-Cherng Construction Co.	Subsidiary
Min Maw Precision Industry Corp.	Subsidiary
Dongguan Walsin Wire & Cable Co., Ltd.	Subsidiary
Nanjing Walsin Metal Co., Ltd.	Subsidiary
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Subsidiary
Walsin Specialty Steel Corp.	Subsidiary
Borrego Solar Systems, Inc.	Subsidiary
Green Lake Exchange, LLC.	Subsidiary
Winbond Electronics Corp.	Associate
Walsin Technology Corp.	Associate
Walton Advanced Engineering, Inc.	Associate
Chin-Xin Investment Co., Ltd.	Associate
Changzhou China Steel Precision Materials Co., Ltd.	Associate
Walsin Color Co., Ltd.	Associate

(Continued)



Related Party	Nature of Relationship
HannStar Display Corp.	Actual related party
Kuong Tai Metal Industrial Co., Ltd.	Actual related party
HannStar Board Corp.	Actual related party
Prosperity Dielectrics Co., Ltd.	Actual related party
Powertec Energy Corp.	Actual related party
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
	(Concluded)

b. Sales

	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ 4,943,293	\$ 4,162,442
Other related parties	<u>812,293</u>	<u>707,100</u>
	<u>\$ 5,755,586</u>	<u>\$ 4,869,542</u>

c. Rental income

	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ 240	\$ 240
Associates	27,488	22,212
Other related parties	<u>9,380</u>	<u>9,988</u>
	<u>\$ 37,108</u>	<u>\$ 32,440</u>

d. Purchases

	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ 59,915	\$ 39,809
Other related parties	<u>848</u>	<u>1,306</u>
	<u>\$ 60,763</u>	<u>\$ 41,115</u>



e. Construction contract

For the Year Ended December 31

2017 2016

Subsidiaries	\$ <u>57,559</u>	\$ <u>-</u>
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f. Administrative expenses

For the Year Ended December 31

2017 2016

Subsidiaries	\$ 300	\$ 300
Associates	9,722	9,761
Other related parties	<u>11,254</u>	<u>10,992</u>
	<u>\$ 21,276</u>	<u>\$ 21,053</u>

The stock registration matters of the Company and related parties were handled together. The related fees allocated to the related parties were charged against general and administrative expenses.

g. Notes receivable

December 31

2017 2016

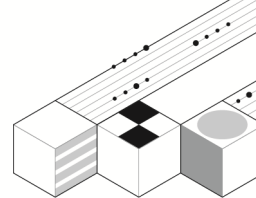
Associates	\$ 594	\$ 656
Other related parties	<u>83</u>	<u>99</u>
	<u>\$ 677</u>	<u>\$ 755</u>

h. Trade receivable

December 31

2017 2016

Associates	\$ 469,721	\$ 446,725
Other related parties	<u>11,764</u>	<u>15,965</u>
	<u>\$ 481,485</u>	<u>\$ 462,690</u>



i. Trade payables

	December 31	
	2017	2016
Subsidiaries	\$ <u>55,394</u>	\$ <u>3,910</u>

j. Other receivables

	December 31	
	2017	2016
Subsidiaries	\$ 2,307	\$ 426
Associates	6,966	1,799
Other related parties	<u>2,469</u>	<u>2,556</u>
	\$ <u>11,742</u>	\$ <u>4,781</u>

k. Loans from related parties

Related Party Category/Name	December 31	
	2017	2016
Subsidiary	\$ <u>1,784,112</u>	\$ <u>-</u>

Related Party Category/Name	For the Year Ended December 31	
	2017	2016

Interest expense

Subsidiary	\$ <u>12,230</u>	\$ <u>-</u>
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The Company obtained loans at rates comparable to market interest rates for the loans from related parties.

l. Other payables

	December 31	
	2017	2016
Subsidiary	\$ <u>1,972</u>	\$ <u>-</u>



m. Property, plant and equipment acquired

	Price	
	For the Year Ended December 31	
	2017	2016
Subsidiaries	\$ <u>3</u>	\$ <u>-</u>

n. Property, plant and equipment disposed

Related Parties Types	For the Year Ended December 31			
	2017		2016	
	Price	Gain on Disposal	Price	Gain on Disposal
Associates	\$ <u>-</u>	\$ <u>-</u>	\$ <u>291</u>	\$ <u>273</u>

o. Loan guarantees

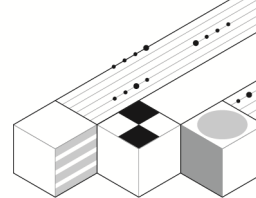
Related Parties Types	December 31	
	2017	2016
Subsidiaries	<u>US\$ 36,500</u>	<u>US\$ 36,500</u>

p. Compensation of key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	For the Year Ended December 31	
	2017	2016
Short-term benefits	\$ 190,937	\$ 140,393
Post-employment benefits	<u>2,355</u>	<u>2,782</u>
	<u>\$ 193,292</u>	<u>\$ 143,175</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.



27. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for bank borrowings and guarantees for tariff of imported raw materials:

	December 31	
	2017	2016
Other non-current assets - refundable deposits	<u>\$ 33,400</u>	<u>\$ 37,100</u>

28. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2017 and 2016 were as follows:

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2017 and 2016 were as follows (in thousands):

	December 31	
	2017	2016
U.S. dollars	US\$ 43,533	US\$ 32,427
Japanese yen	JPY 92,480	JPY 48,421
Euro	EUR 1,206	EUR 25,484
New Taiwan dollars	NT\$ 24,009	NT\$ 83,663

- b. As of December 31, 2017, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$358,899 thousand and as of December 31, 2016, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$421,321 thousand, US\$66 thousand. Tariff letters of credit amounted to approximately NT\$657,000 thousand and NT\$706,500 thousand as of December 31, 2017 and 2016; guarantees for the borrowings of its affiliates amounted to US\$36,500 thousand and US\$36,500 thousand as of December 31, 2017 and 2016.
- c. Non-cancelable copper and nickel procurement contracts with total contract value of US\$45,383 thousand and US\$34,210 thousand were in effect as of December 31, 2017 and 2016.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:



Financial Information

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 96,258	29.7600	\$ 2,864,653
Japanese yen	251,777	0.2642	66,520
Euros	24,309	35.5700	864,686
Hong Kong dollars	4,840	3.8070	18,424
Singapore dollars	210	22.260	4,679
Investments accounted for using equity method			
U.S. dollars	44,674	29.7600	1,329,487
Renminbi	7,002,838	4.55447	31,894,214

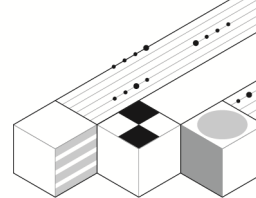
Financial liabilities

Monetary items			
U.S. dollars	104,554	29.7600	3,111,525
Euros	877	35.5700	31,190
Swiss francs	17	31.2450	531
Japanese yen	4,962	0.2642	1,311
Investments accounted for using equity method			
Indonesian rupiah	956,932	0.00223	2,134

December 31, 2016

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
U.S. dollars	\$ 68,746	32.250	\$ 2,217,072
Japanese yen	403,343	0.2756	111,161
Euros	10,653	33.900	361,139
Hong Kong dollars	3,926	4.158	16,325
Non-monetary items			
U.S. dollars	585	32.250	18,882

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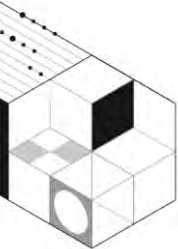
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for using equity method			
U.S. dollars	42,035	32.250	1,355,615
Renminbi	6,757,745	4.64844	31,412,974
<u>Financial liabilities</u>			
Monetary items			
U.S. dollars	64,474	32.250	2,079,303
Euros	23	33.900	790
Swiss francs	17	31.525	536
Japanese yen	6,606	0.2756	1,821
Non-monetary items			
U.S. dollars	36	32.250	1,155
Investments accounted for using equity method			
Indonesian rupiah	445,000	0.0024	1,068 (Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gain (loss) amounts were gain of NT\$35,426 thousand and gain of NT\$42,152 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the numerous foreign currency transactions and functional currencies of the Company entities.

30. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- Lending funds to others: None;
- Providing endorsements or guarantees for others: See Table 1 attached;
- Holding of securities at the end of the period: See Table 2 attached;
- Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 % of paid-in capital or more: See Table 3 attached;
- Acquisition of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- Disposal of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 % of paid-in capital or more: See Table 4 attached;



- h. Trade receivables from related parties reaching NT\$100 million or 20 % of paid-in capital or more: See Table 5 attached;
- i. Trading in derivative instruments: See Notes 7 and 16;
- j. Information on investees: See Table 6 attached.

Information on investments in mainland China:

- a. See Table 7 attached for information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area.
- b. See Table 7 attached for any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses:
 - 1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period;
 - 2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period;
 - 3) The amount of property transactions and the amount of the resultant gains or losses;
 - 4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes;
 - 5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds; and
 - 6) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receiving of services.

31. OPERATION SEGMENT FINANCIAL INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WALSIN LIHWA CORPORATION

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars and U.S. Dollars)

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Each Guaranteed Party's Endorsement/ Guarantee Amounts (Note 3)	Highest Balance for the Period	Ending Balance (Note 4)	Actual Borrowing Amount	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity Per Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 3)	Guaranteed Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Name	Nature of Relationship (Note 2)										
0	Walsin Lihwa Corporation	Borrego Solar Systems, Inc.	c	NT\$ 2,322,976 (US\$ 78,056)	NT\$ 814,190 (US\$ 26,000)	NT\$ 773,760 (US\$ 26,000)	NT\$ 598,176 (US\$ 20,100)	\$ -	1	NT\$ 70,523,462	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,860,000 (US\$ 62,500)	NT\$ 328,808 (US\$ 10,500)	NT\$ 312,480 (US\$ 10,500)	NT\$ - (US\$ -)	-	-		"	"	"
				NT\$ 4,182,976	NT\$ 1,142,998	NT\$ 1,086,240	NT\$ 598,176	-	2				

Notes:

1. The information on Walsin Lihwa Corporation and the subsidiaries is listed and labeled on the “No.” column.

a. “0” represents Walsin Lihwa Corporation.
b. Subsidiaries are numbered starting with 1.
2. The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six types.

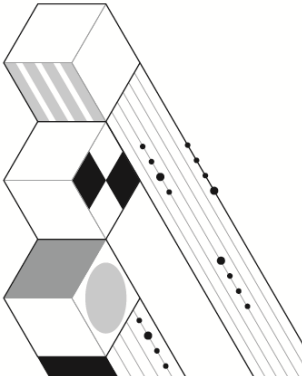
a. The entity is with business transactions.
b. The subsidiary in which over 50% of common stock was held by the parent company directly.
c. The invested company in which over 50% of common stock was held directly/indirectly by Walsin Lihwa Corporation and the subsidiaries.
d. The parent company which held directly or indirectly through subsidiaries over 50% of common stock of Walsin Lihwa Corporation.
e. The mutually endorsed companies due to the requirement of the project work.
f. The Company which was endorsed due to the co-investment agreement. The endorsement percentage of each investor is based on the investment percentage.
3. According to the Article of endorsement/guarantee and financing provided by Walsin Lihwa Corporation, the total limited amount of endorsement/guarantee cannot exceed 100% of the net value of Walsin Lihwa Corporation’s current financial statement (including the consolidated financial statement). The limited amount of the endorsement/guarantee and financing provided for the single enterprise cannot exceed the net value of the guaranteed company. The limited amount of the guarantee to the invested company in which over 66.67% of the common stock was held cannot exceed the amount which is 250% of the net value multiplied by the equity percentage of the guarantee provider; however, the limits mentioned above are not applicable to Walsin Lihwa Corporation’s wholly owned holding companies incorporated in duty-free area overseas.

a. The limited amount of endorsement/guarantee provided was as follows:

NT\$70,561,601 × 100% = NT\$70,561,601.

b. The limited amount of endorsement/guarantee provided for the single entity was as follows:

Borrego Solar Systems, Inc.: US\$40,964 × 250% × 76.22% = US\$78,056
Green Lake Exchange, LLC.: US\$25,000 × 250% × 100% = US\$62,500
4. The currency exchange rate as of December 31, 2017 was as follows: US\$ to NT\$ = 1:29.76.



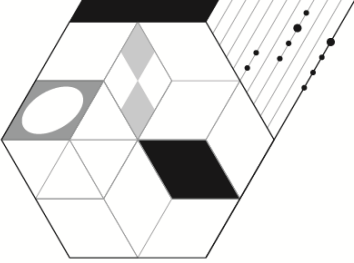


TABLE 2

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name of Issuer	Relationship of Issuer to the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Fair Value	
Walsin Lihwa Corporation	<u>Stock</u>							
	HannStar Display	Chairman of the board of directors is an immediate relative of the chairman of the board of directors of Walsin Lihwa Corporation	Available-for-sale financial assets - non-current	237,292,180	\$ 2,358,684	7.34	\$ 2,358,684	
	HannStar Board	-	Available-for-sale financial assets - non-current	58,955,639	1,276,390	13.09	1,276,390	
	Taiwan High Speed Rail	-	Available-for-sale financial assets - non-current	2,869,000	67,421	0.05	67,422	
	Powertec Energy Corp.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	611,025,882	1,631,334	18.90	2,044,129	
	Kuong Tai Metal Industrial Co., Ltd.	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	9,631,802	114,355	9.39	188,697	
	One-Seven Trading Co., Ltd.	-	Financial assets measured at cost - non-current	30,000	300	6.67	304	
	Global Investment Holdings	The holding company is a director of the issuer company	Financial assets measured at cost - non-current	5,562,000	43,680	2.93	46,069	
	WK Technology Fund	-	Financial assets measured at cost - non-current	380,477	7,238	1.91	10,930	
	Universal Venture Capital Investment	-	Financial assets measured at cost - non-current	1,400,000	13,280	1.16	13,631	
	Parawin Venture Capital Corp.	-	Financial assets measured at cost - non-current	381,076	-	0.87	1,546	

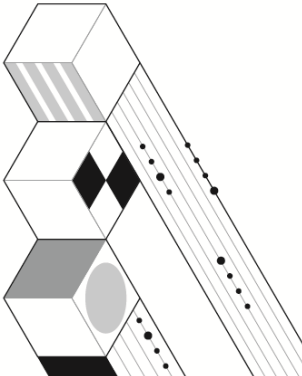
TABLE 3

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	<u>Stock</u> Winbond Electronics Corporation	Investments accounted for using equity method	Capital investment	Associates	811,327,531	\$ 10,023,613	72,520,892	\$ 3,396,465 (Note)	-	\$ -	\$ -	\$ -	883,848,423	\$ 13,420,078

Note: The amount included investment income or loss and adjustments to cumulative translation adjustments.



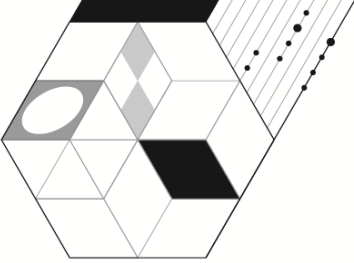


TABLE 4

WALSIN LIHWA CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)**

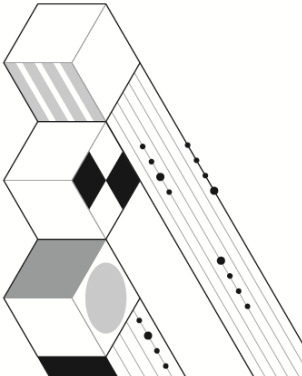
Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Walsin Lihwa Corporation	Walsin Lihwa Holdings Ltd.	Subsidiary	Sales	\$ (135,093)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	\$ -	-	
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	(343,883)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	-	-	
	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(4,159,475)	(5)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	412,653	13	
	Kuong Tai Metal Industrial Co., Ltd.	The Company is a director of related party	Sales	(812,245)	(1)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	11,764	-	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(166,104)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	23,547	1	
	Jiangyin Walsin Steel Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(115,645)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	36,102	1	

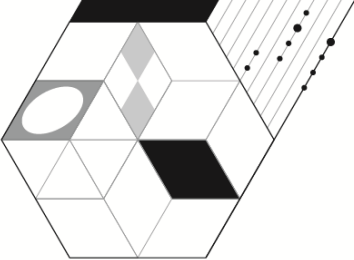
TABLE 5

WALSIN LIHWA CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Walsin Lihwa Corporation	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Trade receivables \$ 412,653	20.16	\$ -	-	\$ 412,653	\$ -




TABLE 6
WALSIN LIHWA CORPORATION AND SUBSIDIARIES
**NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2017**

Information of investees that Walsin Lihwa Corporation has control ability or significant influence was as follows (in thousands of New Taiwan dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Ltd.	Akara Building, 24 De Castro Street, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	Investments	\$ 12,062,611	\$ 12,062,611	391,147,848	100.00	\$ 20,208,719	\$ 719,613	\$ 719,068	
	Concord Industries Ltd.	Trident Chambers Wickhams Cay P.O. Box 146, Road Town, Tortola, British Virgin Islands	Investments	16,193,663	16,328,743	405,903,187	100.00	7,930,626	(6,502)	(6,502)	
	Touch Micro-System Technology Corp.	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	OEM on MEMS foundry service	750,000	750,000	2,100,000	100.00	9,227	(131)	(131)	
	Ace Result Global Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	1,587,416	1,676,504	44,739,988	100.00	575,607	(53,830)	(53,830)	
	Energy Pilot Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	744,020	53,924	53,924	
	Market Pilot Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	3,799,884	3,799,884	127,000,000	100.00	101,931	(7,284)	(7,284)	
	Min Maw Precision Industry Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Solar power systems management, design, and installation	180,368	180,368	24,150,000	100.00	304,554	43,392	43,392	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction business	611,687	611,687	277,257,758	99.22	4,189,651	783,956	777,841	
	Walsin Info-Electric Corp.	2nd Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	66,406	9,491,461	98.87	140,167	8,035	7,945	
	PT. Walsin Lippo Industries	Jl. MH. Thamrin Block A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Dekasi 17550, Indonesia	Steel wires	481,663	481,663	10,500	70.00	585,466	110,922	77,646	
	PT. Walsin Lippo Kabel	Kawasan Newton J 7-5 Rt. 001 Rw. 04, Serang, Cikarang Selatan, Bekasi	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	(2,134)	(1,693)	(1,185)	
	Joint Success Enterprises Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	Investments	1,164,273	1,224,479	36,058,184	49.05	3,077,331	1,517,646	743,112	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Investments	2,237,969	2,237,969	179,468,270	37.00	4,254,450	522,034	193,153	
	Walsin Color Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Management of investments and conglomerate	416,849	416,849	47,114,093	33.97	588,331	(8,116)	(2,757)	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2017	December 31, 2016	Shares	Percentage of Ownership	Carrying Value			
	Concord II Venture Capital Co., Ltd.	11th Floor, 132 Min-Sheng East Road Sec. 3, Taipei 104, Taiwan, R.O.C.	Venture capital and consulting affairs	\$ 257,860	\$ 257,860	26,670,699	26.67	\$ 200,420	\$ (18,755)	\$ (5,002)	
	Winbond Electronics Corp.	No. 8, Keya 1st Rd., Daya Township, Taichung County 428, Taiwan R.O.C.	Research, development, production and sale of semiconductors and related components	7,429,920	5,834,460	883,848,423	22.21	13,420,078	5,550,563	1,257,757	
	Walton Advanced Engineering, Inc.	No. 18, Yugang N. 1st Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan, R.O.C.	Production, sale, and test of semiconductors	1,185,854	1,185,854	109,628,376	20.83	2,131,792	675,829	152,672	
	Walsin Technology Corp.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	Production and sale of ceramics capacitors	1,649,039	1,707,966	88,902,325	18.30	3,133,527	2,611,092	476,966	

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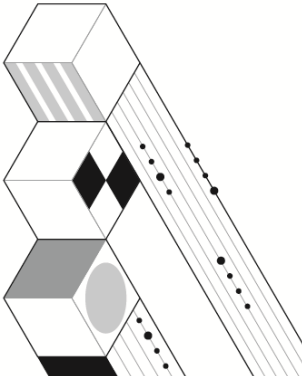


TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2017
(In Thousands of New Taiwan Dollars/U.S. Dollars/Renminbi)

Walsin Lihwa Corporation

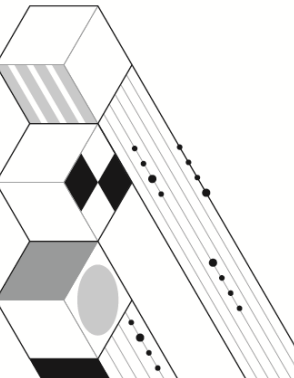
A. The names of investee companies in Mainland China, main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investment, investment gain or loss, carrying value, accumulated inward remittance of earnings and upper limit on investment in Mainland China were as follows:

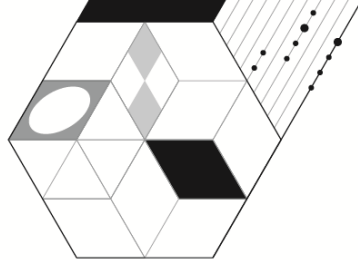
Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 595,200 (US\$ 20,000)	b	\$ 446,400 (US\$ 15,000) (Note 2)	\$ - -	\$ - -	\$ 446,400 (US\$ 15,000) (Note 2)	\$ (140,994)	75.00	\$ (105,743)	\$ 653,744	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	465,060 (US\$ 15,627)	b	445,091 (US\$ 14,956) (Note 3)	- -	- -	445,091 (US\$ 14,956) (Note 3)	89,133	95.71	85,307	1,041,002	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,823,501 (US\$ 162,080)	b	2,946,538 (US\$ 99,010) (Note 4)	- -	- -	2,946,538 (US\$ 99,010) (Note 4)	(198,916)	38.93	(77,441)	1,019,947	-
Walsin (China) Investment Co., Ltd.	Investments	2,339,136 (US\$ 78,600)	b	2,339,136 (US\$ 78,600) (Note 5)	- -	- -	2,339,136 (US\$ 78,600) (Note 5)	119,493	100.00	119,493	4,436,300	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,886,720 (US\$ 97,000)	b	2,886,720 (US\$ 97,000) (Note 6)	- -	- -	2,886,720 (US\$ 97,000) (Note 6)	(155,956)	100.00	(155,956)	861,429	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	1,160,640 (US\$ 39,000)	b	1,160,640 (US\$ 39,000) (Note 7)	- -	- -	1,160,640 (US\$ 39,000) (Note 7)	(65,517)	100.00	(65,517)	(709,575)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	773,760 (US\$ 26,000)	b	773,760 (US\$ 26,000) (Note 8)	- -	- -	773,760 (US\$ 26,000) (Note 8)	81,392	100.00	81,392	1,435,519	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,416,512 (US\$ 81,200) (Note 9)	b	1,808,158 (US\$ 60,758) (Note 10)	55,086 (US\$ 1,851)	- -	1,863,244 (US\$ 62,069) (Note 10)	232,162	79.51	184,582	3,546,101	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,458,240 (US\$ 49,000)	b	1,458,240 (US\$ 49,000) (Note 11)	- -	- -	1,458,240 (US\$ 49,000) (Note 11)	289,385	100.00	289,385	365,925	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	297,600 (US\$ 10,000)	b	297,600 (US\$ 10,000)	- -	- -	297,600 (US\$ 10,000)	9,934	100.00	9,934	(993,142)	-
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	4,614,734 (US\$ 155,065) (Note 12)	b	979,897 (US\$ 32,927)	- -	- -	979,897 (US\$ 32,927)	331,366	100.00	331,366	(52,067)	-

(Continued)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee	Percentage of Ownership in Investment	Investment Gain (Loss) (Note 17)	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	\$ 1,458,240 (US\$ 49,000)	b	\$ 1,458,240 (US\$ 49,000)	\$ - -	\$ - -	\$ 1,458,240 (US\$ 49,000)	\$ 37,619	100.00	\$ 37,619	\$ 1,502,152	\$ -
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,297,536 (US\$ 43,600)	b	389,261 (US\$ 13,080)	- -	- -	389,261 (US\$ 13,080)	57,643	30.00	17,293	330,090	908,275
XiAn Walsin United Technology Co., Ltd.	Electronic devices and module	2,973,024 (US\$ 99,900)	b	2,974,750 (US\$ 99,958)	- -	- -	2,974,750 (US\$ 99,958)	855,231	100.00	855,231	87,642	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing service	13,065 (US\$ 439)	b	7,886 (US\$ 265)	- -	- -	7,886 (US\$ 265)	(396)	60.00	(241)	241	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	29,760 (US\$ 1,000)	b	29,760 (US\$ 1,000)	- -	- -	29,760 (US\$ 1,000)	54,381	100.00	54,381	(643,346)	-
XiAn Lv Jing Technology Co., Ltd.	Solar Module Assembly	1,345,152 (US\$ 45,200)	c	595,200 (US\$ 20,000)	- -	- -	595,200 (US\$ 20,000)	(3,796)	100.00	(3,796)	687,892	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon Production	5,465,364 (RMB 1,200,000)	b	- (US\$ -)	- -	- -	- (US\$ -)	(4,354)	19.00	-	610,299 (Note 13)	-
Xian Walsin Opto-electronic Ltd.	LED, micro projector, and solar cell assembly	4,464 (US\$ 150)	b	4,464 (US\$ 150)	- -	- -	4,464 (US\$ 150)	(1,983)	100.00	(1,983)	(133,478)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	45,545 (RMB 10,000)	b	9,047 (US\$ 304)	- -	- -	9,047 (US\$ 304)	307	20.00	62	9,296	-
Shaanxi Optoelectronics Technology Co., Ltd.	Communication equipment and electronic components	455,447 (RMB 100,000)	b	- (RMB -)	- -	- -	- (RMB -)	4,539	19.00	-	86,535	-
Walsin (Nanjing) Construction Ltd.	Construction, rental and sale of buildings and industrial factories	1,710,395 (RMB 375,542)	b	1,710,395 (RMB 375,542) (Note 14)	- -	- -	1,710,395 (RMB 375,542) (Note 14)	1,553,000	99.60	1,546,827	5,355,865	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and housing leasing	4,554 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	8,205	99.60	8,173	(5,233)	-

(Continued)





B. The upper limit on investment of the Company in Mainland China was as follows:

Accumulated Investment in Mainland China as of December 31, 2017 (NT\$ and US\$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (NT\$ and US\$ in Thousands)	Upper Limit on Investment (NT\$ in Thousands)
\$ 20,809,055 (US\$ 699,229)	\$ 21,583,886 (US\$ 725,265)	N/A (Note 18)

Note:

- Investments can be classified into three types as follows:
 - Direct investment in Mainland China,
 - Reinvestment in Mainland China through third country companies, and
 - Others.
- Including US\$4,500 thousand investment through Walsin (China) Investment Co., Ltd.
- Including US\$7,349 thousand investment through Walsin (China) Investment Co., Ltd.
- Including US\$2,800 thousand investment through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand dividends appropriated from Dongguan Walsin Wire & Cable Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Hangzhou Walsin Power Cable & Wire Co., Ltd.
- Capital investment of US\$28,600 thousand was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Ltd.
- Including US\$8,000 thousand investment through Walsin Specialty Steel Corp. and US\$42,000 thousand dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
- Including US\$4,800 thousand investment through Walsin (China) Investment
- Investment through Walsin (China) Investment Co., Ltd.
- Including US\$3,500 thousand revaluation increment of assets
- By the dividends of US\$43,520 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Ltd. and the dividends of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
- Including investment through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and own capital of Walsin (China) Investment Co., Ltd. of US\$4,500 thousand
- Including RMB578,796 thousand (capital consisted of equity fund of Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd.), RMB3,750 thousand (investment made through Changzhou Wujin NSL. Co., Ltd.), and US\$32,927 thousand (investment made through Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd., the two companies that merged with Yantai Walsin Stainless Steel Co., Ltd. which is the existing company)
- Including carrying value of RMB228,000 thousand (of Shaanxi Tianhong Silicon Industrial Corporation which is indirectly owned by Walsin Lihwa Holdings after Walsin Lihwa Holdings purchased Lead Hero Ltd. equity at purchase cost of US\$1), and equity fund of RMB60,000 thousand of XiAn Lv Jing Technology Co., Ltd.
- Including investment through Joint Success Enterprise Ltd. approved in the previous years
- Amounts stated in thousands of NT\$, except for those stated in thousands of US\$ and RMB.
- The currency exchange rates as of December 31, 2017: US\$ to NT\$ = 1:29.76, RMB to NT\$ = 1:4.55447; the average exchange rates of December 31, 2017: US\$ to NT\$ = 1:30.0210, RMB to NT\$ = 1:4.45421
- The amounts recognized based on the reviewed financial statements.
- Upper limit on investment:

The Company had been approved as the operation headquarters by Industrial Development Bureau, Ministry of Economic Affairs; thus, it has been exempted from the related regulations of Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China.

(Continued)

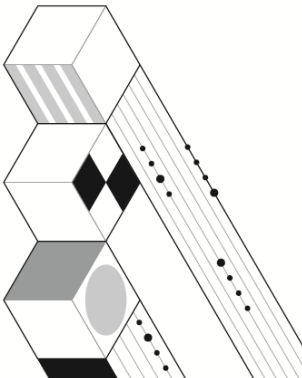
C. Significant direct or indirect transactions between the Company and investees in Mainland China

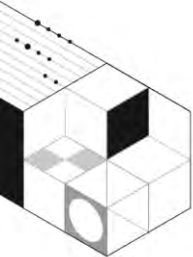
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship	Transaction Type	Amount	% to Total	Transaction terms			Notes/Accounts Payable or Receivable		Unrealized Loss
					Unit Price	Payment Terms	Compare to General Transactions	Ending Balance	% to Total	
Walsin Lihwa Holdings Ltd.	Subsidiary	Sales	\$ (135,093)	-	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	\$ -	-	\$ -
Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	(343,883)	-	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	-	-	-
Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(4,159,475)	5	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	412,653	13	-
Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(166,104)	-	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	23,547	1	(4,111)
Jiangyin Walsin Steel Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(115,645)	-	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	The price and payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	36,102	1	(2,334)

(Concluded)

6. Any financial crunch confronted by the Company or its subsidiaries and related impacts in the most recent year and up to the date of annual report publication : None.





VII Review of Financial Conditions, Financial Performance, and Risk Management

1. Analysis of Financial Status

Unit: NT Thousands

Items \ Year	2016	2017	Difference	
			Amount	%
Current Assets	55,356,705	63,652,434	8,295,729	14.99
Property, Plant and Equipment	20,483,863	20,984,890	501,027	2.45
Intangible Assets	177,029	169,726	(7,303)	(4.13)
Other Assets	38,161,617	45,443,695	7,282,078	19.08
Total Assets	114,179,214	130,250,745	16,071,531	14.08
Current Liabilities	32,360,784	34,618,169	2,257,385	6.98
Non-current Liabilities	16,536,425	23,352,320	6,815,895	41.22
Total Liabilities	48,897,209	57,970,489	9,073,280	18.56
Capital Stock	33,960,002	33,660,002	(300,000)	(0.88)
Capital Surplus	15,701,403	15,854,392	152,989	(0.97)
Retained Earnings	15,211,219	19,234,380	4,023,161	26.45

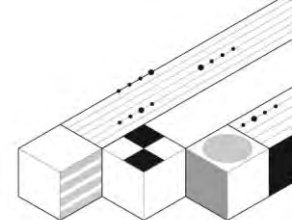
Note: The reasons, effects and future plans about that changes in assets, liabilities and equity which over 20% or NT\$10 million in last two years: None.

1. Reasons:

- A. The increase of non-current liabilities in 2017 compared to 2016 was due to the increase of long-term borrowings.
- B. The increase of retained earnings in 2017 compared to 2016 was due to the increasing profit in 2017.

2. Effects: None.

3. Future plans: Keep working on managing working capital and asset and liability structure.



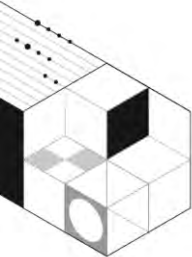
2. Analysis of Financial Performance

Unit: NT Thousands

Unit: NT thousands

Items \ Year	2016	2017	Difference															
			Amount	%														
Operating Revenue	143,355,241	167,792,585	24,437,344	17.05														
Operating Costs	133,791,800	155,787,754	21,995,954	16.44														
Gross Profit	9,563,441	12,004,831	2,441,390	25.53														
Operating Expense	4,241,667	4,109,186	(132,481)	(3.12)														
Profit from Operations	5,321,774	7,895,645	2,573,871	48.36														
Non-operating Revenue and Expense	851,597	1,498,803	647,206	76.00														
Profit before Taxes	6,173,371	9,394,448	3,221,077	52.18														
Tax Expense	1,334,868	2,700,435	1,365,567	102.30														
Net Income	4,838,503	6,694,013	1,855,510	38.35														
<p>I. The variance analysis in last two years: (Variable proportion over 20%)</p> <p>1. In 2017, Gross Profit increased NT\$24 billion was due to the commercial Real Estate Business sale of real estate.And the stainless steel business benefited from the China market’s steady performance on production and optimized product portfolios. The profitability of Taiwna stainless steel business has been a slight decrease due to the fluctuation in price of Chrome.</p> <p>2. As the investees’ earnings became more stable in 2017, share of gain of subsidiaries and associates under equity method compared to 2016.</p> <p>3. Tax expense increased NT\$1.4 billion in 2017 compared to 2016 was due to the increase of profit from operations in 2017.</p> <p>II. The reason for the changes in business content changes: None.</p> <p>III. The expected sales volume in the next year and its main reason:</p> <p>1. Expected sales volume in the next year:</p> <table><tr><td colspan="2">2018(Unit: ton)</td></tr><tr><td>Bare copper wire</td><td>526,100</td></tr><tr><td>Power line</td><td>41,611</td></tr><tr><td>Strand</td><td>105,974</td></tr><tr><td>Stainless steel</td><td>514,883</td></tr><tr><td>Hot rods</td><td>311,000</td></tr><tr><td>Seamless steel pipe</td><td>12,425</td></tr></table> <p>2. The basis of the expected sales volume and Possible future impact on the Company's financial operations and response plans: see the contents (5)-Business Overview</p>					2018(Unit: ton)		Bare copper wire	526,100	Power line	41,611	Strand	105,974	Stainless steel	514,883	Hot rods	311,000	Seamless steel pipe	12,425
2018(Unit: ton)																		
Bare copper wire	526,100																	
Power line	41,611																	
Strand	105,974																	
Stainless steel	514,883																	
Hot rods	311,000																	
Seamless steel pipe	12,425																	





3. Cash Flow

(1) Cash flow analysis for the current year:

Unit: NT\$1,000

Cash and Cash Equivalents at the beginning of the year	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Effects of Exchange Rate Changes	Cash and Cash Equivalents at the ending of the year	Note
7,733,584	7,697,919	(3,583,906)	(46,926)	(847,980)	3,219,107	
<p>Analysis of change in cash flow in the current year:</p> <p>1. The inflows of net cash used in operating activities NT\$7,697,919,000 due to the profit before taxes and the advance receipts on real estate.</p> <p>2. The outflows of net cash used in investing activities was NT\$3,583,906,000 due to the increased purchase of real estates, plants and equipment and subscription of subsidiary's shares.</p> <p>3. The outflows of net cash used in financing activities was NT\$46,296,000 due to the payback of borrowings.</p> <p>4. The outflows of net cash in the year was NT\$3,219,107,000 and the ending balance of cash was NT\$10,952,691,000.</p>						

(2) Remedy for cash Deficit and Liquidity Analysis: Not applicable.

(3) Cash flow Analysis for the coming year:

Unit: NT\$1,000

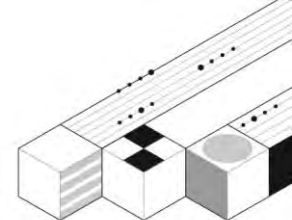
Cash and Cash Equivalents at the beginning of the year	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Effects of Exchange Rate Changes	Cash and Cash Equivalents at the ending of the year	Note
11,200,962	13,408,717	(10,088,177)	(7,569,279)	0	6,952,223	
<p>Analysis of change in cash flow for 2018:</p> <p>1. The inflows of net cash used in operating activities due to the increase of profit before taxes and the expected deduction of inventory.</p> <p>2. The outflows of net cash used in investing activities due to the increase of capital expenditures, renewal of equipment and the investment in construction of Walsin (Nanjing) Construction Limited.</p> <p>3. The outflows of net cash used in financing activities due to repayments of borrowings and dividend payment.</p>						

4. Effect of Major Capital Expenditure on Financial Business Operations:

(1) Utilization of Major Capital Expenditures and Sources of Funds:

Unit: NT\$1,000,000

Project	Source of Funds	Actual or Estimated Completion Date	Investment	Actual or Expected Status of Spending					
				2014	2015	2016	2017	2018	2019
New capital expenditure on hot-rolled stainless steel coil plant	Working Capital	December 2015	2,167	146	293	1,460	96	172	
Pre-cold rolled Manufacturing Equipment	Working Capital	June 2018	1,436			95	311	985	45



(2) Estimated Benefits:

Expanding the steel coil product portfolio and productivity in preparation for future demand for plates.

5. Investment Policy of the Past Year, Profit/Loss Analysis, Improvement Plan and Investment Plan for the Coming Year:

(1) Investment Policy and Profit/Loss in the Past Year:

1. On a consolidated basis, the Company's current key reinvestment areas are DRAM, TFT LCD passive components apart from cable, stainless steel and other core businesses.
2. On a consolidated basis, in 2017, the gains for affiliated enterprises recognized by equity method was NT\$2,020 million, most of which came from recognizing the gain for Winbond Electronics Corporation and Walsin Technology Corporation.

(2) Main Reasons for Profit:

Due to the rebound in overall market conditions, affiliates recognized under the equity method slightly improved profits as compared to 2016.

(3) Investment Plan for the Coming Year:

To continue to focus on upstream and downstream consolidation of core businesses and carefully assess investment plans.

6. Risk Management and Assessment of the Following Items for the Past Year and the Year to Date:

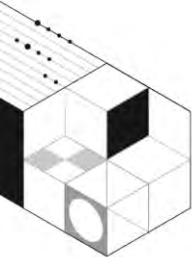
(1) Impact of Interest Rate and Exchange Rate Changes and Inflation on the Company's Profit and Countermeasures.

Affected item	Impact	Response measures:
Interest Rate Change	Net interest expense (interest expense less interest income) in 2017 was approximately NT\$181 million.	Based on the particular timing of capital requirements of the annual budget, the Company will acquire cheaper sources of capital from the market at specific points in time, and will also utilize market instruments (e.g. interest rate swaps) to lock in interest rate costs for long-term capital needs.
Exchange Rate Change	Foreign exchange gains for 2017 were approximately NT\$83 million (including profit/loss from trading foreign exchange derivative products).	Based on foreign currency positions, the Company will utilize market instruments (e.g. forward foreign exchange contracts) for hedging purposes.
Inflation	The Company's principal products are not for general public consumption therefore inflation has no direct impact on the Company.	None.

(2) Policies of Engaging in High-risk, High-leverage Investments, Lending to Others, Providing Endorsements and Guarantees and Derivatives Transactions, Profit/loss Analysis and Future Countermeasures.

Item	Policy	Major causes of profit or loss	Future response measures
High-risk, High-Leverage Investments	The Company does not engage in any high-risk, high-leverage investment activities.	None	None

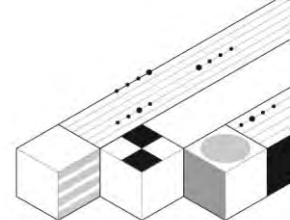




Item	Policy	Major causes of profit or loss	Future response measures
Lending to Others	Conducted in accordance with the provisions of the Company's "Management Guidelines on Lending Company Funds to Others"	None	None
Endorsements/ Guarantees	Conducted in accordance with the provisions of the Company's "Management Guidelines on Endorsement/Guarantee"	None	None
Derivative Instrument Transactions	With respect to derivative instruments, the Company has mainly engaged in hedging transactions related to business operations and investment activities (foreign exchange and non-ferrous metals). For non-ferrous metals, the Company may carry out non-hedging transactions based on authorized positions and under risk management control for the purpose of curbing price volatilities in raw materials. The authorization is conducted in accordance with the Company's "Procedure for Derivatives Products Trades."	None	None

- (3) Future R&D Plans and Projected R&D Investments: The research and development plans of each business group have been included in the business activities section of the Business Overview, and these plans have relatively low risks. Please refer to "Business Overview—A. Business Activities—(3) Overview of Technology and R&D".
- (4) Major Changes in Domestic and Foreign Government Policies and Laws and Impact on the Company's Finances and Business: None
- (5) Impact of Recent Technological and Market Changes on the Company's Finances and Business, and Countermeasures: None
- (6) Impact of Change in Corporate Image on Risk Management and Countermeasures: None
- (7) Expected Benefits and Potential Risks of Merger and Acquisition: None
- (8) Expected Benefits and Potential Risks of Capacity Expansion: All capacity expansion for plants under Walsin and its group members has to undergo careful assessments. All major capital expenditure has to be submitted to the Board of Directors for review. Hence, investment benefits and potential risks will have been taken into account.
- (9) Risks Associated with Over-concentration in Purchases or Sales and Countermeasures: None
- (10) Impact of Mass Transfer(s) of Equity by or Change of Directors or Shareholders Holding 10% or more Interest on the Company, the Associated Risks and Countermeasures: None
- (11) Impact of Change of Control on the Company, Associated risks and Countermeasures: None
- (12) Final and Non-appealable and Pending Material Litigious, Non-litigious or Administrative Legal Proceedings involving the Company, the Directors, the Supervisors and the President during the Most Recent Year and up to the Annual Report Publication Date: None
- (13) Other significant risks and response measures:
 1. The Company's KPIs:
 - (1) Financial indicators: Optimizing financial structure and control of bank financing agreements

This English translation is provided for reference only. In the case of any discrepancies, the original Chinese version shall prevail.



Ratio	Formula	Target KPI	2017	2016
Debt ratio	Net liabilities (Total liabilities - Cash and cash equivalents) / Tangible assets	$\leq 120\%$	66.83%	65.14%
Current ratio	Current assets / Current liabilities	$\geq 100\%$	183.87%	171.06%
Times interest earned	Net income before income tax and interest expense / Current interest expense	$\geq 150\%$	1,931.29%	2,011.36%
Tangible assets	Shareholders' equity - Intangible assets	$\geq \text{NT\$}50 \text{ billion}$	NT\$70.4 billion	NT\$63.2 billion

(2) Performance indicators: Return on shareholder's equity and income before accrued interest, tax, depreciation and amortization

Ratio	Formula	2017	2016
Return on shareholder's equity	Net Income after tax / Average of total shareholders' equity	9.73%	7.51%
Return before accrued interest, tax, depreciation and amortization	Income before interest and tax + depreciation and amortization	NT\$11,367 million	NT\$8,332 million

7. Other Major Issues: None

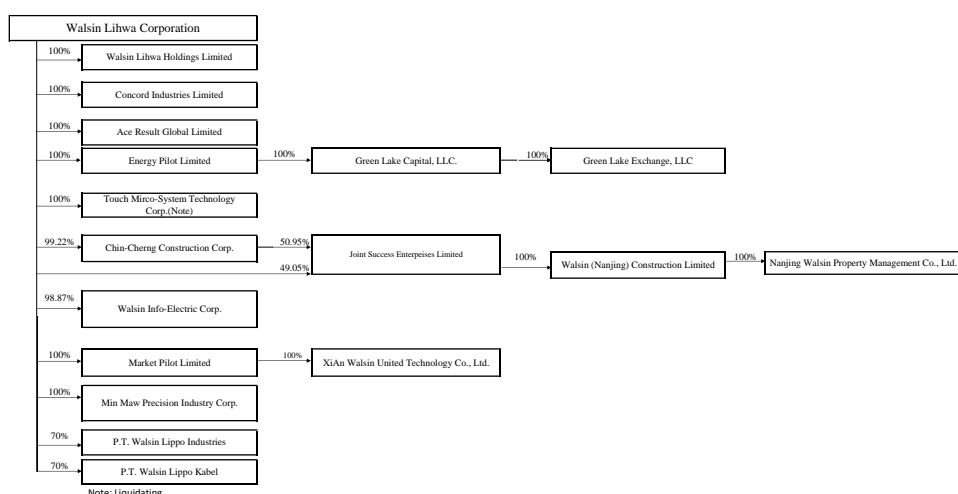


VIII Special Disclosures

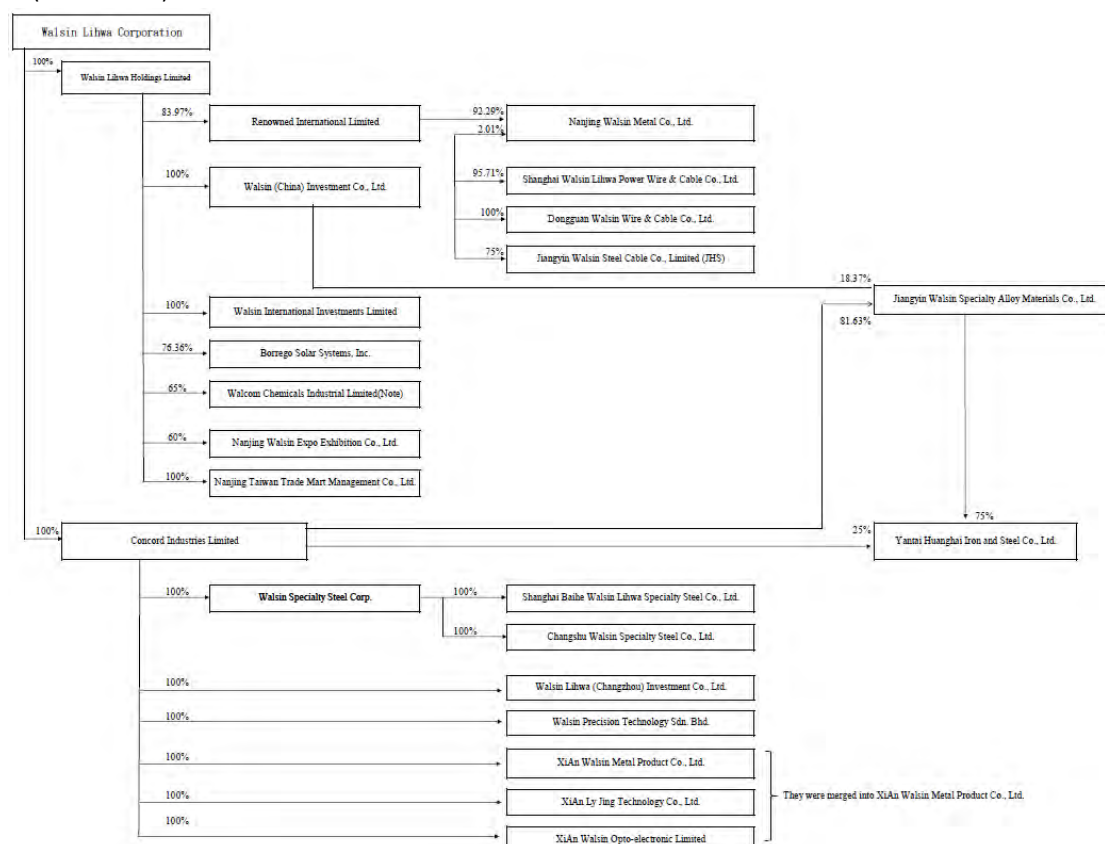
1. Summary of Affiliates Companies

(1) Affiliates

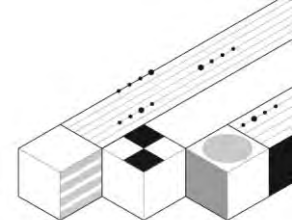
1. Affiliated Organization Chart of Walsin Lihwa Corporation (2017.12.31)



2. Affiliated Organization Chart of Walsin Lihwa Holdings Limited and Concord Industries Limited (2017.12.31)



Note: WLC does not real control the company, it is not included in the consolidated financial statements of affiliated companies

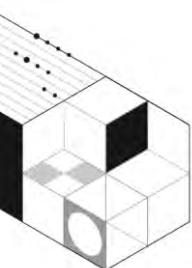


(2) Background Information of the Affiliated Companies

Unit: NT thousands/Foreign Currency thousands

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Walsin Lihwa Holdings Limited	1992/07/15	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 391,148	Investment holding
Renowned International Limited	1993/03/04	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 20,172	Investments
Nanjing Walsin Metal Co., Ltd.	2004/12/27	No. 59, HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	RMB 620,827	Copper alloy, copper wires cable
Walsin (China) Investment Co., Ltd.	1995/11/02	Rm. 2804, 28th Floor, Shanghai Mart Tower, No. 2299, Yanan Road (West), Shanghai, China	USD 78,600	Investments
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	1995/03/21	No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai	USD 15,627	Cables and wires
Dongguan Walsin Wire & Cable Co., Ltd.	2000/01/26	Xiniupo Industrial Zone District, Dalang Town, Dongguan, Guangdong	USD 26,000	Bare copper cables and wires
Jiangyin Walsin Steel Cable Co., Ltd.	1992/12/16	No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu	USD 20,000	Strand, steel wire, galvanized wire
Walsin International Investments Limited	1993/12/02	Unit 9-15, 22/F, Millennium City, 378Kwun Tong Road, Kwun Tong, Kooloon, Hong Kong	HKD 0	Investments
Borrego Solar Systems, Inc.	2002/03/01	6210 Lake Shore Drive San Diego, CA 92119, USA	USD 13,941	Solar electric systems
Walcom Chemicals Industrial Limited	1988/12/29	Unit 714, 7/F, Miramar Tower, 1-23 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong	HKD 500	Commerce
Nanjing Walsin Expo Exhibition Ltd.	2009/05/06	No. 199 Yanshan Road, Nanjing	RMB 3,000	Exhibition and conference organizing service
Nanjing Taiwan Trade Mart Management Co., Ltd.	2010/04/14	No. 230 Hexi street, Nanjing	USD 1,000	Business management, property management, marketing,planning, advertising and consulting;marketing facilities leasing and marketing management; electronics,machinery, agricultural products, textiles,handicrafts and export,commission agency (except auction)
Concord Industries Limited	1992/08/25	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 405,903	Investment holding
Walsin Specialty Steel Corp.	1997/08/07	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 101,400	Commerce and Investments
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	1997/08/08	No. 2402, Waqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	USD 17,000	Manufacture and sale of stainless steel flanges and fittings, elbows, tees, valves, bar length, precision straight bar, wire and tube products
Changshu Walsin Specialty Steel Co., Ltd.	1997/12/24	Haiyu Town, Changshu City, Jiangsu Province (Mailing address : No. 2,Hai Yang Road ,Haiyu Town, Changshu City, Jiangsu Province)	USD 97,000	Production and sales of special steel, rod, wire, stainless steel pipe, architectural hardware and household heating equipment

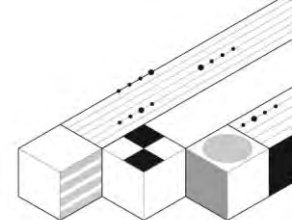




Spatial Disclosures

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
Yantai Huanghai Iron and Steel Co., Ltd.	2007/03/19	No. 2 Wuzhishan Road. ETZDZ Yantai City, Shantung Province,	USD 155,065	Manufacture and sale of steel billets and wire rods, import and export steel products and related technologies, recycle waste materials, wholesale business
Walsin Lihwa (Changzhou) Investment Co., Ltd.	2013/12/16	6/F, No.2, Tenglong Road, Wujin Economic Development Area, Jiangsu	USD 49,000	Investment holding
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	2005/03/10	No. 677, Binjiang West Road, Jiangyin City, Jiangsu	USD 49,000	Cold-rolled stainless steel and flat-rolled products
Walsin Precision Technology Sdn. Bhd.	2000/03/15	2115-1, Kawasan Perindustrian air Keroh, Fasaiv, Air Keroh, 75450 Melaka, Malaysia	USD 8,470	stainless steel plates
XiAn Walsin Metal Product Co., Ltd. (Note1)	2008/06/20	Two floor, B building, No. 15, Shanglin Yuan Road, new industrial park, Xi'an hi tech Zone, Shaanxi	USD 10,000	Production and sale of medium and heavy specialized stainless steel plates.
XiAn Lyjing Technology Co., Ltd. (Note1)	2007/08/08	Room 105, 1 floor, block A, long Qi science and Technology Park, No. 29 Jinye Road, Xi'an new and high tech Zone, Shaanxi	USD 45,200	Solar module assembly
Xian Walsin Opto-electronic Limited (Note 1)	2010/12/17	Room 105, 1 floor, block A, long Qi science and Technology Park, No. 29 Jinye Road, Xi'an new and high tech Zone, Shaanxi	USD 150	LED, micro projector, and solar cell assembly
Ace Result Global Limited	2014/10/08	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 44,740	Investment holding
Energy Pilot Limited	2009/07/28	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 20,670	Investment holding
Green Lake Capital, LLC.	2009/08/24	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833	USD 20,670	Solar power business
Green Lake Exchange, LLC.	2011/08/23	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833	USD 11,355	Solar power project development
Touch Micro-System Technology Corp.	2004/04/02	566 Gaoshin Road, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	NTD 21,000	OEM on MEMS foundry service
Chin-Cherng Construction Co.	1973/06/28	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	NTD 2,794,256	Construction business
Joint Success Enterprises Limited	2004/01/08	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 73,520	Investments
Walsin (Nanjing) Construction Limited	2005/08/09	No. 236 Jiangdong Road, Jianye District, Nanjing, Jiangsu Province	USD 50,000	Construction, rental and sale of buildings and industrial factories
Nanjing Walsin Property Management Co., Ltd.	2013/01/30	No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu	RMB 1,000	Property management, business management and housing leasing
Walsin Info-Electric Corp.	1995/6/21	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	NTD 96,000	Solar Engineering, mechanical and electrical engineering, and Power engineering
Market Pilot Limited	2010/07/01	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 127,000	Investment holding
XiAn Walsin United Technology Co., Ltd.	2006/4/24	No. 15, Shanglinyuan First Road, Hi-and-New Tech Park of Xian, Shaanxi	USD 99,900	Electronic devices and module
Min Maw Precision Industry Corp.	1970/10/17	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	NTD 241,500	Solar power systems management, design, and installation
P.T Walsin Lippo Industries	1991/04/29	Jl. MH. Thamrin Blok A1-1, Delta Silicon Industrial Park, Lippo Cikarang, Bekasi 17550, Indonesia	USD 15,000	Steel wires
P.T. Walsin Lippo Kabel	1997/12/29	Jl. Jati 3 Blok J7/5, Newton Techno Park, Serang, Cikarang Selatan, Bekasi, Jawa Barat 17550	USD 1,500	Industrial cables

Note1 : Merge into XiAn Walsin Metal Product Co., Ltd. In Process.



(3) Presumed to have control and affiliation Common Shareholders Information: Not applicable

(4)The main Industries of affiliated companies:

1. Wire and cable industry
2. Stainless steel industry
3. Business real estate
4. General investment industry

Above table include the main operation or business items of each affiliated company.

The division of work of affiliated companies:

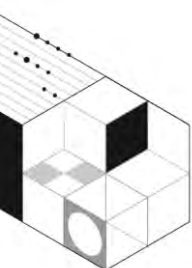
Each line of business affiliates operate independently, partially some affiliates have the purchases, sales, engineering contracting trading and marketing agency services and other projects with each other.

(5)Directors, Supervisors, and Presidents of the Affiliated Companies(2017.12.31)

Share: USD thousands or RMB thousands ; per ; %

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Walsin Lihwa Holdings Limited	Director	Representative of Walsin Lihwa Corporation : Yu-Cheng Chiao, Yu-Lon Chiao, David Wen	391,147,848	100.00%
Renowned International Limited	Director	Representative of Walsin Lihwa Holdings Limited: Yu-Hwei Chiao, Chung-Wu Cheng, Lin, Yu-Tsung	16,937,020	83.97%
	Director	Representative of Itochu Corporation : Hiroshi Ichinose	1,396,964	6.93%
	Director	Representative of Marubeni Corporation: Kunihiro Akiyama	1,396,964	6.93%
Nanjing Walsin Metal Co., Ltd	Chairman	Yu-Hwei Chiao	RMB 0	0.00%
	Vice Chairman	Bao-Min Xiao	RMB 0	0.00%
	Vice Chairman	Mu-Hsun Yu	RMB 0	0.00%
	General manager	Zhen- Zhong Hu	RMB 0	0.00%
	Director	Representative of Renowned International Limited : Yu-Hwei Chiao, Mu-Hsun Yu, Ben Lin, Huang, Jen-Chan, Witty Liao, Kunihiro Akiyama, Hiroshi Ichinose, Kiwi Lan	RMB 572,961	92.29%
	Director	Representative of Nanjing Xingang: Bao-Min Xiao	RMB 32,407	5.22%
	Director	Representative of China Netcom Jiangsu Branch: Jian-Quan He	RMB 2,980	0.48%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Jian-Hua Cao	RMB 12,478	2.01%
	Supervisor	Representative of Renowned International Limited : Nora Lin	RMB 572,961	92.29%
	Supervisor	Representative of Nanjing Xingang High-Tech Co., Ltd. : Tang-Jun Lu	RMB 32,407	5.22%
	Employee representative	Jun Xu	RMB 0	0.00%
Walsin (China) Investment Co., Ltd.	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited: Jian-Hua Cao, C.C. Chen, Fred Pan	USD 78,600	100.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited: Nora Lin	USD 78,600	100.00%
Shanghai Walsin Lihwa Power Wire & Cable	Chairman	Chung-Wu Cheng	USD 0	0.00%
	Vice Chairman	Cheng Hang	USD 0	0.00%

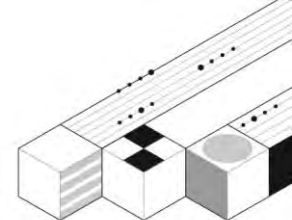




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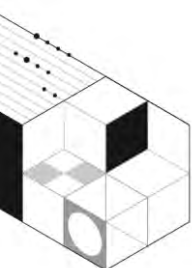
Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Co., Ltd.	General manager	Chung-Wu Cheng	USD 0	0.00%
	Director	Representative of Shanghai Nanxiang Development Zone Industrial Co. Ltd. : Hang Cheng, Jian-Ming Zhang	USD 671	4.29%
	Director	Representative of Walsin (China) Investment Co., Ltd. : Chung-Wu Cheng, Witty Liao, Jin-Renn Leu, Wei-Chih Hu, Allen Yang	USD 14,956	95.71%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Nora Lin	USD 14,956	95.71%
Dongguan Walsin Wire & Cable Co., Ltd.	Chairman	Witty Liao	USD 0	0.00%
	General manager	Chih-Ming Chuang	USD 0	0.00%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Witty Liao, Chih-Ming Chuang, Kiwi Lan	USD 26,000	100.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Nora Lin	USD 26,000	100.00%
Jiangyin Walsin Steel Cable Co., Limited (JHS)	Chairman	C.C. Chen	USD 0	0.00%
	Vice Chairman	Witty Liao	USD 0	0.00%
	Vice Chairman	Yue Zhang	USD 0	0.00%
	General manager	C.C. Chen	USD 0	0.00%
	Director	Representative of Fasten Group : Yue Zhang, Wen-Hu Shiue	USD 5,000	25.00%
	Director	Representative of Walsin (China) Investment Co., Ltd.: C.C. Chen, Witty Liao, Yu-Heng Chiao, Sophi Pan, Kiwi Lan	USD 15,000	75.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Nora Lin	USD 15,000	75.00%
Walsin International Investments Limited	Director	C.C. Chen, Fred Pan	2	100.00%
Borrego Solar Systems, Inc.	Chairman	Stan Chang	0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited: Stan Chang, Justin Wong, Sophi Pan	1,460,458	76.36%
	Director	Aaron Stephen Hall	160,774	8.41%
	Director	Michael Adam Hall	90,587	4.74%
	CEO	Michael Adam Hall	90,587	4.74%
Walcom Chemicals Industrial Limited	Director	Hao Chi	174,999	35.00%
	Director	Qi-Ying Liang	1	0.00%
	Director	Yong-Taig Chen	0	0.00%
Nanjing Walsin Expo Exhibition Co., Ltd.	Chairman	Qing-Xuan Zhang	RMB 0	0.00%
	General manager	Xue-Wu Wu	RMB 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited: Yu-Lon Chiao, Xue-Wu Wu, Min Zhou	RMB 1,800	60.00%
	Director	Representative of Nanjing Hexi Convention and Exhibition Co.,Ltd.: Qing-Xuan Zhang, Chun-Le Zhao	RMB 1,200	40.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited : Nora Lin	RMB 1,800	60.00%
Nanjing Taiwan Trade Mart Management Co., Ltd.	Chairman	Tzu-Yi Chiao	USD 0	0.00%
	General manager	Min Zhou	USD 0	0.00%
	Director	Representative of Walsin Lihwa Holdings Limited: Tzu-Yi Chiao, Xue-Wu Wu, Min Zhou	USD 1,000	100.00%
	Supervisor	Representative of Walsin Lihwa Holdings Limited : Nora Lin	USD 1,000	100.00%
Concord Industries Limited	Director	Representative of Walsin Lihwa Corporation: Yu-Cheng Chiao, Yu-Lon Chiao, David Wen	405,903,187	100.00%
Walsin Specialty Steel Corp.	Director	Representative of Walsin Lihwa Corporation: Yu-Cheng Chiao, Yu-Lon Chiao, David Wen	101,400,000	100.00%

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Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp. : C.C. Chen, Tian-Rong Chen, Allen Yang	USD 17,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp : Nora Lin	USD 17,000	100.00%
Changshu Walsin Specialty Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Xue Wu Wu	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp: C.C. Chen, Chih-Ta Wang, Sherry Ho	USD 97,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp : Nora Lin	USD 97,000	100.00%
Yantai Walsin Stainless Steel Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: C.C. Chen, Horng-Sheng Sheu	USD 116,313	75.00%
	Supervisor	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: Nora Lin	USD 116,313	75.00%
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Concord Industries Limited : Jian-Hua Cao, Fred Pan, David Wen	USD 49,000	100.00%
	Supervisor	Representative of Concord Industries Limited : Nora Lin	USD 49,000	100.00%
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of director : C.C. Chen, Horng-Sheng Sheu, Allen Yang	USD 49,000	100.00%
	Supervisor	Representative of supervisor: Nora Lin	USD 49,000	100.00%
Walsin Precision Technology Sdn. Bhd	Chairman	Juei-Lung Chen	0	0.00%
	General manager	Pang Boon Wah	0	0.00%
	Director	Representative of Concord Industries Limited: Juei-Lung Chen, Pang Boon Wah, Sean Ne Teo, Nora Lin	32,178,385	100.00%
XiAn Walsin Metal Product Co., Ltd.	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Concord Industries Limited: Nora Lin, Lei Chen, Allen Yang	USD 10,000	100.00%
	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 10,000	100.00%
XiAn LyJing Technology Co., Ltd.	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Concord Industries Limited: Nora Lin, Allen Yang, Lei Chen	USD 45,200	100.00%
	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 45,200	100.00%
Xian Walsin Opto-electronic Limited	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Concord Industries Limited: Nora Lin, Allen Yang, Lei Chen	USD 150	100.00%
	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 150	100.00%
Ace Result Global Limited	Director	Representative of Walsin Lihwa Corporation: Ji-Ming Tang, Nora Lin	44,739,988	100.00%
Energy Pilot Limited	Director	Representative of Walsin Lihwa Corporation: Ji-Ming Tang, David Wen	20,670,001	100.00%
Green Lake Capital,	Co-Manager	Jason Tai, Sophi Pan	USD 20,670	100.00%

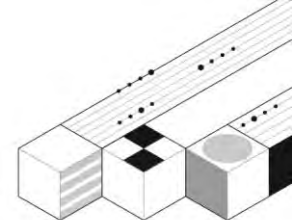




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Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
LLC.				
Green Lake Exchange, LLC		Corporate shareholders representative of Green Lake Capital, LLC.: Jason Tai	USD 11,355	100.00%
Touch Micro-System Technology Corp.	Liquidator	Sophi Pan	0	0.00%
Chin-Cherng Construction Co.	Chairman	Wu-Shung Hong	211,163	0.08%
	General manager	Fred Pan	0	0.00%
	Director	Representative of Walsin Lihwa Corporation: Yu-Cheng Chiao, Yu-Lon Chiao, Fred Pan, David Wen	277,257,758	99.22%
	Supervisor	Richard Wu	0	0.00%
Joint Success Enterprises Limited	Director	Representative of Chin-Cherng Construction Co.: Ji-Ming Tang , Fred Pan	37,461,816	50.95%
Walsin (Nanjing) Construction Limited	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Joint Success Enterprises Limited : Yu-Lon Chiao, Wu-Shung Hong, Jian-Hua Cao	USD 50,000	100.00%
	Supervisor	Representative of Joint Success Enterprises Limited : Nora Lin	USD 50,000	100.00%
Nanjing Walsin Property Management Co., Ltd.	Chairman	Fred Pan	RMB 0	0.00%
	General manager	Lin Chen	RMB 0	0.00%
	Director	Representative of Walsin (Nanjing) Construction Limited : Fred Pan, Tzu-Yi Chiao, Jeng-Chang Lee	RMB 1,000	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited : Nora Lin	RMB 1,000	100.00%
Walsin Info-Electric Corp.	Chairman	David Wen	0	0.00%
	General manager	David Wen	0	0.00%
	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan, Allen Yang	9,491,461	98.87%
	Supervisor	Nora Lin	0	0.00%
Market Pilot Limited	Director	Representative of Walsin Lihwa Corporation: Ji-Ming Tang, David Wen	127,000,000	100.00%
XiAn Walsin United Technology Co., Ltd.	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Market Pilot Limited : Nora Lin, Allen Yang, Lei Chen	USD 99,900	100.00%
	Supervisor	Representative of Market Pilot Limited : Sophi Pan	USD 99,900	100.00%
Min Maw Precision Industry Corp.	Chairman	David Wen	0	0.00%
	General manager	David Wen	0	0.00%
	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan, Allen Yang	24,150,000	100.00%
	Supervisor	Representative of Walsin Lihwa Corporation: Nora Lin	24,150,000	100.00%
P.T. Walsin Lippo Industries	President	Representative of P.T. Multi Prima Sejahtera, Tbk.: Rudy Nanggulangi	4,500	30.00%
	Commissioner			
	Vice President	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao	10,500	70.00%
	Commissioner			
	President Director	Representative of Walsin Lihwa Corporation: Kai-Dai Ou Yang	10,500	70.00%
	Vice President Director	Representative of P.T. Multi Prima Sejahtera, Tbk.: Hery Soegiarto	4,500	30.00%

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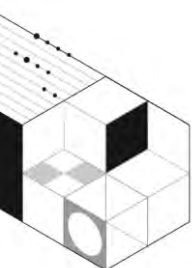
Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
	Director	Representative of Walsin Lihwa Corporation: Sophi Pan, David Karman, Ardinand Roynald P, Andre Kelsen, Foe	10,500	70.00%
P.T. Walsin Lippo Kabel	President	Representative of P.T. Multi Prima Sejahtera, Tbk.: Rudy Nanggulangi	450,000	30.00%
	Vice President	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao	1,050,000	70.00%
	Commissioner			
	President Director	Representative of Walsin Lihwa Corporation: Kai-Dai Ou Yang	1,050,000	70.00%
	Vice President	Representative of P.T. Multi Prima Sejahtera, Tbk.: Hery Soegiarto	450,000	30.00%
	Director	Representative of Walsin Lihwa Corporation: Sophi Pan, David Karman, Ardinand Roynald P, Andre Kelsen, Foe	1,050,000	70.00%

(6) Operating Condition of the Affiliated Companies

Unit: NT\$ thousands

Entity		Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income (loss)	Net Income (loss)	EPS (NT\$)
Walsin Lihwa Corporation		33,660,002	105,635,647	35,112,184	70,523,463	76,123,074	3,836,535	6,559,984	1.97
Walsin Lihwa Holdings Limited (Note 1)		11,640,560	34,511,194	12,829,050	21,682,144	75,983,602	883,633	719,613	N/A
The Subsidiaries of Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	2,339,136	20,259,254	15,822,954	4,436,300	4,612	(56,035)	119,493	N/A
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	465,060	1,812,140	724,479	1,087,662	3,007,130	102,168	89,133	N/A
	Dongguan Walsin Wire & Cable Co., Ltd.	773,760	2,741,467	1,305,948	1,435,519	19,619,020	69,222	81,392	N/A
	Jiangyin Walsin Steel Cable Co., Limited	595,200	2,408,927	1,537,268	871,659	2,130,766	(49,606)	(140,994)	N/A
	Renowned International Limited	600,311	4,120,289	0	4,120,289	0	(75)	166,628	8.26
	Nanjing Walsin Metal Co., Ltd.	2,416,512	6,687,690	2,227,517	4,460,173	47,720,764	121,975	232,162	N/A
	Walsin International Investments Limited	0	6,671	86,761	(80,090)	0	(79)	4,758	N/A
	Nanjing Walsin Expo Exhibition Co., Ltd.	13,065	1,290	888	402	986	(403)	(396)	N/A
	Borrego Solar Systems, Inc.	424,818	4,394,762	3,175,671	1,219,091	7,212,634	560,092	358,507	187.09
	Nanjing Taiwan Trade Mart Management Co., Ltd.	29,760	50,341	693,687	643,346	124,890	60,875	54,381	N/A
	Walcom Chemicals Industrial Limited	1,904	1	66,748	(66,747)	0	(16)	(16)	N/A
Concord Industries Limited (Note 2)		12,079,679	21,587,080	13,588,909	7,998,171	14,286,804	143,995	(6,502)	N/A
The Subsidiaries of Concord Industries Limited	XiAn Walsin Metal Product Co., Ltd.	297,600	3,568	996,710	(993,142)	0	(6,175)	9,935	N/A
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	1,458,240	2,062,312	1,696,387	365,925	618,204	(148,812)	289,385	N/A
	Walsin Precision Technology Sdn. Bhd.	252,067	706,835	99,930	606,904	766,835	93,166	90,346	N/A
	Walsin Specialty Steel Corp	3,071,664	240,426	638	239,788	0	4,767	(221,381)	N/A
	Changshu Walsin Specialty Steel Co., Ltd.	2,886,720	3,377,893	2,516,464	861,429	2,726,457	(180,811)	(155,956)	N/A
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	1,160,640	288,492	998,067	(709,575)	1,107,785	(55,329)	(65,571)	N/A
	Yantai Walsin Stainless Steel Co., Ltd.	4,614,734	7,753,818	7,805,885	(52,067)	11,132,283	365,946	331,366	N/A
	XiAn Ly Jing Technology Co., Ltd.	1,345,152	743,121	55,229	687,892	0	3,894	(3,796)	N/A
	Xian Walsin Opto-electronic Limited	4,464	1,799	135,278	(133,478)	0	(178)	(1,983)	N/A
	Walsin Lihwa (Changzhou) Investment Co., Ltd.	1,458,240	1,510,427	8,275	1,502,152	0	(2,450)	37,619	N/A
Ace Result Global Limited		1,331,462	575,608	0	575,608	0	(78)	(53,830)	N/A
P.T Walsin Lippo Kabel		44,640	15,937	18,986	(3,049)	0	(1,693)	(1,693)	(1.13)
Energy Pilot Limited		615,139	744,020	0	744,020	0	(5)	53,924	N/A
The Subsidiaries of Energy Pilot Limited	Green Lake Capital, LLC. (Note 3)	615,139	826,796	82,778	744,018	298,468	80,932	53,924	N/A
	Green Lake Exchange, LLC.	337,925	802,419	90,962	711,457	298,468	88,266	88,266	N/A
Touch Micro-System Technology Corp.		21,000	9,548	321	9,227	0	0	(131)	(0.06)





Spacial Disclosures

Entity		Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income (loss)	Net Income (loss)	EPS (NT\$)
Walsin Info-Electric Corp.		96,000	180,304	38,536	141,768	112,537	9,890	8,035	0.84
Market Pilot Limited(Note 4)		3,779,520	117,742	15,811	101,931	0	(9,287)	855,231	N/A
The Subsidiaries of Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	2,973,024	103,452	15,810	87,642	0	(9,287)	855,231	N/A
P.T. Walsin Lippo Industries		450,315	1,739,573	903,192	836,381	1,168,145	156,613	110,922	7,394.80
Chin-Cherng Construction Co (Note 5)		2,794,256	21,987,182	14,779,112	7,208,070	5,259,568	3,126,506	783,956	2.80
The Subsidiaries of Chin-Cherng Construction Co.	Joint Success Enterprises Limited	2,187,955	6,178,495	91,902	6,086,593	0	(1,107)	1,517,646	N/A
	Walsin (Nanjing) Construction Limited	1,488,000	20,902,758	15,525,523	5,377,253	5,154,577	3,109,449	1,553,000	N/A
	Nanjing Walsin Property Management Co., Ltd.	4,554	49,886	55,142	(5,256)	101,372	3,808	8,205	N/A
Min Maw Precision Industry Corp.		241,500	1,051,549	747,149	304,400	88,672	66,986	43,238	1.79

Note 1: The assets, liabilities and net income of Walsin Lihwa Holdings Limited include the subsidiaries'.

Note 2: The assets, liabilities and net income of Concord Industries Limited include the subsidiaries'.

Note 3: The net income of Green Lake Capital, LLC include the subsidiaries'.

Note 4: The assets, liabilities and net income of Market Pilot Limited include the subsidiaries'.

Note 5: The net income of Chin-Cherng Construction Co. include the subsidiaries'.

Note 6: The currency exchange rate was as follows:

2017/12/31 US\$/NT\$=1: 29.76 (average rate : US\$/NT\$ =1: 30.021)

2017/12/31 RMB/NT\$=1: 4.55447 (average rate : RMB/NT\$=1: 4.45421)

2. Progress of private placement of securities during the latest year and up to the date of annual report publication: None

3. The subsidiaries' shareholding or disposal of the company's shares during the latest year and up to the date of annual report publication: None

4. Other supplemental information: None

5. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act during the most recent year and up to the annual report publication date: None.