

Walsin Lihwa Corporation

2018 Annual Report

Printed on March 29, 2019

For related information, please visit:

<http://www.walsin.com>

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

1. Spokesperson

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Email: walsinspk@walsin.com

2. Deputy Spokesperson

Name: Sophi Pan
Title: Director of Financial Department
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3. Address and Phone Number of Head Office, Branches and Plants

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Yangmei Plant	No. 566, Gaoshi Rd., Yangmei Dist., Taoyuan City	Tel: +886-3-478-6171
Yenshui Plant	No. 3-10, Shi Jou Liao, Chin Shuei Li, Yenshui Dist., Tainan City	Tel: +886-6-652-0911

4. Stock Transfer Agent

Name: Walsin Lihwa Joint Shareholders Service Office
Add: 8F., No.398, Xingshan Rd., Neihu Dist., Taipei City
Tel: +886-2-2790-5885
Website: <http://stock.walsin.com/>

5. Independent Auditors

Company: Deloitte Touche Tohmatsu Limited
Auditors: Kenny Hong and Ming-Yu Chiu
Add: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei
Tel: +886-2-2725-9988
Website: <http://www.deloitte.com.tw>

6. Overseas Securities Exchange

Issued globally and traded on the Luxembourg Stock Exchange, Portal and London Stock Exchange
The information is available at <http://mops.twse.com.tw>

7. Email Address of Investor Relations Contact: walsinspk@walsin.com

8. Corporate Website: <http://www.walsin.com/>



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I Letter to Shareholders

Dear Shareholders,

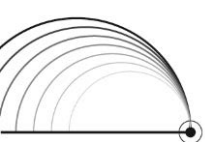
Overall, the Company had a brilliant performance in profitability in 2018. Thanks to heated global economy in the first half of the year, the reinvestment gains from the Wire and Cable BU and the electronics industry grew, while the Real Estate BU also recognized the profits from housing delivery of office buildings and certain residential products. The Company's full-year earnings hit a record high, despite uncertainty surrounding, among the others, the China-US trade war in the fourth quarter that affected the performance of the Stainless Steel BU. We are grateful to our customers, suppliers, partners and shareholders for the full support and recognition given to us.

Accomplishments in 2018

While the China-US trade war and the more volatile demand and supply in the stainless steel market in the fourth quarter of 2018 affected the Stainless Steel BU, the Company's stainless steel products sales volume increased by 7% to 840,000 metric tons in 2018. With the contribution of the real estate sales revenue, increase in reinvestment gains driven by the buoyant electronics industry in the first half of the year, and higher raw material prices, our consolidated revenue in 2018 rose to NT\$190.9 billion, the consolidated operating gross profit was NT\$15.9 billion and the after-tax net profit was approximately NT\$11.76 billion, with earnings per share of NT\$3.53.

Wire and Cable Business:

The Copper Wire BU showed steady profitability. The profitability of the Power Cable BU increased, benefiting from the rise in the sale of the cables used in the renewable energy industry and the recovery of the demand of infrastructure and construction of factories in Taiwan.



Stainless Steel Business:

Raw material prices in China that were below the global levels in 2018, and the increase in the export rebate rate of strip products in China in the fourth quarter weakened the profitability of the Company's Stainless Steel BU in Taiwan. In addition, fluctuations in global raw material prices increased due to the China-US trade war, thus intensifying fluctuations in the supply and demand in the stainless steel market and the volatility in prices and affecting the operation and profitability of the Stainless Steel Business.

Real Estate Business:

The Xinyi Building where our Taipei headquarters is located maintained steady profitability for leasing business. Nanjing Walsin Centro has adopted rolling development and finished the construction of "Jingyuan" residential project on Lot D, with the housing delivery of the second phase and the recognition of the profits from the same being completed in 2018. The housing delivery of and the recognition of the profits from first phase office buildings Nos. 3 and 4 on Lot AB were also completed in 2018.

Summary of 2019 Business Plan

Wire and Cable business:

The Copper Wire BU will keep abreast of any changes in raw material prices and capital costs and continue to enhance product quality to maintain its market share. The power cable unit is facing maturity of the domestic market in Taiwan. Currently, we have strived to expand the development and sales of industry cable products in such areas as environmental protection, renewable energy and port machines, while taking every opportunity to promote the relevant industrial cables in global markets, in order to expand the market presence.

Stainless Steel Business:

The Stainless Steel BU will continue to solve the bottleneck in the production processes and capacity and take the advantage of integrated production through capital injections. In addition to improving product quality, it will also invest in the development of new steel grades and the expansion of product sizes and specifications,





so as to meet future customer needs and improve profitability. Finally, it will continue its investment in green manufacturing relating to environmental protection and energy conservation.

Real Estate Business:

Phase III for the Nanjing Walsin Centro “Jingyuan” residential product on Lot D is expected to be sold in 2019. 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. The shopping mall “Hua Cai Tian Di” on Lot AB is scheduled to open in mid-2019.

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

Looking forward to 2019, not only the global economy will continue to be affected by the China-US trade war, but also uncertainty over US interest rates and the stagnation of China's economic development will cast doubt on the global economic environment in 2019 and further cause the Company's manufacturing BUs to face more serious challenges. In the face of the challenges and opportunities arising from the continuous innovation of technology and from the changes in business models brought about by the Internet of Things, the Company will continue to expand its investments in technology applications to accelerate the accumulation of know-how in the manufacturing BUs, shorten the time it takes to respond to customer demand and enhance customer service value and other core competencies, with a view to transforming the Company into a manufacturing-services-driven company and maintaining the Company's continued growth dynamics.

Chairman

鍾佑倫



II Company Profile

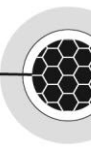
1. Date of establishment December 2, 1966

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 Hsinchuang 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 Yanshui specialty steel plant was carried out to include slab steelmaking facilities.



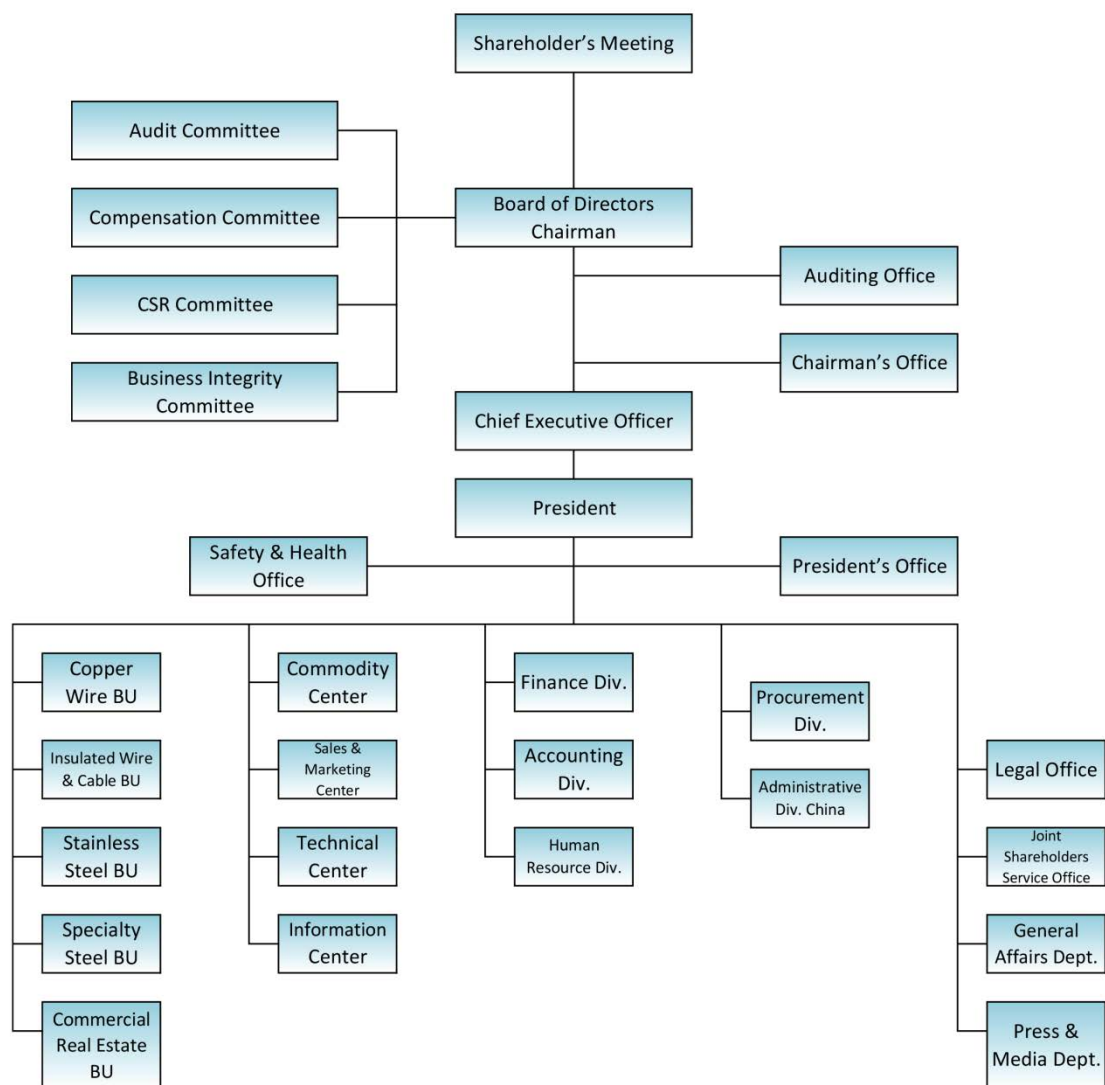
- 2003 With Yanshui specialty steel plant beginning slab production, the company expanded into the stainless steel plate market.
- 2005 Set up new plants in Nanjing, Changshu and Jiangyin to produce copper products as well as seamless steel pipes and steel wire products.
- Shanghai and Hangzhou power cable plants completed expansion and increased production capacity; began mass production of 220kV EHV cables.
- Expansion of Yanshui 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-Strait 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.
- 2018 The coarse crusher was launched in Yanshui plant to improve the product quality and yield rate.
- Phase I office buildings in Nanjing Walsin Centro on AB land plot and Phase II houses on D land plot were delivered.



III Corporate Governance Report

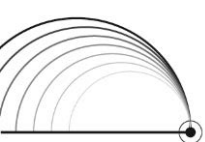
1. Organizational Chart

(1) Company Organization Chart (March 29, 2019)



(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.
Joint Shareholders Service & Contact 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

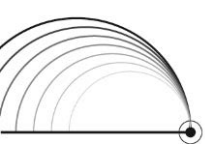
(1) Information on Directors

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	1.38%	19,638,314	0.59%	
Vice Chairman	R.O.C.	Patricia Chiao	Female	May 26, 2017	3 years	May 31, 2005 (Note1)	91,969,006	2.71%	91,969,006	2.77%	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	1.19%	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%	57,792,197	1.74%	12,965,390	0.39%	



December 31, 2018

	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	Patricia 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; the Company's former 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.	Board Director of Renowned International 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-Cheng 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 International 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 Patricia 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., 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 Patricia Chiao Yu-Cheng Chiao Wei-Shin Ma	Older brother Older sister Older brother Sister-in-law

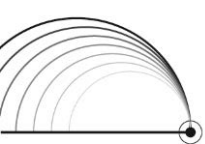


Title	Nationality or Registration Country	Name	Gender	Term Began	Term	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse and Underage Children	
							Number of shares	Percentage	Number of shares	Percentage	Number of shares	Percentage
Director	R.O.C.	Hui-Ming 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%	58,456,784	1.76%
Director	R.O.C.	Chin-Xin Investment Co., Ltd	-	May 26, 2017	3 years	Legal Person: May 31, 2005 (Note2)	178,002,000	5.24%	210,011,000	6.31%	0	0.00%
		Representative: Tung-Y Chan	Male			Representative: May 26, 2017	0	0.00%	0	0.00%		
Independent Director	R.O.C.	Chen, Steve Ruey-Long	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, 2018

	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., Gogoro Taiwan Limited and Ganso Co., Ltd.	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., Hannspree, Inc., Golden Apple Investment Company, White Stone Management Consultancy; Director of HannStar Color Co. and Winbond Electronics Corporation	Chairman Vice Chairman Director Director	Yu-Lon Chiao Patricia 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 Chijen Technology Development Co., Ltd., Asia Cement Corporation, HannStar Board Corporation, Bank of Panhsin Co., Ltd. and Powerchip Semiconductor Manufacturing Corporation; 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; Independent Director of Wasin Lihwa Corporation .	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%	1,000	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: Patricia Chiao served on the Company's Board between May 31, 2005 and June 10, 2014 and from May 25, 2016 until now.

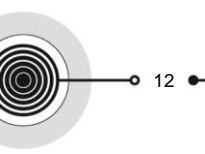
Note 2: Chin-Xin Investment Co., Ltd served on the Company's Board between May 31, 2005 and June 10, 2014 and from May 26, 2015 until now.

Note 3: The Audit Committee was established on May 26, 2017 to replace the supervisors.

1. Major shareholders of institutional shareholder

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	December 31, 2018
		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, 2018

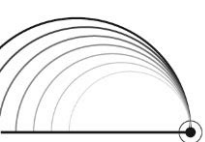
	Shares Held in Name of Others		Key Education/Work Experience	Other Current Positions Within the Company	Other Officer, Director or Supervisor who are Spouse or Relative within Second Degree		
	Number of shares	Percentage			Position	Name	Relationship
	0	0.00%	Mississippi State University, Masters in Mechanical 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., and Hipact Tech Inc.; Director of Mercuries Holdings Corporation, Mercuries Data Systems Ltd., Shang-Ling Investment Inc., Shang-Hong Investment Inc. and EASYCARD Investment Holding Company, Yangzheng Investment Co., Ltd., Nanjing Mercuries Development of Software Co., Ltd., Taiwan Masters Golf Promotion Foundation and Institute for National Policy Research Foundation; Supervisor of Digicentre Co., Ltd. and Powertec Energy Corp.; Independent Director of Teco Image Systems Inc.; Vice President of Criminal Investigation and Prevention Association of the Republic of China; Chairman of the Security Police Third Corps Police Club of the Police Friendship Association of the Republic of China	None	None	None

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

December 31, 2018

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%
	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	2.36%
	Yu-Cheng Chiao	1.59%
	Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JP Morgan Chase Bank N.A., Taipei Branch	1.09%
	PGIA General International Stock Index Fund, one of the fund series managed by PGIA, under the custody of JP Morgan Chase Bank N.A., Taipei Branch	1.06%
	Pai-Yung Hong	0.97%
	Yu-Heng Chiao	0.80%
	Yu-Lon Chiao	0.75%
	Yu-Chi Chiao	0.57%

Note: Top ten shareholders of the institutional shareholder.



March 26, 2019

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Walsin Lihwa Corporation	Chin-Xin Investment Co., Ltd	6.31%
	Winbond Electronics Corporation	6.19%
	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	5.80%
	Patricia Chiao	2.77%
	Yu-Heng Chiao	1.74%
	Norges Bank Investment Fund under the custody of Citibank, Taipei Branch	1.68%
	Yu-Chi Chiao	1.53%
	Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of Standard Chartered Bank	1.45%
	Walsin Lihwa Employee Welfare Committee	1.44%
	Pai-Yung Hong	1.43%

Note: Top ten shareholders of the institutional shareholder.

December 31, 2018

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%
	HannStar Board Corporation	7.46%
	Nan Shan Life Insurance Company, Ltd.	3.56%
	Global Brands Manufacture Ltd.	3.11%
	The New Labor Pension Fund	3.03%
	Walton Advanced Engineering, Inc.	2.75%
	Kim Eng Securities Private Co., Ltd. investment account under the custody of Citibank Taiwan Ltd.	2.73%
	Yu-Heng Chiao	2.49%
	The Old Labor Pension Fund	2.35%
	Winbond Electronics Corporation	2.02%
HannStar Board Corporation	Walsin Technology Corporation	20.30%
	Walsin Lihwa Corporation	13.08%
	Chin-Xin Investment Co., Ltd	3.84%
	Pai-Yung Hong	1.99%
	BNP Paribas, Singapore Branch under the custody of HSBC	1.62%
	Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC	1.48%
	The New Labor Pension Fund	1.09%
	Digital Emerging Market Small Core Capital Overseas Fund under the custody of Standard Chartered Bank	1.06%
	Guo-Ming Wang	1.06%
	Yu-Heng Chiao	1.03%

Note: Top ten shareholders of the institutional shareholders.



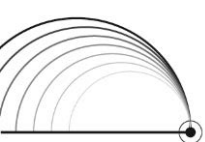
3. Work experience, Professional Knowledge and Independence of Directors

December 31, 2018

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
Patricia 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-Y Chan	No	No	Yes	✓	✓	✓	✓		✓	✓	✓	✓		0
Chen, Steve Ruey-Long	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Ming-Ling Hsueh	Yes	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
King-Ling Du	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Shiang-Chung Chen	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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.



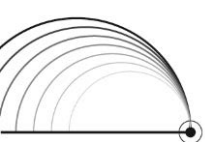
(2) Profile of President, Vice Presidents, Assistant Vice Presidents and Department Heads

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	84,800	0.00%	0	0.00%	0	0.00%	
Vice President	R.O.C.	Ben Lin	Male	May 1, 2010	250,000	0.01%	2,735	0.00%	0	0.00%	
Vice president and Senior General Manager of Real Estate BU	R.O.C.	Fred Pan	Male	July 16, 2007	107,300	0.00%	0	0.00%	0	0.00%	
Senior General Manager of Specialty Steel BU	R.O.C.	C.C. Chen	Male	May 1, 2010	235,722	0.01%	0	0.00%	0	0.00%	
Senior General Manager of Stainless Steel BU	R.O.C.	Tain-Rong Chen	Male	August 28, 2012	25,300	0.00%	0	0.00%	0	0.00%	
Senior General Manager of Insulated Wire & Cable BU	R.O.C.	Jin-Renn Leu	Male	August 13, 2014	40,900	0.00%	11,000	0.00%	0	0.00%	
Senior General Manager of Copper Wire BU	R.O.C.	Witty Liao	Male	August 13, 2014	65,963	0.00%	0	0.00%	0	0.00%	



December 31, 2018

	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., Gogoro Taiwan Limited and Ganso Co., Ltd.	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.	Vice Chairman of Nan Jing Walsin Metal Co., Ltd.; Director of 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 and Chief of Staff.	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) Investment 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., Yantai Walsin Stainless Steel Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd.; Director of Changshu Walsin Specialty Steel Co., Ltd., Walsin International Investment, Walsin China Investment 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 Hsinchuang 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. and Nanjing Walsin Metal Co., Ltd.; Vice Chairman of Jiangyin Walsin Steel Cable Co., Ltd.; Director of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	None	None	None	None



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.	David Liou	Male	May 15, 2017	1,000	0.00%	0	0.00%	0	0.00%	
Chief Technology Officer	R.O.C.	Michael 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.	Richard Wu	Male	May 1, 2010 (Note 2)	110,400	0.00%	0	0.00%	0	0.00%	

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

Note 2: Richard Wu acted as the Company's Head of Accounting Department from May 1, 2010 to November 1, 2015 and has acted as the same since March 1, 2018.



December 31, 2018

	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 Winbond Electronic Corporation, Walsin IEI Co., Ltd., Min Maw Precision Industry Corp., Global Investment Holdings, Borrego Solar Systems, Inc., PT. Walsin Lippo Industries, P.T. Walsin Lippo Kabel Director, Jiangying Walsin Steel Cable Co., Ltd. and Nanjing Walsin Metal Co., Ltd.; Supervisor of Hua Tuo Green Resources Co., Ltd., Chung Tai Technology Development Engineering Co., Ltd. and Huabao-Bao Seed Breeding 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., Walsin Nanjing Commercial Management Co., Ltd., Walsin Nanjing Culture and Arts Co., Ltd. Liquidator of Green Lake Capital, LLC. Co-Manager; Touch Micro-System Technology Corp.	None	None	None	None
	Department of Accounting, Zhongyuan University; former team leader of Deloitte, deputy manager of Kunjin (shares) Company, deputy manager of Southern Taiwan Accounting Firm, and financial manager of Shanglin Enterprise; Associate Manager, Cost Section, Yenshiu Plant of the Company, Control Officer of Stainless Steel BU, Control Officer of Stainless Steel BU and Control Officer of Changshu/WPT OU and Control Officer, Audit Chief and Head of General Manager Office and Controll Officer of Changzhou/Yuan Tai/WPT OU.	Supervisor of Jincheng Construction Co., LTD. Supervisor of Walsin China Investment Co., Ltd., Walsin Lihwa (Changzhou) Investment Co., Ltd., Nanjing Walsin Metal Co., Ltd., Dongguan Walsin Wire & Cable Co. Ltd., Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd., Changshu Walsin Specialty Steel Co., Ltd., Yantai Walsin Stainless Steel Co., Ltd., Jiangyin Huaxin Special Alloy Material Co., Ltd., Jiangying Walsin Steel Cable Co., Ltd., Nanjing Taiwan Trade Mart, Walsin (Nanjing) Real Estate Development Co., Ltd. and Nanjing Walsin Property Management Co., Ltd.	None	None	None	None

3. Remunerations to Directors, 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 12) (%)	
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to Directors (C) (Note 3)		Business expense (D) (Note 4)			
		Company	All Companies In Financial Statements (Note 7)	Company	All Companies In Financial Statements (Note 7)	Company	All Companies In Financial Statements (Note 7)	Company	All Companies In Financial Statements (Note 7)	Company	All Companies In Financial Statements (Note 7)
Chairman	Yu-Lon Chiao	54,212,000	54,212,000	0	0	63,000,000	63,000,000	7,510,080	7,534,080	1.0609	1.0611
Vice Chairman	Patricia Chiao										
Director	Yu-Cheng Chiao										
Director	Hui-Ming Cheng										
Director	Yu-Heng Chiao										
Director	Wei-Shin Ma										
Independent Director	Ming-Ling Hsueh										
Independent Director	King-Ling Du										
Independent Director	Shiang-Chung Chen										
Independent Director	Chen, Steve Ruey-Long										
Legal Person Director and Representative	Chin-Xin Investment Co., Ltd Representative: Tung-Y Chan										

* 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 9)	Included in Financial Statements All companies (Note 10)	The Company (Note 9)	All Companies in Consolidated Statements (Note 11)
<NT\$2,000,000				
NT\$2,000,000 ~ NT\$5,000,000	Yu-Cheng Chiao; Hui-Ming Cheng; Yu-Heng Chiao; Wei-Shin Ma; Chin-Xin Investment Co., Ltd	Yu-Cheng Chiao; Hui-Ming Cheng; Yu-Heng Chiao; Wei-Shin Ma; Chin-Xin Investment Co., Ltd	Yu-Cheng Chiao; Yu-Heng Chiao; Wei-Shin Ma; Chin-Xin Investment Co., Ltd	
NT\$5,000,000 ~ NT\$10,000,000	Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Chen, Steve Ruey-Long	Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Chen, Steve Ruey-Long	Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Chen, Steve Ruey-Long	Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Chen, Steve Ruey-Long
NT\$10,000,000~NT\$15,000,000				Wei-Shin Ma
NT\$15,000,000~NT\$30,000,000				Chin-Xin Investment Co., Ltd
NT\$30,000,000~NT\$50,000,000	Yu-Lon Chiao; Patricia Chiao	Yu-Lon Chiao; Patricia Chiao	Yu-Lon Chiao; Patricia Chiao; Hui-Ming Cheng	Yu-Lon Chiao; Patricia Chiao; Yu-Cheng Chiao; Hui-Ming Cheng
NT\$50,000,000~NT\$100,000,000				
> NT\$100,000,000				Yu-Heng Chiao
Total	11	11	11	11

Unit: NT\$

	Remuneration Received as Employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to After-tax Income (Note 12) (%)		Remuneration from Re-investments other than Subsidiaries (Note 8)
	Salary, Bonus and Special Allowance (E) (Note 5)		Pension (F)		Employee Bonus (G) (Note 6)						
	Company	All Companies In Financial Statements (Note 7)	Company	All Companies In Financial Statements (Note 7)	Company		All Companies In Financial Statements (Note 7)		Company	All Companies In Financial Statements (Note 7)	
					Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
	33,050,900	33,050,900	361,440	361,440	1,179,400	0	1,179,400	0	1.3551	1.3553	205,214,016

Note 1: This Table lists incumbent Directors in 2018 and their respective remuneration.

Note 2: 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 3: Remunerations to Directors in 2018 approved by the Board of Directors have been listed.

Note 4: Refers to the expenses incurred by Directors in 2018 to perform relevant duties (including transportation, attendance fees, special disbursements and various allowances).

Note 5: 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 2018. In addition, the Company's remuneration to 2 chauffeurs totaled NT\$2,298,683 /year.

Note 6: 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 2018; employee bonus for 2018 was approved by the Board of Directors.

Note 7: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).

Note 8: 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.

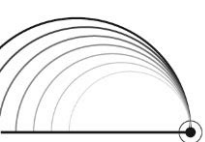
Note 9: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 10: 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 11: 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 12: After-tax net income refers to the after-tax net income of individual financial statement in 2018.

* 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) Remunerations to President and Vice Presidents

Title (Note 1)	Name (Note 1)	Remuneration (A)		Pension (B) (Note 2)		Bonus and Special Allowances (C) (Note 3)		
		Company	All Companies In Financial Statements (Note 5)	Company	All Companies In Financial Statements (Note 5)	Company	All Companies In Financial Statements (Note 5)	
President	Hui-Ming Cheng	41,202,334	42,578,434	2,867,067	2,867,067	48,778,907	49,031,807	
Vice President	Fred Pan							
Vice President	Ben Lin							
Vice President	Juei-Lung Chen							
Chief Information Officer of Information Center	David Liou							
Chief Technology Officer of Technology Center	Michael Wang							
Chief Marketing Officer of Marketing Center	Kevin Niu							
Senior General Manager of Copper Wire BU	Witty Liao							
Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu							
Senior General Manager of Stainless Steel BU	Tain-Rong Chen							
Senior General Manager of Specialty Steel BU	C.C. Chen							

Table of Remuneration Ranges

Range of Remuneration Paid to President and Vice Presidents	Names of President and Vice Presidents	
	The Company (Note 7)	All Re-investments (Note 8)
<NT\$2,000,000		
NT\$2,000,000 ~ NT\$5,000,000		
NT\$5,000,000 ~ NT\$10,000,000	Fred Pan; Ben Lin; Juei-Lung Chen; C.C. Chen; Tain-Rong Chen; Jin-Renn Leu; Witty Liao; David Liou; Michael Wang, Kevin Niu	Fred Pan; Ben Lin; Juei-Lung Chen; C.C. Chen; Tain-Rong Chen; Jin-Renn Leu; Witty Liao; David Liou; Michael Wang, Kevin Niu
NT\$10,000,000 ~ NT\$15,000,000		
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 (and equivalents) or above received in 2017.

Note 2: Refers to pension set aside pursuant to the law.

Note 3: 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 (and equivalents) or above in 2017. In addition, the Company's remuneration to chauffeurs totaled NT\$1,066,807/year.

Note 4: 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 5: Discloses the total payment to manager's ranked vice president (and equivalents) or above from all companies in the consolidated statements (including the Company).

Note 6: 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.

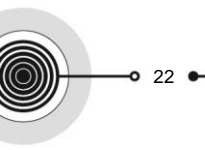
b. The remuneration refers to pay, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by the Company's managers ranked vice president (and equivalents) or above while serving as a Director, Supervisor or manager of an investee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

Note 7: 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 8: 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 9: 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 4)				Ratio of total (A), (B), (C) and (D) to After-tax Income (%) (Note 9)		Remuneration from Re-investments other than Subsidiaries (Note 6)
	Company		All Companies In Financial Statements (Note 5)		Company	All Companies In Financial Statements (Note 5)	
	Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
	7,037,200	0	7,037,200	0	0.8496	0.8635	365,000

(3) Distribution of Employee Bonus to Managers

March 5, 2019

	Title	Name	Stock bonus	Cash Bonus	Total	Percentage of the Total to After-tax Net Income (%)
Managers	President	Hui-Ming Cheng	0	7,759,900	7,759,900	0.0660
	Vice President	Fred Pan				
	Vice President	Ben Lin				
	Vice President	Juei-Lung Chen				
	Chief Information Officer of Information Center	David Liou				
	Chief Technology Officer of Technology Center	Michael Wang				
	Chief Marketing Officer of Marketing Center	Kevin Niu				
	Senior General Manager of Copper Wire BU	Witty Liao				
	Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu				
	Senior General Manager of Stainless Steel BU	Tain-Rong Chen				
	Senior General Manager of Specialty Steel BU	C.C. Chen				
	Head of Accounting Dept.	Richard Wu (Note)				
	Head of Financial Dept.	Sophi Pan				

Note: Mr. Richard Wu served as Chief Accounting Manager from March 1, 2018.

※ This Table lists managers in active duty as of the end of 2018 and their summarized 2018 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 2018.

(4) Analysis of remunerations to Directors, 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, 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)			
	2018		2017	
	Company	Companies in Consolidated Financial Statements	Company	Companies in Consolidated Financial Statements
Director	1.36	1.36	2.09	2.11
Supervisors	-	-	0.06	0.06
President and Vice President	0.85	0.86	1.48	1.45

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 is formulated based on the Company Law and the Company's regulations. The Company's operating strategy, profitability, future development and industry condition, as well as each director's participation in and contribution to the Company's operation, have also been taken into account in order to give them reasonable remuneration. The Compensation Committee then 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, and profitability and operating risks.

4. Corporate Governance Status

(1) Overview of Board of Directors Operation

The Board of Directors totally held 6 meetings in 2018.

1. The attendance records for Directors are as follows:

Title	Name	Attended in Person	Attended by Proxy	Attendance Percentage (%)	Remarks
Chairman	Yu-Lon Chiao	6	0	100%	
Vice Chairman	Patricia Chiao	5	1	83%	
Director	Yu-Cheng Chiao	6	0	100%	
Director	Yu-Heng Chiao	3	1	50%	
Director	Hui-Ming Cheng	6	0	100%	
Director	Wei-Shin Ma	4	2	67%	
Director	Chin-Xin Investment Co., Ltd Representative: Tung-Y Chan	6	0	100%	
Independent Director	Chen, Steve Ruey-Long	6	0	100%	
Independent Director	Ming-Ling Hsueh	6	0	100%	
Independent Director	King-Ling Du	6	0	100%	
Independent Director	Shiang-Chung Chen	4	2	67%	

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

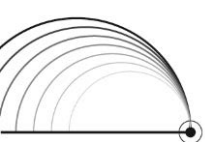
✓: Attended in Person; ⊙: Attended by Proxy; ×: Absent

18 th Term	4 th Meeting January 19, 2018	5 th Meeting February 23, 2018	6 th Meeting April 13, 2018	7 th Meeting May 4, 2018	8 th Meeting August 2, 2018	9 th Meeting November 2, 2018
Chen, Steve Ruey-Long	✓	✓	✓	✓	✓	✓
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, 2018

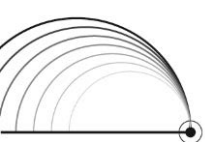
Board of Directors Meeting	Content of Proposal and Resolution	Independent Directors' Opinion(s)	Company's Handling of Independent Directors' Opinion(s)	Independent Directors with Recorded or Written Opposing or Reserved Opinion(s)
18 th Term 4 th Meeting January 19, 2018	Proposal: Proposal to amend the Company's Procedures for Lending to Others. Resolution: Proposal passed.	None	None	None
	Proposal: Advice on Chairman's and Vice Chairman's 2017 performance bonus. Resolution: Proposal passed. Recusal: Yu-Lon Chiao, Patricia Chiao	None	None	None
	Proposal: Proposal to review manager's performance as well as 2017 bonuses and compensation. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
18 th Term 5 th Meeting February 23, 2018	Proposal: Advice on Company's distributions for 2017 director and employee remunerations. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	Proposal: Proposal to change the Company's Chief Accounting Manager and approve the compensation thereto. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to prepare the Company's management's reports on the internal control system for 2017. Resolution: Proposal passed.	None	None	None
	Proposal: Motion to approve the annual compensation to the commissioned accounting firm Deloitte Touche Tohmatsu Limited as well as assess the independence and competency of certified public accountants. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act. Resolution: Proposal passed. Recusal: Wei-Shin Ma and Chen, Steve Ruey-Long	None	None	None
	Proposal: Proposal to participate in the cash capital increase by Powertec Energy Corp. through issuance of new shares. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve the subsidiary's lending to the Company and its other subsidiaries in the amount of US\$523,480,000 and RMB 3.8 billion. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to participate, in a higher amount, in the cash capital increase by Powertec Energy Corp. through issuance of new shares. Resolution: Proposal passed.	None	None	None
18 th Term 6 th Meeting April 13, 2018	Proposal: Proposal to participate, in a higher amount, in the cash capital increase by Powertec Energy Corp. through issuance of new shares. 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: Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	Proposal: Proposal to lift the non-competition ban for the Company's managers. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	Proposal: Proposal for Specialty Steel BU to make capital investments by establishing a production line of hot rolling rod in Yantai, in order to expand the economies of scale, improve product quality and enhance steelmaking capacity. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to inject capital into Yantai Walsin Stainless Steel Co., Ltd. via cash through Walsin Specialty Steel Holding Company. Resolution: Proposal passed.	None	None	None
18 th Term 7 th Meeting May 4, 2018	Proposal: Proposal to provide endorsement and guarantee to the subsidiary, Borrego Solar Systems Inc., in the amount of the US\$ 33 million. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal for Walsin (China) Investment Co., Ltd. to lend RMB 80 million to Walsin (Hangzhou) Power Cable Co., Ltd. for 1 year. Resolution: Proposal passed.	None	None	None
18 th Term 8 th Meeting August 2, 2018	Proposal: Proposal to amend the Company's Internal Control System regarding financing cycle-internal control for stock service. Resolution: Proposal passed.	None	None	None
18 th Term 9 th Meeting November 2, 2018	Proposal: Proposal to approve the Stainless Steel BU's purchase of land and buildings for business use for its long-term needs for operation and development. 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 6 times.



December 31, 2018

No.	Term/Meeting Date	Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not
1	18 th Term 4 th Meeting January 19, 2018	Yu-Lon Chiao, Patricia Chiao	Advice on Chairman's and Vice Chairman's 2017 performance bonus	Personally interested	Recused as provided by law
2	18 th Term 4 th Meeting January 19, 2018	Hui-Ming Cheng	Proposal to review manager's performance as well as 2017 bonuses and compensation	Personally interested	Recused as provided by law
3	18 th Term 5 th Meeting February 23, 2018	Hui-Ming Cheng	Advice on Company's distributions for 2017 director and employee remunerations	Personally interested	Recused as provided by law
4	18 th Term 5 th Meeting February 23, 2018	Wei-Shin Ma, Chen, Steve Ruey-Long	Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act	Personally interested	Recused as provided by law
5	18 th Term 6 th Meeting April 13, 2018	Hui-Ming Cheng	Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act	Personally interested	Recused as provided by law
6	18 th Term 6 th Meeting April 13, 2018	Hui-Ming Cheng	Proposal to lift the non-competition ban for the Company's managers.	Personally interested	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 participation in the 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 participation in the company's operation,
- II. The grasp of the corporate goals and missions,
- III. The awareness 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 (2018) Board of Directors' performance self-evaluation results in December every year go as follows:

I. Board of Directors' overall average score 99.3 points (full score 100 points)

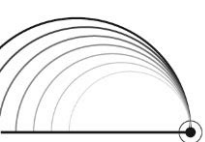
II. Board members' overall average score 98.6 points (full score 100 points).

The details of the foregoing performance evaluation and the follow-up improvements were reported to the Board of Directors on January 21, 2019.

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. In the fourth quarter of 2018, the performance was evaluated by Taiwan Corporate Governance Association, which then put forward suggestions about improvement on the composition of the board, internal control and risk management, board meeting supporting system and supervision of the board, and such evaluation results were reported to the Board of Directors on January 21, 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. The Company's Regulations for the Evaluation of the Performance of the Board of Directors was amended by the resolution of the board meeting dated May 6, 2019 and will be implemented in the next year.
- (4) Actively participating in corporate governance: In recent years, the Company has actively participated in the promotion of the corporate governance and the transparency in information disclosure. In addition to ranking in the top 20% among the Corporate Governance Evaluation Results for three consecutive years (from 2014 to 2016), Walsin Lihwa was further listed as the top 5% outstanding companies by the 4th and 5th Corporate Governance Evaluation in 2017 and 2018 respectively. The Company will continue making efforts to maintain among the top 5% with respect to the Corporate Governance Evaluation Results. The Company not only will continue to strive to actively participate in the corporate governance evaluation, but also has formed a project to improve corporate governance matters and enhance corporate governance capabilities.
- (5) Enhancing the board's functions and decision-making quality: In order to bring into play the functions and decision-making quality 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) Heavy reliance on the independent directors' functions: Authorizing independent directors to utilize their own expertise and regularly participate in our company's investment assessment projects and matters relevant to corporate governance. Since the shareholders' meeting dated May 26, 2017, the Audit Committee has been formally established, which comprises all of the independent directors and assists the board in the performance of supervisory duties along with the Compensation Committee.
- (7) Raising the transparency of corporate data: 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

1. The Audit Committee's Duties and Annual Work Summary

(1) The major matters reviewed by the Audit Committee include:

- A. Adoption of or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- B. Assessment of the effectiveness of the internal control system.
- C. Adoption of or amendment to procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of loans to others, or endorsements or guarantees for others, pursuant to Article 36-1 of the Securities and Exchange Act.
- D. Matters bearing on the personal interest of a director.
- E. Material asset or derivatives transactions.
- F. Material loans, endorsements, or provision of guarantees.
- G. The offering, issuance, or private placement of any equity-type securities.
- H. The engagement or dismissal of a CPA, or the compensation given thereto.
- I. The appointment or discharge of a financial, accounting, or internal auditing officer.
- J. Annual and semi-annual financial reports.
- K. Any other material matter so required by the Company or the Competent Authority.

(2) Annual Work Summary:

- A. Agenda arrangement (for Audit Committee meetings and communication meetings)
- B. Handling matters related to the meeting of the Audit Committee in accordance with the law (meeting notice, proceedings)
- C. Follow-ups and execution of improvements requested by the Audit Committee
- D. Providing company information required by independent directors to assist them in fully exercising their powers
- E. Annual self-assessment of the Audit Committee
- F. Establishing and revising the organizational regulations and relevant operating procedures
- G. Announcement of relevant matters concerning the Audit Committee pursuant to law (organizational regulations and operational status)
- H. Whether any employee, manager and director has entered into related-party transactions and possible conflicts of interest in such transactions
- I. Suggestions and complaints from interested parties
- J. Management of exchange rate risks
- K. Information Security
- L. Work safety/environmental protection and legal compliance



2. The Audit Committee meeting was held a total of 8 times in 2018, and the attendance of the independent directors is as follows:

Title	Name	Personally Attended	Attended by Proxy	Attendance rate (%)	Remarks
Convener	Ming-Ling Hsueh	8	0	100%	
Member	Chen, Steve Ruey-Long	8	0	100%	
Member	King-Ling Du	8	0	100%	
Member	Shiang-Chung Chen	6	1	75%	

3. 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.

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

December 31, 2018

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Audit Committee Member's Opinion
1 st Term 5 th Meeting 2018/1/10	18 th Term 4 th Meeting 2018/1/19	Proposal: Approval for the Company's 2018 annual business plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Stainless Steel BU's procurement of land for preparation for long-term operating needs in the amount of NT\$ 350 million. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Amendment to the Company's Procedures for Lending to Others and Procedures for Endorsement and Guarantee. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 st Term 6 th Meeting 2018/2/13	18 th Term 5 th Meeting 2018/2/23	Proposal: Approval for the Company's 2017 business report, balance sheet, income statement, statement of changes in equity and statement of cash flows. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's 2017 consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the affiliates' 2017 consolidated business report and financial statements. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's 2017 profit distribution plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.

December 31, 2018

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Audit Committee Member's Opinion
		<p>Proposal: Approval for the Company's 2017 declaration of internal control system.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for the annual compensation to the accounting firm engaged by the Company, Deloitte Touche Tohmatsu Limited, as well as the assessment of the independence and competency of certified public accountants.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for the subsidiary's lending to Walsin Lihwa Corporation ("WLC") and lending between subsidiaries in the amount of US\$523,480,000 and RMB 3.8 billion respectively.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for participation in the cash capital increase by Powertec Energy Corp. through issuance of new shares.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for change in the Company's Chief Accounting Manager and the compensation thereto.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for lifting the non-competition ban for the Company's Directors according to Article 209 of the Company Act.</p> <p>Resolution: Proposal passed.</p> <p>Recusal: Chen, Steve Ruey-Long</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for participation, in a higher amount, in the cash capital increase by Powertec Energy Corp. through issuance of new shares.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
1 st Term 7 th Meeting 2018/4/13	18 th Term 6 th Meeting 2018/4/13	<p>Proposal: Approval for lifting the non-competition ban for the Company's Directors according to Article 209 of the Company Act.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.
		<p>Proposal: Approval for the Stainless Steel BU's purchase of land and buildings for business use for its long-term needs for operation and development.</p> <p>Resolution: Proposal passed.</p>	Directors approved the proposal unanimously.

December 31, 2018

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Audit Committee Member's Opinion
		Proposal: Approval for Specialty Steel BU's capital investments by establishing a production line of hot rolling rod in Yantai, in order to expand the economies of scale, improves product quality and enhances steelmaking capacity. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's capital injection into Yantai Walsin Stainless Steel Co., Ltd. ("Yantai Walsin") through Concord Industries Ltd. ("Concord") via cash. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for endorsement and guarantee given by the Company to the subsidiary, Borrego Solar Systems Inc. ("Borrego"). Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 st Term 9 th Meeting 2018/7/25	18 th Term 8 th Meeting 2018/8/2	Proposal: Approval for the Company's consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for second quarter of 2018. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for Walsin (China) Investment Co., Ltd. to lend RMB 80 million to Walsin (Hangzhou) Power Cable Co., Ltd. ("Hangzhou Walsin") for 1 year. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's mid- to long-term bank borrowings within the amount of NT\$ 13 billion. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 st Term 10 th Meeting 2018/8/2	18 th Term 9 th Meeting 2018/8/2	Proposal: It is proposed to re-approve the Company's mid- to long-term bank borrowings within the amount of NT\$ 13 billion as approved by the 9 th meeting of the Audit Committee of the 1 st term, due to changes in the loan conditions. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 st Term 11 th Meeting 2018/10/24	18 th Term 10 th Meeting 2018/11/2	Proposal: Amendment to the Company's Internal Control System regarding financing cycle-internal control for stock service. Proposal passed. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for 2019 annual audit plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.

December 31, 2018

Audit Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Audit Committee Member's Opinion
1 st Term 12 th Meeting 2018/11/2	18 th Term 10 th Meeting 2018/11/2	Proposal: Approval for the Stainless Steel BU's purchase of land and buildings for business use for its long-term needs for operation and development. Resolution: Proposal passed.	Directors approved the proposal unanimously.

B. 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 recusing himself from conflicts of interests:

December 31, 2018

No.	Term/Meeting Date	Name	Proposal	Reason for Recusal	Participated in Vote or Not
1	1 st Term 6 th Meeting 2018/2/13	Chen, Steve Ruey-Long	Approval for lifting the non-competition ban for the Company's Directors according to Article 209 of the Company Act.	Personally interested	Recused as provided by law

(3) Communication between independent directors, the chief internal auditor and CPAs (which should include major events, methods, results, etc. as regards our Company's financial and business conditions):

A. Communication policy between independent directors, chief internal auditor and CPAs:

- (A) The CPAs are invited to attend Audit Committee meetings at least twice a year and to report to the Audit Committee on the review or audit results of our Company's and its affiliates' financial statements and the internal control audit status. The CPA shall fully communicate any material adjustments to entries or any amendments to laws and regulations.
- (B) If necessary, a communication meeting may be called at any time with the CPAs.
- (C) The chief internal auditor shall meet with the independent directors regularly in Audit Committee meetings at least once a quarter to report on the internal audit implementation of our Company and the internal control operations. In case of major irregularities, the meeting may be called at any time.
- (D) The convener of the Audit Committee shall discuss the internal audit operation with the chief internal auditor every quarter non-periodically aside from the above regular meetings.

B. Summary of previous communications between independent directors and CPAs for 2018:

Independent directors have good communication with CPAs.

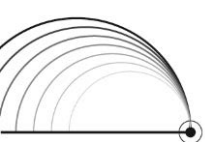
Date	Communication Highlights	Directors' Recommendation	Execution Result
Audit Committee Meeting 2018/1/10	1.The CPAs explained the preliminary identification of the key audit matters in respect of the 2017 financial statements.	None.	1.Key audit matters in respect of the 2017 financial statements were confirmed.
Audit Committee Meeting	1.The CPAs explained to the independent directors the key audit matters in respect of the	None.	1.The 2017 stand-alone and consolidated financial statements were adopted by

Date	Communication Highlights	Directors' Recommendation	Execution Result
2018/2/13	2017 stand-alone and consolidated financial statements. 2.The CPAs made preliminary evaluation of IFRS 16 <i>Lease</i> . 3.The independent directors assessed and discussed the CPAs' annual remuneration, independence and competence.		the Audit Committee and submitted to the board of directors for discussion. 2.The evaluation result of IFRS 16 <i>Lease</i> was reported to the board of directors. 3.The CPAs' annual remuneration, independence and competence was approved by the Audit Committee and submitted to the board of directors for discussion.
Audit Committee Meeting 2018/7/25	1.The CPAs explained the review result of the consolidated financial statements for the second quarter of 2018.	The agenda working group was asked to arrange a communication meeting to assess the independence and competence of the CPAs for 2019.	1.The second quarter 2018 consolidated financial statements were adopted by the Audit Committee and reported to the board of directors. 2.A meeting has been set up on December 10, 2018 for the independent directors and the CPAs to have discussions.
Communication Meeting 2018/12/10	The CPAs explained the scope, method and discovery of the annual audit for 2018 and discussed with the Audit Committee members on the key audit matters. The independent directors evaluated and discussed the annual remuneration to the CPAs and their independence and competence.	The CPAs were asked to give suggestions for improvement on the management issued found during the audit.	Key audit matters for the 2018 financial statements were confirmed. The engagement and assessment of the CPAs was submitted to the 13 th Audit Committee meeting of 1 st term dated January 9, 2019 for discussion.

C. Summary of previous communications between independent directors and the chief internal auditor for 2018:

The independent directors of our Company had good communication with the chief internal auditor on the auditing implementations and effectiveness.

Date	Communication Highlights	Directors' Recommendation	Execution Result
Audit Committee Meeting 2018/2/13	1.The implementation of the audit for the fourth quarter of 2017 was reported. 2.The legal compliance for the fourth quarter of 2017 was reported.	None.	None.
Audit Committee Meeting 2018/4/3	1.The implementation of the audit for the first quarter of 2018 was reported. 2.The legal compliance for the first quarter of 2018 was reported.	None.	None.



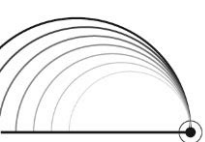
Date	Communication Highlights	Directors' Recommendation	Execution Result
Audit Committee Meeting 2018/7/25	1.The implementation of the audit for the second quarter of 2018 was reported. 2.The legal compliance for the second quarter of 2018 was reported. 3.The handling of the opinions sent via email.	Relevant departments should tighten their supervision over the declaration and outsourcing of hazardous waste.	1.Management of waste in each plant was regularly examined. 2.Follow-ups to the improvement were made and their execution results were included in the performance indicators of managers.
Audit Committee Meeting 2018/10/24	1.The implementation of the audit for the third quarter of 2018 was reported. 2.The legal compliance for the third quarter of 2018 was reported. 3.2019 annual audit plan was discussed.	1.In case of any work safety issues, the responsibility of the responsible manager should be clarified to avoid them in the future. 2.The audit deficiencies that happen more than once should be taken consideration into the manager's performance evaluation. 3.In response to the letter from the competent authority, the follow-ups to the execution, in addition to the existing management/evaluation system, should be conducted completely.	1.A reward and punishment system for ESH incidents was established, on-site inspection was conducted on a regular basis. In addition to follow-ups to improvements on the deficiencies, rewards and punishments will be given according to the rules. 2.The audit issues that happen more than once should be included in the manager's annual performance evaluation. 3.Procedures for Receipt and Delivery of Documents were amended and the system for receipt and delivery of documents were optimized, in order to enhance the mechanism for tracking management/ evaluation.

(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	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_2019v1.pdf	In line with the Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies



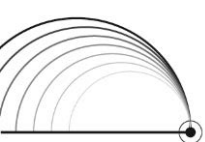
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
TWSE- TPEX-listed Companies?"				
2. The Company's ownership structure and shareholders' equity				In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
(1) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	Yes		(1) Our Shareholders Service & Contact 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.	
(2) Has the company had a list of major shareholders who actually control the company or a list of ultimate controller of such shareholders?	Yes		(2) The Company periodically discloses the list of ultimate controllers of its principal shareholders pursuant to the laws and regulations.	
(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, the endorsement/ guarantees as well as the management of disposal/acquisition of assets and derivatives transactions to/for/with 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, incorporated them in the Company's internal regulations and	



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	
			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. 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 (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		<p>(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.</p> <p>The Company has a total of 11 Directors, including 4 Independent Directors (36%), three of which have a term of less than 5 years, and one of which has a term of less than 2 years. There are 2 female Directors (18%). Among the Directors, 2 are aged 65 years and older, 7 are aged 55 to 64, and 2 are under 55 years old. The Company attaches importance to the diversity of the composition of the Board of Directors and aims towards the goal of rejuvenation. In the future, the Company will continue to invite appropriate candidates to join the Board of Directors to strengthen its balance, according to the Company's development strategy and changes in internal and external environment.</p>	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.
(2) In addition to	Yes		(2) In addition to the committee established according to	



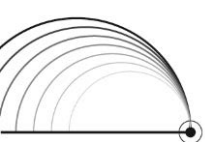
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
<p>establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?</p> <p>(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?</p>	Yes		<p>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.</p> <p>(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 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.</p> <p>On August 2, 2018, the 8th meeting of the Board of Directors of the 18th term 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 should conduct appraisal at least once in three years, and the Board must implement the performance appraisal annually when the current year ends.</p> <p>In 2018, the Company engaged the Taiwan Corporate Governance Association to evaluate the effectiveness of the Board of Directors with 8 major indicators, including composition, guidance, authorization, supervision, communication and self-discipline, internal control and risk management. Questionnaires and on-site interviews were adopted to assess the performance of the Board of Directors. Thanks to the</p>	



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>examination by professional agency, the Company obtained professional, objective evaluation results and suggestions through the guidance of, and idea exchanges with, the evaluation members, and reported the same to the Board of Directors on January 21, 2019.</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 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 Board meetings and the Shareholders Meeting, etc.)?	Yes		<p>Pursuant to law, the Company will, by the end of June 2019, appoint 1 corporate governance officer responsible for the corporate governance-related affairs, with key responsibilities including the meeting affairs in connection with board meetings and shareholders' meetings, preparation of such meetings' minutes, assistance for Directors with the onboarding and continuing education, provision of information required for the business execution by Directors, assistance for Directors with legal compliance and other matters set out in the Articles of Incorporation of the Company or contracts.</p> <p>The major business priorities and the continuous education for the current year are explained as follows:</p> <ul style="list-style-type: none"> i. Arranging board meetings (board, strategy and operation meetings). ii. Coordinating the reporting time and content of each committee (the Corporate Social Responsibility and Integrity Management Committee). iii. Handling matters related to the meetings of the board and shareholders' meetings in accordance with law. iv. Producing minutes of board meetings and shareholders' meetings. 	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	
			<ul style="list-style-type: none"> v. Following up on and executing the matters that need improvement as requested by the Board of Directors. vi. Providing company information required by the Directors to assist them in the full exercise of their authority. vii. Self-assessment of the Directors and the Board of Directors. viii. Director's refresher courses. ix. Giving regular feedback to interested parties as required by law and corporate governance. x. Operating the Corporate Governance Committee and conducting corporate governance evaluations. xi. Assisting Directors and each Committee with legal compliance. xii. Directors' legal registration and reporting matters as well as the management of corporate-governance-related disclosure. 	
5. Has the company established channels for communicating with interested parties (including but not limited to shareholders, employees, customers, suppliers, etc.), set up a dedicated interested parties area on the company's website, as well as appropriately responded to important CSR issues that interested parties 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 interested parties are concerned about, so that appropriate responses can be made.</p> <p>2. The Company has established the "Procedures for Interested Parties to Submit Complaints and Recommendations to the Supervisory Unit", through which interested parties can communicate with the Company's supervisory unit directly, propose constructive advice and file complaints. 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.



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	
6. Has the company appointed a professional shareholders service agency to handle affairs related to the Shareholders Meeting?		No	The Company has handled such affairs by itself since March 1993.	Such matters are handled by the Company's shareholder service. Matters related to shareholders' meetings are conducted in accordance with the Company's Articles of Incorporation and laws and regulations, so that shareholders' meetings are convened in a legal, valid and safe fashion.
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 people to handle corporate information collection and disclosure, appointing spokespersons, webcasting investor's conferences, etc.)?	Yes Yes		(1) Please visit Walsin Lihwa Corporation's Chinese/English website: http://www.walsin.com (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 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	In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.

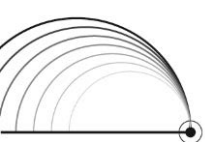


Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
8. Has the company had other information that is helpful for understanding the status of corporate governance (including but not limited to employee rights and interests, investor relations, supplier relations, rights of interested parties, further education sought by Directors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors)?	Yes		<p>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.</p> <p>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 seeking further education, risk management policies and risk evaluation standards, implementation of customer policies and liability insurance taken out for Directors.</p>	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.			<p>1. With respect to the 2017 Corporate Governance Evaluation results, our improvements in 2018 are as follows: Clearly formulated and disclosed specific dividend payout policies, held 2 investor conferences, formulated and disclosed human rights policies, implemented external performance evaluation of the Board of Directors and disclosed the evaluation results on the website and that more than half of the directors and the convener of the Audit Committee attended the shareholders' meeting.</p> <p>2. Matters to be prioritized and measures: Disclosing and continuing to pay attention to work safety and environmental pollution, setting up non-statutory functional committees, planning and setting up a corporate governance officer, disclosing long- and short-term business plans in the annual report, disclosing the link between the Directors' performance evaluation and compensation.</p>	

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	Renewable energy and environmental protection
Chairman	Yu-Lon Chiao	M	✓	✓		✓	✓				
Vice Chairman	Patricia Chiao	F	✓	✓			✓	✓			
Director	Yu-Cheng Chiao	M	✓	✓		✓				✓	
Director	Yu-Heng Chiao	M	✓	✓		✓				✓	
Director	Hui-Ming Cheng	M	✓	✓	✓						✓
Director	Tung-Y 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	✓	✓			✓			✓	
Independent Director	Chen, Steve Ruey-Long	M	✓	✓	✓				✓		

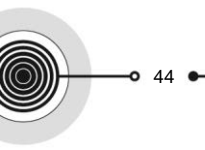
Note 4: Items for assessment of the CPA's independence

Appraisal Items	Results	Compliant with Independence?
1. The CPA and/or any of his/her family members has/have no direct or indirect significant financial interest in the Company.	True	Yes
2. The CPA and/or any of his/her family members has/have no financing or guarantee act with the Company or its directors.	True	Yes
3. The CPA and/or any of his/her family members has/have no commercial relations with the Company, its directors and managers, which affects the CPA's independence.	True	Yes
4. Currently or in the most recent two years, the CPA does/did not hold any posts in the Company, such as the director, manager or any post which significantly influences the auditing work, neither did company promise its CPA any foregoing post.	True	Yes
5. During the audit period, no family member of the CPA held the posts in the Company, such as the director, managers or any post which directly and significantly influences the audit work.	True	Yes
6. During the audit period, the CPA had no direct blood relations, direct relations by marriage, or collateral blood relations within the second degree of kinship with the Company's directors or managers.	True	Yes
7. The CPA did not act as a broker for the shares or other securities issued by the Company.	True	Yes
8. The CPA did not act as the Company's defense attorney or represent the Company to negotiate with any third party over any dispute?	True	Yes
9. The CPA did not receive from the Company or its directors, managers, or major shareholders any offer or gift, the value of which exceeds the usual social etiquette standards.	True	Yes
10. The CPA's audit team has implemented the necessary procedures regarding independence/conflicts of interests without any violation of the independence or any unsettled conflict of interests.	True	Yes
11. The responsible CPA for the Company's audit work has changed for the past 7 years as of the latest audit.	True	Yes
12 Up to the present, there has not been any disposal or damage to the independence principles.	True	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.

Audit 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 audit period.



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

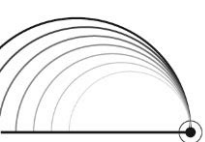
On 2011/09/27, the Company established the Compensation Committee and drew up the "Regulations Governing the Organization of the Compensation Committee". The Compensation Committee is comprised of three members, who currently all are Independent Directors. The Committee is aimed at helping the Board 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 four times in 2018 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	4	0	100%	
Member	Shiang-Chung Chen	3	1	75%	
Member	Ming-Ling Hsueh	4	0	100%	

- (4) The matters for discussion and resolution by the Compensation Committee and the Company's handling of the opinions of the members of the Compensation Committee:

Compensation Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Compensation Committee Member's Opinion
3 th Term 3 th Meeting 2018/1/10	18 th Term 4 th Meeting 2018/1/19	Proposal: Approval for the Company's 2017 Chairman and Vice Chairman performance bonus. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the Company's 2017 Manager performance evaluation and bonus and compensation. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the 2018 objectives set by the managers. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
3 th Term 4 th Meeting 2018/2/13	18 th Term 5 th Meeting 2018/2/23	Proposal: Approval for the distribution of director compensation and manager/employee compensation for 2017. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the compensation to the newly-appointed Chief Accounting Manager. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the adjustment to the manager compensation for 2018. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the amendments to the Compensation Committee Charter. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.



Compensation Committee Meeting Number and Date	Board of Directors Meeting Number and Date	Proposals and Resolutions	Company's Handling of Compensation Committee Member's Opinion
3 th Term 5 th Meeting 2018/7/25	18 th Term 8 th Meeting 2018/8/2	Proposal: Approval for the amendments to the Regulations Governing the Evaluation of the Board's Effectiveness. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.
3 th Term 6 th Meeting 2018/10/24	18 th Term 9 th Meeting 2018/11/2	Proposal: Approval for the special adjustment to the manager compensation. Resolution: Proposal passed.	Directors passed the proposals with unanimous consent.

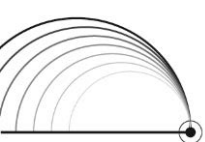
(5) Other details that need to be recorded:

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

3. Scope of Duties of the Compensation Committee

The Compensation Committee shall exercise the care of a good administrator to faithfully perform the following duties and present its recommendations to the Board of Directors for discussion.

- (1) Periodically reviewing the Compensation Committee Charter and making recommendations for amendments.
- (2) Establishing and periodically reviewing the annual and performance goals for the directors and managers of the Company and the policies, systems, standards, and structure for their compensation, as well as disclosing the standards for evaluating their performance in the annual report.
- (3) Periodically assessing the degree to which performance goals for the directors and managers of the Company have been achieved, and setting the types and amounts of their individual compensation, as well as disclosing the director and manager compensation in the annual report.



(V) Fulfillment of social responsibility

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

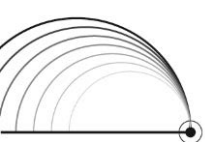


Duties of the Committees

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 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.



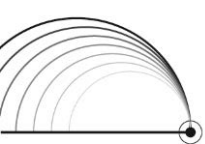
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
I. Implementation of corporate governance				In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.
(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 April 2015, after the Company's "CSR Committee" was founded, the Committee regularly reports the CRS status to the Board of Directors.	
(II) Has the company periodically provided educational training on CSR?	YES		(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 and employees. In 2018, the Company hosted 1 session of the "Corporate Governance Evaluation Indicators" seminar, which was open to all responsible personnel in relevant departments, to promote the requirements of governance evaluation. In respond to the impact of global warming and climate change, the Company implemented the authentication of ISO50001 management system, promising to support green procurement and establish the management of	



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)	
(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		energy performance. The Company has hosted training sessions for all department heads and managers of four plants in Taiwan on topics related to ISO50001 energy management system. (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 2018 CSR review and the 2019 plans are scheduled for a report in January 2019.	
(IV) Has the company established reasonable salary/compensation policies, integrated employees performance appraisal system with the CSR policy and established clear and effective reward and punishment systems?	Yes		(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 performance. 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. 3. The company has established rewards and punishments systems for employees conduct.	
I. Developing a sustainable environment (I) Has the company made efforts to improve the efficiency of	Yes		(I) All of our plant sites set their annual goals and directions in terms of energy conservation at	In line with the Corporate Social Responsibility Best Practice Principles for



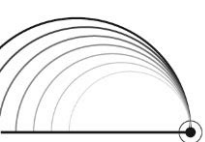
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
resources utilization and use recycled materials which have a low impact on the environment?			<p>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>Walsin's stainless steel products are mainly produced by electric furnace steelmaking using a high proportion of recycled raw materials--scrap steel. The raw materials so used 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 43.75% of all the raw materials. Furthermore, the ferrochrome, ferronickel, steel slabs, steel coils, steel billets, steel bars and wire rods are recyclable raw materials, which can be recycled and reused after processing into final products; the reusable materials occupy 56% of all the raw materials. The recycled or reusable raw materials used in the production of stainless steel altogether account for 99% of the total raw materials.</p> <p>The major raw material used in Walsin Lihwa copper wire, wire and cable products is fine copper. Other raw materials so used include: PVC particles, PE particles, plastic and copper bars. Fine copper is highly reusable and therefore may be deemed as a reusable raw material. The reusable raw materials comprise 96.7% of the raw materials used.</p> <p>When it comes to the recycling of packaging materials, the Company, in the production of copper wire and cable, uses recycled packaging materials and recycles and reuses the materials, which mainly include: pallets, metal frames, metal shafts, wooden shafts and sealing plates. The recycled packaging materials used make up nearly 69% of total packaging materials used.</p>	TWSE/GTSM Listed Companies.
(II) Has the company established a proper environmental	Yes		(II) The Company has managed the environment of all our plants at home and abroad pursuant to	



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)	
management system based on the characteristics of the industry?			the Government's provisions. To conform with the international environmental conventions, our plants in Taiwan (Hsinchuang 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.	
(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" 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 have received ISO50001 certification system by the end of 2018. In the future, the Company will continue to learn through benchmarks in the</p>	



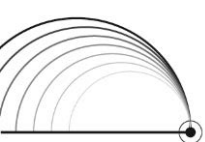
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
			industry, improve and innovate, in the hope of becoming a benchmark in the industry gradually and increasing the 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 the laws and regulations of its global operating locations, supports and complies with the internationally recognized human rights conventions and guidelines, formulates its human rights policies and relevant regulations, treats and respects all employees in a fair, reasonable and friendly manner, and extends this spirit to its partners.	
(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 safety and health for employees on a regular basis?	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 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	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.	



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)	
manner of its operation changes that may have significant impact on them?			<p>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.</p> <p>3. The Company has set a corporate mailbox that provides a channel of communication between the employees and the Company.</p>	
(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 suppliers have had previous records of adversely affecting the environment or society?	Yes		(VIII) The Company has established evaluation mechanisms for the selection of our suppliers. Each BU has also incorporated the evaluation of sustainable CSR measures in the Rules for Management of Suppliers. 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 effective implementation of management of suppliers.	
(IX) Have the company's contracts with major suppliers included a clause that states that if the	Yes		(IX) The Company shall immediately terminate or rescind the contract with any supplier who is involved in violating the CSR policy. If there is	



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)	
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?			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 to fill out the "Self-Evaluation Form of Suppliers' Corporate Social Responsibility (CSR) Performance", aside from signing the "Supplier Management Commitment to Social Responsibility," to implement the selection principles for suppliers' performance on corporate social responsibility.	
4. Improved Information Disclosure Has the company disclosed relevant and reliable CSR information on its website as well as on the MOPS?	Yes		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.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies.



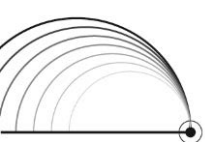
Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
5. If your company has established CSR principles based on "Corporate Social Responsibility 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", and "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": Starting from 2014, this partnership between Mandarin Daily News sponsors newspapers for primary/junior high schools in the counties and cities in Taiwan where our plants located. The school teachers led students to understand the subjects of newspaper reports, and through interactive discussions, expanded their horizons and laid the foundation for their language skills. In 2018, we sponsored 32 classes in 15 schools in Taoyuan City, Taichung City, Tainan City and Kaohsiung City, benefiting 1,271 students. Walsin continued to develop the newspaper reading project in the vicinity of our plants. In 2018, the number of primary schools in Yanshui District participating in the project increased from 7 to 8, and all the primary schools in the vicinity of Yanshui Plant were included in the project. We also cooperated with Longan Elementary School of Taoyuan City and Annei Elementary School of Tainan City to organize newspaper reading games and activities, where 38 volunteering colleagues played with the schoolchildren, with the view to inspiring children's interest in learning through educational entertainment and visualization of knowledge. "VVG Lifestyle Village 2017 Charity Event": VVG Lifestyle Village in Nanjing Walsin City Shopping Mall continues to hold charity events every year. In 2018, we cooperated with Ningsheng Hearing Rehabilitation Center in the "Happy Air" event. On the eve of Children's Day, 8 volunteers accompanied the hearing-impaired children through interactive mini-games, leaving good memories on the Children's Day. Responding to the "Wheat Field Project" and "Going for the Youth": Changshu Plant colleagues continue to participate in the "Wheat Field Project" and raise funds through activities to improve the educational and living conditions of children in poor mountain areas. In 2018, about 50 Changshu Plant colleagues responded to the "Xiangxi School Uniform Project", providing school uniforms for 1,500 students from 10 schools in the mountain areas."Baoshan Vegetation Project": To promote cultivation of talents for conservation, collection and management of aboriginal Taiwan plant resources, Walsin Lihwa cooperated with College of Agriculture and Natural Resources, National Chung Hsing University to install a screen-house and an outdoors nursery, cultivate seedlings for afforestation applications and, environmental education and promotion for conservation, and protect Taiwan's diverse protected animal and plant resources. In order to focus on the contribution to and implementation of the project, in 2018, the Company and Winbond Electronics Corporation cooperated to incorporate Huabao Seed				



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>Breeding Co., Ltd., responsible for promoting Taiwan's forest germplasm conservation and indigenous plants revegetation projects.</p> <p>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 2018, Taichung Plant responded to the Taichung City Government's promotion of the "Air Quality Purification Zone" activity and adopted and helped maintain the Dongfeng Green Corridor Bicycle Road jointly with the Shigang Wanxing Community. It ranked third by the adoption unit of the Taichung Environmental Protection Bureau.</p> <p>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.</p> <p>(4) In 2019, Walsin Lihwa was listed as the top 5% outstanding companies in 2018 as published by the Taiwan Stock Exchange in the 5th "Corporate Governance Evaluation." The Company was also awarded the Model Award (Hsinchuang Plant) and the Energy and Dynamism Award for National Excellent Health Workplace (Taichung Plant) by the Food and Drug Administration and the National Health Agency of the Ministry of Health and Welfare respectively, and "2018 Sport Mileage Competition" in the Best Participation Award by Taichung City Health Bureau (Taichung Plant). The Company also received the "Model for Education Charity Donations" from the Yilan County Government in the "Lighting the Corner of Taiwan" project and Top 50 Performance Award and Gold Award for Report for the TCSA Taiwan Enterprise Sustainability Award for 2018.</p> <p>(5) For details on the Company's other CSR related operations, please go to the Walsin Lihwa website CSR section (http://www.walsin.com/csr/cht/index.html) and read our 2018 CSR report.</p>				
<p>7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: None</p> <p>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 is 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 2018 CSR report is still being verified by Deloitte Taiwan and the statement of verification is expected to be received in May 2019.</p>				

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.

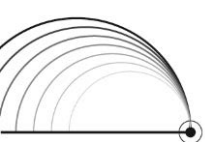


(6) The status of the company fulfilling its integrity management and the measures it has taken:

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. The full texts are also disclosed in electronic form 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 mandates 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	



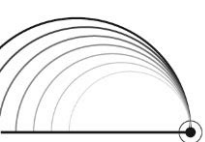
Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities with higher risk of 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, the Company reviews the partner's past trading history and credit record. 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. 3. The Company also non-periodically holds supplier conventions for suppliers of different plants to advocate for the integrity management of suppliers.	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	



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>least once a quarter and regularly reports its implementation status to the Board of Directors annually.</p> <p>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 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>The Company's Business Integrity Committee members are introduced as follows(with different functions):</p> <ol style="list-style-type: none"> 1. Secretariat (Legal Office): Responsible for the operation of the Business Integrity Committee, the establishment and revision of the Code of 	



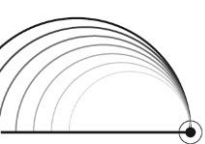
Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
(III) Has the company established policies to prevent conflicts of interest, implemented such policies and provided adequate channels of communication?	Yes		<p>Business Integrity Practice and its operating procedures and guidelines, ensuring compliance with laws and regulations as well as legal and effective implementation of its regulations, and compiling regular reports based on the compliance assessment of related business procedures.</p> <p>2. Promotion and Education (Human Resources Division and Legal Office): Promoting and highlighting the importance of integrity.</p> <p>(1) HR: Training and education on the integrity culture and conduct.</p> <p>(2) Legal: Training and education on legal compliance.</p> <p>3. Reward and punishment (Human Resources Division): Establishing a clear and effective disciplinary system as basis for performance evaluation.</p> <p>4. Supervision and management (Auditing Office)</p> <p>(1) Offering suggestions for the supervision and check and balance mechanism.</p> <p>(2) Making plans for a complaint filing system.</p> <p>5. Execution Units (Division Heads/Controllers/Function Heads):</p> <p>(1) Cooperating with the execution and implementation of the operation of, and matters relating to, the Business Integrity Committee.</p> <p>(2) Regularly being supervised and audited.</p> <p>(3) Formulating relevant operating rules for specific preventive measures.</p> <p>The Business Integrity Committee held a total of four meetings during 2018.</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</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					
			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.					
(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 have its CPA conduct audits?	Yes		(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 during Board meetings.					
(V) Has the company periodically organized internal and external educational training on honest business practices?	Yes		<div>(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.</div> <div>1. "Dedicated Area for Business Integrity Practices" was set up on the employee portal website on May 15, 2017, where educational materials regarding compliance are posted and the most updated internal policies and regulations of the Company from its internal platforms are gathered, allowing all employees to read and comprehend related information on integrity business practices.</div> <table><tr><td>Article posted on 2018/5/28: Explanations of new AML-related regulations.</td><td rowspan="2">Target: The Company's relevant units for management operations</td><td rowspan="2">No. of Employees: 120</td></tr><tr><td>Article Posted on 2018/6/26: Measures in response to the EU's GDPR</td></tr></table> <div>2. The company is committed to building a solid and stable Walsin culture (from the company side, to the affiliates, suppliers and counterparties). In order to implement the specific practices of the integrity management</div>	Article posted on 2018/5/28: Explanations of new AML-related regulations.	Target: The Company's relevant units for management operations	No. of Employees: 120	Article Posted on 2018/6/26: Measures in response to the EU's GDPR	
Article posted on 2018/5/28: Explanations of new AML-related regulations.	Target: The Company's relevant units for management operations	No. of Employees: 120						
Article Posted on 2018/6/26: Measures in response to the EU's GDPR								



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>policy and the project to prevent unethical conduct (including anti-corruption), the Company actively carried out complete training on relevant topics such as integrity management and legal compliance for all plants in 2018: (1.5 hours per training session)</p> <table><tr><th>Plant (Time)</th><th>No. of Participants</th></tr><tr><td>Jiangying Walsin (12/2018)</td><td>314</td></tr><tr><td>Changshu Walsin (10/2018)</td><td>484</td></tr><tr><td>Dongguan Walsin (11/2018)</td><td>243</td></tr><tr><td>Dongguan Walsin (12/2018)</td><td>82</td></tr><tr><td>Nanjing Walsin (Copper Wire) (12/2018)</td><td>122</td></tr><tr><td>Real Estate Business Unit (12/2018)</td><td>35</td></tr></table> <p>3. In addition, the Company actively promoted the business integrity and legal compliance (including anti-corruption) in different plants in 2018: (0.5 hours per training session)</p> <table><tr><th>Plant</th><th>No. of Participating Suppliers</th></tr><tr><td>Changshu Walsin</td><td>20</td></tr><tr><td>Hsinchuang Plant</td><td>37</td></tr></table>	Plant (Time)	No. of Participants	Jiangying Walsin (12/2018)	314	Changshu Walsin (10/2018)	484	Dongguan Walsin (11/2018)	243	Dongguan Walsin (12/2018)	82	Nanjing Walsin (Copper Wire) (12/2018)	122	Real Estate Business Unit (12/2018)	35	Plant	No. of Participating Suppliers	Changshu Walsin	20	Hsinchuang Plant	37	
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Plant	No. of Participating Suppliers																							
Changshu Walsin	20																							
Hsinchuang Plant	37																							
3. Status of the company's reporting mechanism				In line with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.																				
(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 reported?	Yes		(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 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	Yes		(II) The Company has formulated the "Measures for Stakeholder Recommendations and Complaints," thereby protecting the identity as well as data of																					



Assessment items	Implementation status			Deviation from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons for deviation
	Yes	No	Summary	
related classified information mechanism for handling such reports? (III) Has the company adopted any measure to protect the informers lest they be inappropriately treated?	Yes		those who provide suggestions or feedback. (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 and execution results of its honest business practice in the annual 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 and execution results to the Board of Directors annually.				

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

(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.

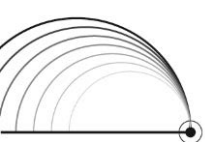


(VIII) Other important information helpful for improving understanding of the governance of the company:

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

As of December 31, 2018

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
Chairman	Yu-Lon Chiao	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	6 hrs.
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Vice Chairman	Patricia Chiao	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	6 hrs.
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Directors	Yu-Cheng Chiao	2018/12/18	2018/12/18	Taiwan Corporate Governance Association	The Design of AI Data Engine; Practical Manufacturing Data Science	3 hrs.	18 hrs.
		2018/12/18	2018/12/18	Taiwan Corporate Governance Association	Taiwan's Industrial AI - How to Take the First Step forward? ; Graph & AI - Optimize your AI Model	3 hrs.	
		2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Board Effectiveness Evaluation	3 hrs.	
		2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Taiwan's New Opportunity for US-China Trade Conflicts	3 hrs.	
		2018/10/25	2018/10/25	Taiwan Corporate Governance Association	Analysis of New International and Cross-Strait Anti-Tax Avoidance System	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	
Directors	Yu-Heng Chiao	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	6 hrs.
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Directors	Hui-Ming Cheng	2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Board Effectiveness Evaluation	3 hrs.	12 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
		03/21	03/21	Securities and Futures Institute	Corporate Social Responsibilities Advancing with the Times	3 hrs.	
Directors	Wei-Shin Ma	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	6 hrs.
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Corporate Director Representative	Tung-Y Chan	2018/12/18	2018/12/18	Taiwan Corporate Governance Association	The Design of AI Data Engines; Practical Manufacturing Data Science	3 hrs.	12 hrs.
		2018/12/18	2018/12/18	Taiwan Corporate Governance Association	Taiwan's Industrial AI - How to Take the First Step forward? ; Graph & AI - Optimizing your AI Models	3 hrs.	
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	



Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
Independent Directors	Chen, Steve Ruey-Long	2018/09/21	2018/09/21	Securities and Futures Institute	Analysis of Important Issues in the Latest Company Act	3 hrs.	9 hrs.
		2018/09/21	2018/09/21	Securities and Futures Institute	AML and CFT Development Trend and Important Regulations	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Independent Directors	Ming-Ling Hsueh	2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Board Effectiveness Evaluation	3 hrs.	25 hrs.
		2018/10/30	2018/10/30	Taiwan Corporate Governance Association	Latest Amendments to the Company Act and Director Liability	3 hrs.	
		2018/09/19	2018/09/19	Taiwan Corporate Governance Association	Directors' Compliance and Supervision Obligations and the Responsibility of Independent Directors	3 hrs.	
		2018/07/12	2018/07/12	Taiwan Securities Association	Strategies for Financial Technology Innovation	3 hrs.	
		2018/06/26	2018/06/26	Taiwan Corporate Governance Association	Introduction to the New Corporate Governance Blueprint	3 hrs.	
		2018/05/08	2018/05/08	Taiwan Stock Exchange Corporation	Summit Forum for Listed Companies' New Corporate Governance Blueprint	1 hr.	
		2018/04/27	2018/04/27	Taiwan Corporate Governance Association	Latest Trend of Amendments to and Analysis of the Company Act	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
		2018/03/30	2018/03/30	Taiwan Corporate Governance Association	Domestic and Foreign AML- and CFT-Related Laws and Regulations	3 hrs.	
Independent Directors	King-Ling Du	2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Board Effectiveness Evaluation	3 hrs.	12 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	
		2018/07/31	2018/07/31	Taiwan Corporate Governance Association	Strategies and Planning for Corporate M&As	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
Independent Directors	Shiang-Chung Chen	2018/11/12	2018/11/12	Taiwan Corporate Governance Association	Board Effectiveness Evaluation	3 hrs.	15 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility - Case Study	3 hrs.	
		2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Next-Generation Information Technology--Key Tasks for the Board of Directors in the Application of Innovative Technology	3 hrs.	
		2018/07/18	2018/07/18	Taiwan Corporate Governance Association	Common Fraud Risks in Purchasing and Sales Activities	3 hrs.	
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	

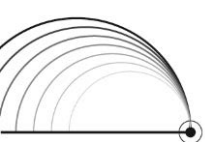
2. For the attendance of Board meetings by Directors, please refer to "Corporate Governance Report. 4. Status of Corporate Governance (1), (2)."

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 2018:



As of December 31, 2018

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Annual total
President	Hui-Ming Cheng	2018/03/21	2018/03/21	Securities and Futures Institute	Corporate Social Responsibilities Advancing with the Times	3 hrs.	12 hrs.
		2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
		2018/03/21	2018/03/21	Securities and Futures Institute	Corporate Social Responsibilities Advancing with the Times	3 hrs.	
Vice President	Fred Pan	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Vice President	Ben Lin	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	3 hrs.
Vice President	Juei-Lung Chen	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Chief Information Officer	David Liou	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Chief Technology Officer	Michael Wang	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	3 hrs.
Chief Marketing Officer	Kevin Niu	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Senior General Manager of Copper Wire BU	Witty Liao	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Senior General Manager of Stainless	Tain-Rong Chen	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.



Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Annual total
Steel BU		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Senior General Manager of Specialty Steel BU	C.C. Chen	2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	3 hrs.
Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Head of Accounting Dept.	Richard Wu	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	
Head of Financial Dept.	Sophi Pan	2018/04/13	2018/04/13	Taiwan Corporate Governance Association	Cross-Strait and US Tax Environment Changes and Taxation Reform Trends form the Perspective of the Global Anti-Tax Avoidance Wave	3 hrs.	6 hrs.
		2018/11/02	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Fraud and Legal Responsibility	3 hrs.	



(9) Implementation Status of Internal Control System

1. Statement on Internal Control

Walsin Lihwa Corporation
Statement on Internal Control System

Date: February 22, 2018

In 2018, 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, 2018, 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 22, 2019 by the Board, with none of the 11 Directors present opposing it.

Walsin Lihwa Corporation



Chairman: Yu-Long Chiao

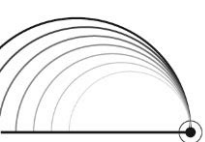


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President: Hui-Ming Cheng



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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 2018 AGM on May 25, 2018 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:

Matters for Approval and Discussion :

Proposal No. 1

Description:	Acknowledgement of our Company's 2017 Business Report, Balance Sheet, Consolidated Income Statement, Changes in Equity Statement and Cash Flow Statement.
Resolution:	According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.
Implementation Status:	This was announced as an important resolution on the day of the Shareholders Meeting.

Proposal No. 2

Description:	Acknowledgement of our Company's 2017 Profit Distribution Table.
Resolution:	According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.
Implementation Status:	June 24, 2018 was the ex-dividend record date and the dividends were paid out on July 6, 2018. (Cash dividend of NT\$1 was paid per share.)

Proposal No. 3

Description:	Amendments to our Company's Articles of Incorporation.
Resolution:	According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal 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 the letter (Ref. No.: Jing-Shou-Shang-Zi-10701065890 dated June 13, 2018 and was disclosed on our official website.

Proposal No. 4

Description:	Amendments to our Company's Procedures for Lending to Others and Procedures for Endorsements and Guarantees.
Resolution:	According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.
Implementation Status:	Relevant operations were handled in accordance with the amended procedures and the revised articles were disclosed on the MOPS as well as our official website.

Proposal No. 5

Description:	Lifting 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. According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.



Implementation This was announced as an important announcement on the day of the Shareholders Meeting.
Status:

Important resolutions adopted by 2018 Board meetings as of the day of this annual report

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

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

Results: Proposal passed.

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

Results: Proposal passed.

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

Results: Proposal passed.

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

Results: Proposal passed.

Important Resolution: To propose the 2017 performance bonus for the Chairman and Vice Chairman.

Results: Proposal passed.

Recusal: Yu-Lon Chiao and Patricia Chiao

Important Resolution: Proposal 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 Resolution: Distribution of remuneration to directors and employees for 2017.

Results: Proposal passed.

Recusal: Hui-Ming Cheng

Important Resolution: The change of our accounting head and his/her salary/compensation are proposed for review and approval.

Results: Proposal passed.

Important Resolution: Proposal of the 2017 Profit Distribution Table.

Results: Proposal passed.

Important Resolution: Proposal of the 2017 Internal Control System Statement.

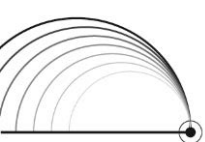
Results: Proposal passed.

Important Resolution: 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 Resolution: To lift the non-competition ban on directors imposed by Article 209 of the Company Act.

Results: Proposal passed.



Recusal:	Wei-Shin Ma and Chen, Steve Ruey-Long.
Important Resolution:	To hold the 2018 Annual Shareholders Meeting on a designated date.
Results:	Proposal passed.
Important Resolution:	Our company intends to participate in Powertec Energy Corporation's issuing new shares for cash capital increase.
Results:	Proposal passed.
Important Resolution:	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.

2018/04/13 (18th Board, 6th Meeting)

Important Resolution:	Proposal to participate, in a higher amount, in the cash capital increase by Powertec Energy Corp. through issuance of new shares.
Result:	Proposal Passed.
Important Resolution:	Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act.
Result:	Proposal Passed.
Recusal:	Hui-Ming Cheng.
Important Resolution:	Proposal to lift the non-competition ban for the Company's managers.
Result:	Proposal Passed.
Recusal:	Hui-Ming Cheng.

2018/05/04 (18th Board, 7th Meeting)

Important Resolution:	Proposal for Specialty Steel BU to make capital investments by establishing a production line of hot rolling rod in Yantai, in order to expand the economies of scale, improve product quality and enhance steelmaking capacity.
Result:	Proposal Passed.
Important Resolution:	Proposal to inject capital into Yantai Walsin Stainless Steel Co., Ltd. via cash through Walsin Specialty Steel Holding Company.
Result:	Proposal Passed.
Important Resolution:	Proposal to provide endorsement and guarantee to the subsidiary, Borrego Solar Systems Inc., in the amount of the US\$ 33 million.
Result:	Proposal Passed.

2018/08/02 (18th Board, 8th Meeting)

Important Resolution:	Proposal to purchase liability insurance for directors of this term and key officials.
Result:	Proposal Passed.
Important Resolution:	Proposal to decide the record date for write-off of the shares repurchased for the 21th time to carry out capital reduction.
Result:	Proposal Passed.
Important Resolution:	Proposal for Walsin (China) Investment Co., Ltd. to lend RMB 80 million to Walsin (Hangzhou) Power Cable Co., Ltd. for 1 year.
Result:	Proposal Passed.
Important Resolution:	Proposal to lift the non-competition ban for the Company's managers.



Result: Proposal Passed.

Important Resolution: Amendment to the Company's Regulations Governing Evaluations of Performance of the Board of Directors.

Result: Proposal Passed.

2018/11/02 (18th Board, 9th Meeting)

Important Resolution: Proposal to approve the Company's 2019 Audit Plan.

Result: Proposal Passed.

Important Resolution: Proposal to amend the Company's Internal Control System regarding financing cycle-internal control for stock service.

Result: Proposal Passed.

Important Resolution: Proposal to approve the Stainless Steel BU's purchase of land and buildings for business use for its long-term needs for operation and development.

Result: Proposal Passed.

108/01/21 (18th Board, 10th Meeting)

Important Resolution: In response to Deloitte's internal rotation of CPAs, it is proposed to approve the annual remuneration to the CPA firm and the evaluation of the CPAs' independence and competence.

Result: Proposal Passed.

Important Resolution: Amendments to the Company's Procedures for Acquisition or Disposal of Assets.

Result: Proposal Passed.

Important Resolution: Approval for Walsin Lihwa Holding Co., Ltd.'s lending to the Company in one-time drawdown in the amount of US\$ 50 million.

Result: Proposal Passed (except that the term of the loan was amended, other proposal passed.).

Important Resolution: Proposal for the distribution of the performance bonus for Chairman and Vice Chairman for 2018.

Result: Proposal Passed.

Recusal: Yu-Lon Chiao and Patricia Chiao

Important Resolution: Proposal to review managers' performance evaluation as well as bonuses and compensation for 2018.

Result: Proposal Passed.

Recusal: Hui-Ming Cheng.

108/02/22 (18th Board, 11th Meeting)

Important Resolution: Distribution of remuneration to directors and employees for 2018.

Result: Proposal Passed.

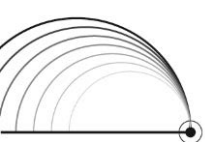
Recusal: Hui-Ming Cheng.

Important Resolution: Proposal of the 2018 Profit Distribution Table.

Result: Proposal Passed.

Important Resolution: Proposal of the 2018 Internal Control System Statement.

Result: Proposal Passed.



Important Resolution:	Amendments to the Company's Procedures for Financial Derivatives Transactions.
Result:	Proposal Passed.
Important Resolution:	Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act.
Result:	Proposal Passed.
Recusal:	Ming-Ling Hsueh.
Important Resolution:	Approval for holding the 2019 AGM regularly.
Result:	Proposal Passed.
Important Resolution:	Approval for the subsidiary's loan to the Company and its subsidiaries in a total amount of US\$ 428.48 million and RMB 1.53 billion
Result:	Proposal Passed.

(XII) In the most recent year, as of the day the annual report was prepared, directors 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:

As of March 29, 2019

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

5. 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	2018/01/01 ~ 2018/09/30	
Deloitte Touche Tohmatsu Limited	Kenny Hong	Ming-Yu Chiu	2018/10/01 ~ 2018/12/31	

Unit: NT\$ thousands

Fee schedule		Item	Audit fees	Non-audit fees	Total
1	Less than 2,000			470	470
2	2,000 (inclusive) ~ 4,000				
3	4,000 (inclusive) ~ 6,000				
4	6,000 (inclusive) ~ 8,000				
5	8,000 (inclusive) ~ 10,000				
6	10,000 (inclusive) and above		9,920		9,920



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

Unit: NT\$ thousands

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	9,920	-	20	-	450	470	2018/01/01 ~ 2018/12/31	"Other" item in the non-audit fees: CSR Report
	Hung-Bin Yu								
Deloitte Touche Tohmatsu Limited	Kenny Hong							2018/01/01 ~ 2018/12/31	
	Ming-Yu Chiu								

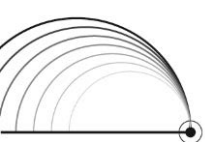
(III) Change of CPA firm and the audit fees paid in the year of the change are less than those paid in the previous year: Not applicable.

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

6. Information on the replacement of CPAs:

(I) About the previous CPAs:

Date of replacement	January 21, 2019		
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.	Not applicable.
	Refuses to accept (continued) appointment	Not applicable.	Not applicable.
Signing an audit report other than without reservation in the most recent two years and the reason	In 2018 and 2017 respectively, the CPAs signed an unmodified opinion with 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	Kenny Hong and Ming-Yu Chiu
Date of appointment	January 21, 2019
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.

7. 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, managers and shareholders holding more than 10% of the company's shares

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

Title	Name	2018		Current fiscal year up to March 26, 2019	
		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	Patricia Chiao	0	0	0	0
Directors	Yu-Cheng Chiao	0	0	0	0
Directors	Yu-Heng Chiao	(120,000)	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.	27,250,000	0	0	0
	Representative: Tung-Y Chan	0	0	0	0
Independent Directors	Chen, Steve Ruey-Long	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	(16,000)	0	0	0
Vice President	Tung-Ben Lin	9,000 (459,000)	0	0	0
Vice President and Senior General Manager of Real Estate BU	Fred Pan	0	0	0	0
Senior General Manager of Specialty Steel BU	C.C. Chen	(9,000)	0	0	0
Senior General Manager of Stainless Steel BU	Tain-Rong Chen	0	0	0	0



Title	Name	2018		Current fiscal year up to March 26, 2019	
		No. of shares held Increase (decrease)	Shares pledged Increase (decrease)	No. of shares held Increase (decrease)	Shares pledged Increase (decrease)
Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu	0	0	0	0
Senior General Manager of Copper Wire BU	Witty Liao	(5,000)	0	0	0
Chief Information Officer	David Liou	0	0	0	0
Chief Technology Officer	Michael Wang	0	0	0	0
Chief Marketing Officer	Kevin Niu	0	0	0	0
Head of Financial Dept.	Sophi Pan	0	0	0	0
Head of Accounting Dept.	Richard Wu(Note)	0	0	0	0
Shareholders holding over 10% of outstanding shares	None	0	0	0	0

Note: The change to the shares held by Richard Wu is calculated commencing from his tenure from March 1, 2018.

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

March 26, 2019

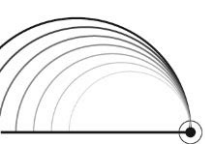
Name	Reason for Share Transfer	Transaction Date	Counterparty	Relationship between counterparty and the Company, Directors, Supervisors and shareholders who hold more than 10% of all shares	Number of Shares	Transaction Price
Yu-Heng Chiao	Disposal: Gift	2018/9/10	Zi-Rui Chiao	Son	60,000	18.85
Yu-Heng Chiao	Disposal: Gift	2018/9/10	Zi-Jun Chiao	Son	60,000	18.85

(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

As of March 26, 2019

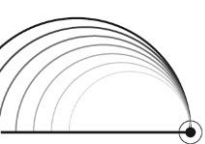
Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of related parties to top ten shareholders (spouse and relatives within the second degree) (Note 1)		Remarks
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	Name	Relationship	
Chin-Xin Investment Co., Ltd	210,011,000	6.31%					Winbond Electronics Corporation	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	



Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of related parties 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	
							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	
Representative of Chin-Xin Investment Co., Ltd : Yu-Cheng Chiao	39,508,661	1.19%	19,032,428	0.57%	0	0.00%	Winbond Electronics Corporation	Same person as the chairman of the said institutional shareholder	
							Patricia 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	
Winbond Electronics Corporation	206,000,000	6.19%	-	-	-	-	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							Patricia Chiao	Second degree of kinship with the chairman of the said institutional shareholder	



Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of related parties 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	
							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	
Representative of Winbond Electronics Corporation : Yu-Cheng Chiao	39,508,661	1.19%	19,032,428	0.57%	0	0.00%	Chin-Xin Investment Co., Ltd	Same person as the chairman of the said institutional shareholder	
							Patricia 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	
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A., Taipei Branch	193,022,000	5.80%	-	-	-	-	-	-	Note 2



Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of related parties 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	
Patricia Chiao	91,969,006	2.77%	0	0.00%	0	0.00%	Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Winbond Electronics Corporation	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	
Yu-Heng Chiao	57,792,197	1.74%	12,965,390	0.39%	0	0.00%	Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia 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 Taiwan Limited.	56,018,360	1.68%	-	-	-	-	-	-	Note 2
Yu-Chi Chiao	50,985,470	1.53%	5,224,909	0.16%	0	0.00%	Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder	



Name	Shares Held Themselves		Shares Held by Spouse and Underage Children		Shares Held Under Name of Others		Name and relationships of related parties 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	
								are within second degree of kinship	
							Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia Chiao	Second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Pai-Yung Hong	First degree of kinship	
Vanguard Emerging Markets Stock Index Fund under the custody of Standard Chartered Bank	48,078,965	1.45%	-	-	-	-	-	-	Note 2
Walsin Lihwa Employee Welfare Committee	47,981,637	1.44%	-	-	-	-	-	-	
Chairman of Walsin Lihwa Employee Welfare Committee: Tain-Rong Chen	25,300	0.00%	0	0.00%	0	0.00%	-	-	
Pai-Yung Hong	47,635,717	1.43%	5,372,890	0.16%	0	0.00%	Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within first degree of kinship	
							Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within first degree of kinship	
							Patricia Chiao	First degree of kinship	
							Yu-Heng Chiao	First degree of kinship	
							Yu-Chi Chiao	First degree of kinship	

Note 1: Disclosure of relationship pursuant to rules indicated on the issuer's financial statement.

Note 2: 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

As of December 31, 2018; 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.	487,903,187	100.00	-	-	487,903,187	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.	26,565,000	100.00	-	-	26,565,000	100.00
Chin-Cherng Construction Co.	343,799,633	99.22	-	-	343,799,633	99.22
Hua Tuo Green Resources Co., Ltd.	1,000,000	100.00	-	-	1,000,000	100.00
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	17,101,454	12.33	64,215,547	46.30
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	343,938,813	8.64	1,227,787,236	30.85
Walton Advanced Engineering, Inc.	109,628,376	20.83	12,230,818	2.32	121,859,194	23.15
Walsin Technology Corporation	88,902,325	18.30	18,109,774	3.73	107,012,099	22.03
Powertec Energy Corp.	270,662,160	20.53	-	-	270,662,160	20.53

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

MM/YY	Issuance Price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid with property other than cash	Other
11/02	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
06/03	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
11/03	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
01/04	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
04/04	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
07/04	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
08/04	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
05/05	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
08/05	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
04/06	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
11/08	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
02/09	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
09/09	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
11/09	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
12/10	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
01/11	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
04/11	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	No	None
06/13	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
05/15	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
10/16	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
06/17	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
08/18	10	6,500,000,000	65,000,000,000	3,326,000,258	33,260,002,580	Treasury stock capital decreased by 40,000,000 shares	None	Note 19

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

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

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

Note 19: Letter Jin-Guan-Zheng (Jiao) No. 1040026231, dated 2015.07.08

2. Types of Shares

As of March 26, 2019

Types of Shares	Authorized Capital			Remarks
	Shares Issued and Outstanding (Note 1)	Unissued Shares	Total	
Common Shares	3,326,000,258	3,173,999,742	6,500,000,000	(Note 2)

Note 1: Publicly-traded shares.

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

As of March 26, 2019

Shareholders Numbers	Government Institutions	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Individuals	Total
Number	6	45	268	164,470	419	165,208
No. of Shares Held	18,730,186	21,159,546	675,442,535	1,660,746,606	949,921,385	3,326,000,258
Shareholding	0.56%	0.64%	20.31%	49.93%	28.56%	100%

Note 1: Ratio of shares held by investors in China: 0%.

(3) Distribution of Shareholders

1. Distribution of Common Shares:

As of March 26, 2019

Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
1 to 999	61,763	15,151,985	0.45%
1,000 to 5,000	65,880	155,173,627	4.67%
5,001 to 10,000	17,890	140,474,809	4.22%
10,001 to 15,000	5,936	75,115,344	2.26%
15,001 to 20,000	4,154	77,359,780	2.33%
20,001 to 30,000	3,368	86,190,021	2.59%
30,001 to 50,000	2,688	108,989,049	3.28%
50,001 to 100,000	1,902	138,679,898	4.17%

Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
100,001 to 200,000	794	114,424,692	3.44%
200,001 to 400,000	396	109,713,587	3.30%
400,001 to 600,000	119	59,531,404	1.79%
600,001 to 800,000	48	33,432,726	1.00%
800,001 to 1,000,000	40	37,004,626	1.11%
1,000,001 and more	230	2,174,758,710	65.39%
Total	165,208	3,326,000,258	100%

2. Distribution of Preferred Shares: None.

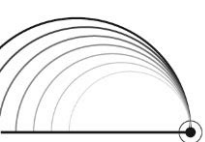
(4) List of Major Shareholders

As of March 26, 2019

Major Shareholders	Shares	Number of Shares Held	Shareholding (Note)
Chin-Xin Investment Co., Ltd		210,011,000	6.31%
Winbond Electronics Corporation		206,000,000	6.19%
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A., Taipei Branch		193,022,000	5.80%
Patricia Chiao		91,969,006	2.77%
Yu-Heng Chiao		57,792,197	1.74%
Norges Bank Investment Fund under the custody of Citibank Taiwan Limited		56,018,360	1.68%
Yu-Chi Chiao		50,985,470	1.53%
Vanguard Emerging Markets Stock Index Fund under the custodianship of Standard Chartered Bank		48,078,965	1.45%
Walsin Lihwa Employee Welfare Committee		47,981,637	1.44%
Pai-Yung Hong		47,635,717	1.43%

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

Item		Year	2017	2018	Current Year up to March 29, 2019
Share Price (Note 1)	High		18.25	27.15	18.60
	Low		11.55	14.35	15.90
	Average		14.50	20.17	17.90
Net Value per Share (Note 2)	Basic		20.95	23.25	-
	Diluted		19.96	22.05	-
Earnings per Share	Weighted average shares		3,326,000,000	3,326,000,000	-
	Earnings per share		1.97	3.53	-
Dividend per Share	Cash dividend (Note 3)		1.00	1.20	-
	Stock Dividend	-	-	-	-
	Accumulated unpaid dividend (Note 4)	-	-	-	-
Return Analysis	Price-earnings ratio (Note 5)		7.14	5.46	-
	Price-dividend ratio (Note 6)		14.06	16.05	-
	Cash dividend yield (Note 7)		0.07	0.06	-



* 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. 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.

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

According to the decision of the Company's 11th board meeting of the 18th term, cash dividends issued to shareholders in 2018 shall be NT\$3,991,200,310, averaging NT\$1.2 per share (which is calculated based on the Company's 3,326,000,258 issued and outstanding common shares).

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

This dividend issuance is approved by the 2019 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 be rounded down; the Company will credit them as other income.

3. Explanation regarding expected major changes to dividend policy: None.

(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.



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2. Basis for estimates of compensations for employees and directors for 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 and directors for 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 26 NET PROFIT (LOSS) FROM CONTINUING OPERATIONS" 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 and directors: The board has approved NT\$125,000,000 to be paid in cash to employees and NT\$63,000,000 to directors.
 - (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.
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 2017, the Company issued NT\$73,000,000 to employees and NT\$51,000,000 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)

Item		Date of Issuance		October 3, 1995		November 9, 2010	
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\$)	2018	High	8.67				
		Low	4.65				
		Average	6.37				
	Current year as of March 29, 2019	High	6.01				
		Low	5.22				
		Average	5.72				

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, as well as the contracting and execution of high-voltage cable engineering.	Bare copper strips, copper wires, copper cables, power cables, high-voltage power line accessories and telecommunication copper/ optical fiber cables.	98,687	51.7
Stainless steel	Forging, processing and selling of stainless steel and nickel pipe.	Billets, slabs, hot-rolled plates/coils, cold-rolled coils, wire rods, hot-rolled bars, cold-finished bars, steel ingot, pierced billets, stainless steel foil and strands	63,405	33.2
Commercial real estate business	Real estate	Parking space sales, commercial leasing, residential housing and office buildings sales	14,308	7.5
Others	Solar engineering etc.		14,515	7.6

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) High purity products and their production process (9) Extremely low carbon nitrogen products and their production process (10) 2B board for sand slingers and panel saws (11) 2B board for shallow drawing (12) Volute springs for high tensile strength medical products (13) Development of super austenitic stainless steel (14) Development of continuous casting billet for hot extrusion (15) Hot-dip galvanized aluminum alloy steel wire for bridge cables

(2) Industry overview

1. The current status and development of the industry

(1) Wire and Cable Business

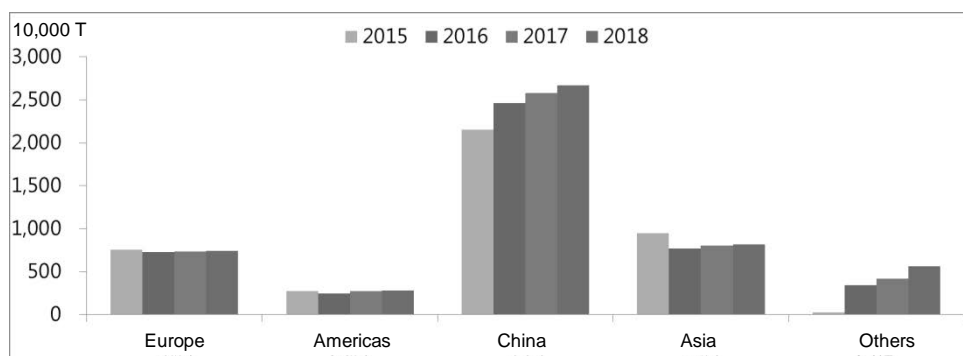
The global copper production in 2017 was 23.7 million tons. The major markets for copper were China, the European Union, the United States and Japan, with the consumption percentage of 49.8%, 13.6%, 4.6% and 4.2% respectively. These four economies accounted for 72% of the total global copper consumption. Among them, China accounted for half of global copper consumption. 51% of China's copper consumption is used in the power industry, air conditioning and refrigeration, transportation, construction and electronics, accounting for 15%, 9%, 8% and 7% respectively, while the power industry mainly manufactures power cables. Therefore, the overall supply and demand of the copper cable material industry remains stable, with electric vehicles, charging stations and high-efficiency machinery as the main growth areas.

In response to the needs for electricity shortage and carbon reduction in the Taiwan market, Taipower plans to increase its capital expenditure in offshore wind power generation to enhance the engineering of those power grids, with the demand for cables for renewable energy such as solar energy and wind power increasing and the schedule of generation of offshore wind power grids approaching. Taipower is expected to increase its demand for and amount of purchase of high-voltage cables. In addition, due to the increase in new housing and factory construction projects launched by builders, the decline in the demand for cables for construction use has been eased in the recent years. In the Chinese market, the focus of infrastructure construction has shifted to urban intelligent construction, and with the ongoing expansion of new semiconductor fabrication plants, the required cables for such constructions are the focus of the Company's business development. Nonetheless, the China-US trade war may bring uncertainty to the Chinese market and therefore create hidden concerns about the stable demand for cables for construction use.

(2) Stainless Steel Business

International Stainless Steel Forum (ISSF) announced that the global stainless steel (crude steel) output in 2018 was 50.73 million metric tons, an increase of 5.5% compared with 2017. The largest area of production was China, and the output of stainless steel (crude steel) reached 26.7 million metric tons, an increase of 3.6% compared with 2017. The output of Asia (excluding China), Europe and the Americas were 8.19, 7.38 and 2.81 million metric tons respectively, which increased by 2.1%, 0.1% and 2.0% respectively compared with 2017.

Global Stainless Steel Production by Regions (Source: ISSF)



In terms of the structure of stainless steel products, the output of plate products in 2017 was 35.65 million metric tons, accounting for 83% of the total output, and the output of long steel products was 7.15 million metric tons, accounting for 17% of the total output. Among the long steel products, the output of straight bars, wire rods and small steel embryos were 2.98, 2.48, and 1.7 million metric tons respectively, accounting for 42%, 35%, and 24% of the output of the long products respectively. About 46% of the end-use applications of long steel products are used for industrial production (such as machined parts), 23% for consumer durable goods, 21% for transportation and 9% for structures. The top five long-strip stainless steel companies around the world by output are Tsingshan, Walsin Lihwa, S+B, Nippon Steel and Sumitomo Metal, and Viraj.

The world's top 10 stainless steel mills by production, according to SMR's 2017 estimates, is Tsingshan Group, with an annual output of 7.15 million metric tons, followed by Taigang, 3.95 million metric tons, POSCO, 3.7 million tons. Ranking 4 to 6 are Outokumpu, Acerinox and Beihai Chengde, with the output of 2.82, 2.42 and 2.25 million metric tons respectively. Other steel mills with an annual output of more than one million metric tons are Aperam, Baosteel, Lianzhong, Jindal and Nippon Steel and Sumitomo Metal. The total output of the world's top 10 steel mills constitutes 67% of the global steel output.

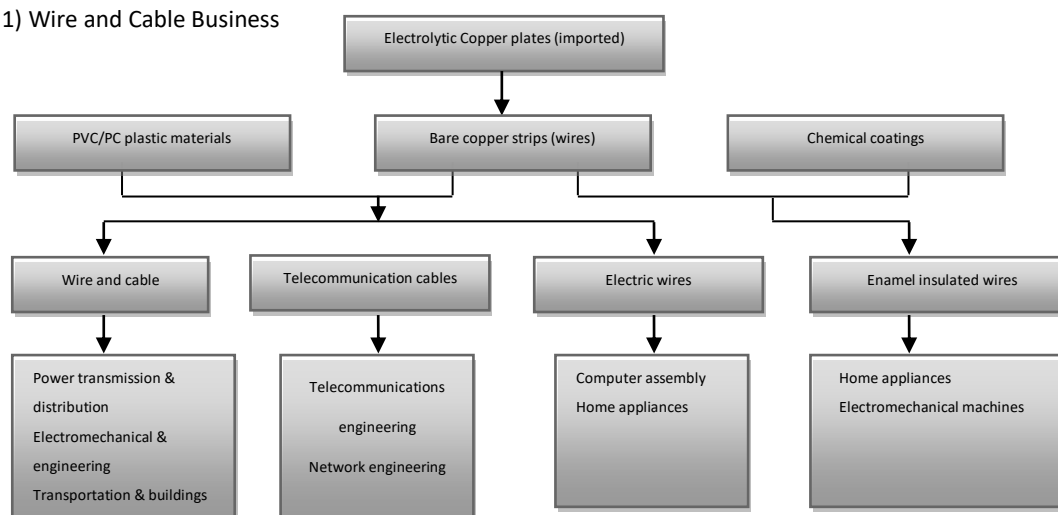
Benefiting from its cost advantage thanks to RKEF integration, Tsingshan Group's low-cost production marched into the market, thereby intensifying the competition in the stainless steel industry resulting from the oversupply, with the utilization rate of flat steel embryo capacity being about 70%. In view of the 54% of stainless steel products categorized as Commodities level (in terms of a single kind of products, Commodities in the plate category is 55%, and Commodities in the strip category is 47%), high value-added products account for 10% (plates 9% and strips 17%). To reduce the threat posed by red ocean strategies used in the industrial competition, industry will develop towards increasing the added-value of the product portfolios.

(3) Commercial Real Estate Business

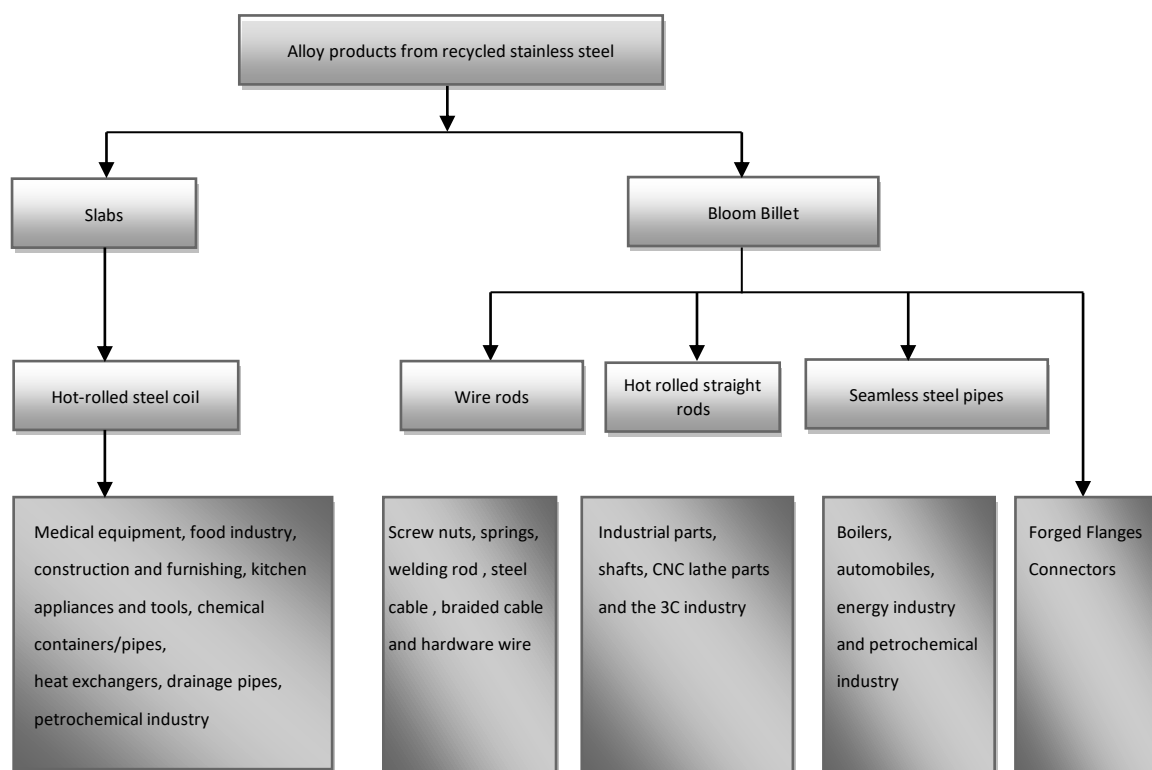
In 2018, Nanjing's sale of residential property totaled RMB 192 billion, which demonstrates that real estate development continued to maintain a steady growth. Total residential property sold amounted to 7,990,000 square meters, a drop of 8% year-on-year, mainly due to delays in the launch of various real estate projects, affected by purchase and price restrictions on residential housing. (Source: Nanjing TechInsights)

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

A. Copper Material

Development Trends: The Company is still in the forefront of Taiwan's domestic market share and South China's export market share. The Chinese domestic market is currently dominated by enameled wire, electronic wire and automobile wire industry, which have a presence in the market and maintains a competitive edge in the market. In the future, the industry will continue to develop towards the renewable energy field.

Market Competition: The overall market competition has been intensified because competitors continue to expand capacity and improve product quality.

B. Copper Material for Wires and Cables

Development Trends: Under the influence of global carbon-reduction and environmental-protection movement, propelled by supportive government policy, demand for cables and main feeder cables used in 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 amendments to building related laws and regulations.

Market Competition: The next five years will see an increase in orders from Taiwan Power Company and recovered demand for public construction, while the private sector may not witness substantial growth, with the oversupply in overall capacity still lingering. Our peers will start to expand export and develop niche products in order to maintain their plants' capacity utilization rate.

(2) Stainless Steel Business

Development Trends: Emphasis on the development of customized steel types, the development of high-quality, high-priced and high-margin products and precision and special steel types (for the application side), strengthening the development of the transportation, automotive engine and energy industry (for the industry side), and focus on increasing customer demand for our products and improving customer adhesion. For the Chinese market, we will continue to advance to fields such as special steel types, nickel-based alloy steel, transportation industry, automobile engine industry and energy industry.

Market Competition: With the growth of global stainless steel demand stabilizing, low-cost production marching into the market and capacity expansions, competition becomes increasingly fierce as a result of the overcapacity in medium- and low-end products. Low-price competition is still the main strategy in the market. In the high-end market, certification and specialty steel for niche industries are more lucrative compared to middle and low-end markets.

(3) Commercial Real Estate Business

Development Trends: 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 experiential and interactive products. Demand for department stores and retail stores keeps weakening, while dining, entertainment and recreation increasingly dominate 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, 2018 to March 29, 2019, the R&D expenses were around NT\$ 160 million.
R&D Profile	Wire and cables	(1) Large-machinery and renewable-energy industries: continue technical development and innovation. (2) Accelerate the development of key cable materials and environmentally friendly cable materials. (3) Continue to create 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.

	Stainless steel	(1) Develop the production process for and improve specifications of large bar products. (2) Develop straight-rod shaped hexagon products. (3) Develop high weldability stainless steel. (4) Develop highly turning stainless steel. (5) Develop stainless steel for spring use. (6) Develop high purity product. (7) Develop 2B board for sand slingers and panel saws. (8) Develop 2B plate products for shallow punching. (9) Develop Super 304 finished tubes. (10) Develop continuous casting billet for hot extrusion (10) Develop continuous casting steel embryo for hot extrusion. (11) Produce and develop nickel-based steel refining. (12) Develop cold finished rods/high pressure tubes for automobiles. (13) Develop nickel-based alloy tubes/seamless tubes. (14) Develop dual-phase steel seamless tubes for nuclear power.
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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) Completed analysis of influencing factors (2) Organized and planned 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) Installed verification equipment (2) Established verification methodology	2018	Understand the choices on product-application parameters. Improve structural design of flexible cables through testing data; improve development and manufacture of core raw materials.
	Development of smart cable	(1) Applied for the patent "Household Power and Shielding of Environmental Noise" (2) Conducted the destruction experiment and signal testing	2019	(1) Sensor design (2) Marketing Strategies to create new demand
	Development of offshore wind power cables	Designed products that meet the demand from with wind turbine vendors	2020	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

Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
Stainless steel	We plan to invest NT\$100,000,000 in R&D, including:			
	Development of stainless steel for cold heading	Mass production improvement stage	2019	Coordination between rollers and roughing mills and research into the cold forging of the product
	Development of stainless steel for lathe work	Trial/mass production improvement stage	2019	Continuous casting parameter setting, hot-rolling process parameter setting and heat treatment parameter settings and research into the turning of the product.
	Development of heat-resistant stainless steel	Trial/mass production improvement stage	2019	Continuous casting parameter settings, hot-rolling process parameter settings and heat treatment parameter settings.
	Development of high weldability stainless steel	Trial/mass production improvement stage	2019	Alloy design and hot-rolling process parameter settings
	Development of stainless steel for springs	Trial stage	2019	Alloy design, hot rolling path parameter setting, heat treatment parameter setting and product elasticity study
	Development of two-phase high corrosion resistant stainless steel	Evaluation stage	2019	Cooperation between the rolling mill and the roughing mill
	Development of high-purity products	Process control factors in control	2019	Setting parameters for refining process
	Development of large cold finished rods	Trial stage	2020	OEM capacity and heat treatment of large rods
	Backlight Module	Trial stage	2019	Material surface roughness and gloss and leveling parameter control
	Nickel-based alloys	Improving quality stability and gradually increasing size specifications	2019	Controlling key refining and forming technologies
	Nickel-based super alloy	Trial stage	2019	Key technologies for characteristics of materials
	304 stainless steel	Testing of durability performance	2019	(1) High temperature durability test succeeded (2) Obtained boiler factory certification
	Development of rods for automobile use	Trial production and testing	2019	Production technology for material performance

Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
	Automotive tube (high pressure)	Inner wall quality test	2019	Cold processing technology and inner wall quality

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

1. Wire and Cable Business

(1) Copper Materials

Short-Term: Our business development objectives are: understanding how our clients' demands change as they grow or as their markets place different requirements and further stabilizing 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.

Long-Term: We will maintain competitiveness among competitors and in the market and conduct sales-restructure adjustments for high-value-added high temperature enameled wire, micro wire, flat wire, high-end cables.

(2) Power Cables

Short-Term: Fully grasping customer demand and adapting 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. With the increase in solar energy construction, the high market share of solar cables is expected to be maintained; the port-based cable is actively developed through after-sales markets and import substitution.

Long-Term: We will further develop the Japan market and meanwhile expand into less developed countries and regions in the ASEAN by actively developing industrial cables and seeking partners for strategic alliance. At the same time, we will seize the opportunity for electro-technological industries (semiconductor, semiconductor packages and panels) and grasp and improve the chances brought by the demand for industrial cable construction such as solar and offshore wind power driven by the government's green energy policy.

2. Stainless Steel Business

Short-Term: Taiwan: For the wire rod, we will adjust its product mix according to the market conditions to expand the volume of orders of favorable steel types, while continuing the research and development and the capital expenditure to increase the application of new steel types and new industries and improve product quality. Mainland China: For steel billets and seamless pipes, we will develop high value-added steel types, for the purpose of increasing the sales of high-value steel types. For the cold refined rods, we will increase the volume of orders from direct customers. For the steel cable, we will increase the yield rate of suspension bridges and enhance market competitiveness.

Long-term: Taiwan: For bar materials, in addition to maintaining the major customers with high demand, the Company will actively develop new customer bases and expand suitable markets for export. For bar materials, in addition to continuing to strengthen the advantages in our integrated production lines, we will gradually develop the large-size product markets and stabilize the quality of large-size steel ingots, as well as actively expand the sales volume of niche steel and increase the quality and output of deep-processed products. Mainland China: We will solve capacity bottlenecks through capital expenditures, improve integrated manufacturing processes, enrich the product mix and focus on petrochemical, boiler, nuclear power, transportation and food as key development industries; internally, we will continue to improve processes and carry out industrial 4.0 automation projects to improve the product precision.

3. Commercial Real Estate Business

Short-Term: Our Real Estate Business will finish the sale of final batch of phase 2 residential buildings on plot D, as well as the construction and opening of plot AB phase 2 skirt building international shopping center and the structural cap of the phase office building on plot AB 2, steadily moving forward to the design and development of the phase 3 office building on plot AB, to improve the product's added value and create a steady income stream. We will also hasten the construction and delivery of the buildings under the good, comprehensive quality control.

Long-Term: During the course of promotion and marketing, the Walsin Centro is used as a carrier to integrate residential, commercial, office and other products to create a product image by marketing, so that the Walsin Centro Shopping Center will become a new shopping, leisure and gathering center for Nanjing citizens. At the same time, we will maintain relations with the supplier and the up-, middle- and downstream industries, establish our competitive advantages, strengthen the operational capacity and management efficiency of large-scale urban complexes, and create our brand value with efficient, high-quality and reliable management, while looking for low-risk, high-profit new 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 2018, the Company sold about 580,000 metric tons of copper rod (wire) products, including about 390,000 metric tons in Mainland China, of which about 340,000 were sold domestic and about 190,000 in Taiwan, of which about 110,000 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 270,000 metric tons, of which the Company supplies about 40.7%.

In regards to wire and cable in 2018, the Company's power cable products sales value is about NT\$13.85 billion, of which Taiwan accounts for NT\$9.67 billion. According to the statistics of the Department of Statistics, MOEA, the domestic sales value of Taiwan's power cable products is estimated at NT\$38.3 billion, of which the Company accounts for about 21.5%.

(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 2018, the Company's sales of stainless steel products was 854,000 metric tons, of which the sales in Taiwan and China was 604,000 metric tons (including 404,000 metric tons in domestic sales and 200,000 metric tons in foreign sales) and 250,000 metric tons respectively. The Company's domestic market shares are 64.2% (wire rods), 59.2% (hot-rolled steel coils), 36.6% (cold-rolled steel coils) and 37.9% (bars); the Company's foreign market shares are 4.5% (wire rods), 2.8% (hot-rolled steel coils) and 2.5% (bars).

Note: The foreign market shares are estimated only in respect of the territories to which we sell products and the available specifications.

(3) Real Estate Business

In 2018, Nanjing's land transaction volume was 6.38 million square meters. The land auction was more moderate and rational than last year's hot situation. The transaction prices of floor land also dropped significantly, but the areas traded

exceeded 6 million square meters, while the transactions remained stable. (Source: TechInsights, Nanjing's Research Institute)

The government has been rigorously regulating for more than two years to curb the upward trend in the price of residential new homes. In 2018, the supply of commercial housing in Nanjing was 8.86 million square meters, and the average transaction price was flat compared with last year.

Looking forward to the future, with the promotion and implementation of the development plan of the southern Hexi New District, headquarters of 15 financial institutions, 85 and above branches of financial institutions at the provincial level and 4,000 in the world's top 500 and China's top 500 enterprises have established in the Hexi New District. The office and shopping demand will be stable and sufficient, and the real estate market continues to maintain steady development.

2. Overview of supply and demand and projected growth

(1) Wire and Cable Business

A. Copper Material

According to the International Copper Research Organization (ICSG), the supply shortage for refined copper in 2017, 2018 and 2019 was/would be 261,000 metric tons, 92,000 metric tons and 65,000 metric tons respectively. The supply shortage is shrinking, but still remains. From 2019 and 2020 onwards, the copper supply gap is likely to expand. On the one hand, it is because the aforementioned global copper capacity peaked around 2019. On the other hand, although the growth rate of refined copper supply is higher than the demand growth rate, the growth rate of copper concentrate at the source has been lower than the growth rate of the demand and is slowing down. It is expected that companies will gradually shift their focus to the supply of refined copper, and then the supply gap will increase.

Global Copper Supply and Demand Balance (Source: ICSG)

Regions (^{'000 t Cu})	Mine production			Refined production			Refined usage		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Africa	1,957	2,155	2,434	1,278	1,437	1,654	208	208	210
N. America	2,638	2,568	2,700	1,847	1,799	1,855	2,304	2,249	2,297
Latin America	8,394	8,556	9,004	2,937	2,986	3,126	442	451	476
Asean-10 / Oceania	1,938	2,138	1,875	1,045	1,071	1,243	1,155	1,156	1,212
Asia ex Asean / CIS	2,433	2,387	2,546	12,066	12,495	13,280	15,385	15,795	16,286
Asia - CIS	861	851	851	439	428	447	103	106	106
EU	963	918	899	2,728	2,727	2,806	3,238	3,339	3,342
Europe Others	858	897	926	1,156	1,226	1,236	925	950	960
Total	20,041	20,471	21,233	23,498	24,169	25,646	23,759	24,253	24,890
World adjusted	20,041	20,429	20,677	23,498	24,161	24,825	23,759	24,253	24,890
% change	(1.6)	1.9	1.2	0.7	2.8	2.7	0.7	2.1	2.6
World Refined Balance (China apparent usage basis)							(261)	(92)	(65)

The demand in the Taiwan market continues 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. Currently, it is expected that the supply and demand in the markets will steadily grow, with the consensus and agreement reached by the parties to the China-US trade negotiations drawing near. However, demand for areas such as high-end enameled wire, ultra-thin and automotive wire harnesses will grow. An estimated annual volume of 6.8 million metric tons of copper will be used for cables in 2019.

B. Wire and Cable

In the short run, the construction market in Taiwan has been stabilized after a slowdown, and in the long run, it is estimated that the market will continue to weaken gradually. Taipower's first phase offshore wind power grid project to strengthen the power grids is the largest power grid project after the seventh electricity transmission project. In addition, the domestic public construction has not yet seen the specific plan for large-scale renewal. It is expected that the demand for medium-voltage cable will remain low, but high-voltage demand is projected to recover in the next five years. As a

whole, the pressure of oversupply has not been resolved. In response to the demand for electricity shortage and carbon reduction, industries such as solar energy and wind power will be the future growth areas.

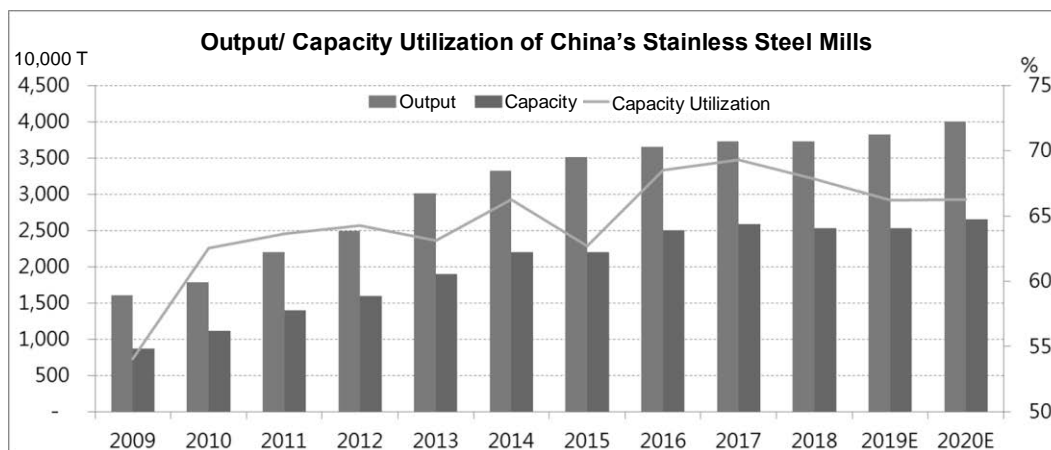
(2) Stainless Steel Business

In 2018, global stainless steel production was 50.73 million metric tons, an increase of 5.5% compared with 2017. The growth rate was down from 5.8% and 10.2% in 2017 and 2016. The global demand for stainless steel in 2018, according to SMR, was 43.4 million metric tons, showing that the industry continues to be in a state of oversupply.

China is still the world's largest stainless steel supplier, with a production of 26.7 million metric tons in 2018, accounting for 52.6% of global production, but the proportion of production has decreased compared with 53.6% in 2017 and 54.1% in 2016; production increased by 3.6% compared with 2017. With the continuous implementation of the supply-side reforms, the growth of output in 2018 was 930,000 metric tons, which were 1.16 million metric tons and 3.04 million metric tons in 2017 and 2016 respectively. Since the growth has decreased, and the increase in capacity will be limited in the future, it is expected that new production in the future should be suppressed.

48% of the end demand for stainless steels are applied to daily consumer goods (such as home appliances and kitchen utensils), which supports the stability of demand. In addition, about 16% applied to infrastructure construction, 16% to petrochemical energy related industries, and 10% to the transportation sector, and 8% to in industrial/heavy industry products, so the overall demand covers a wide range, showing a relatively stable growth pattern.

Source: China United Steel Network



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

Wire and Cable Business		
Copper Materials	Competitive Niche	<p>(1) The three factories across the Taiwan Strait are fully loaded and in full operation, with the scale advantages and stable product quality, able to provide perfect after-sales services.</p> <p>(2) We have stable relations with supplier of raw materials and a sound hedging mechanism.</p> <p>(3) We have the ability to integrate and operate resources of production, sales, purchase and finance.</p>
	Favorable Factors	<p>(1) Externally: China continues to move toward the goal of new energy and power facilities renovation, and the demand for copper wire will continue to grow steadily.</p> <p>(2) Internally: We have a long-term and stable customer base and can integrate the advantages of the production bases of the three factories across the Taiwan Strait, achieving the best sales mix.</p>
	Unfavorable Factors	<p>(1) The oversupply of copper bars in Taiwan and China intensifies the competition.</p> <p>(2) The scale of operation of Chinese competitors continued to increase, with a tendency to capacity centralization.</p>
	Response Measures	<p>(1) In response to market changes, we will research into the future development of the industry and grasp business opportunities.</p> <p>(2) We will promote AI projects to comprehensively improve operational efficiency, implement cost reduction management, and continuously strengthen financial risk control.</p>
Power Cable	Competitive Niche	<p>(1) We have the advantage of stable internal supply of important raw materials of copper metal and can give full play to the benefits from the upstream and downstream integration.</p> <p>(2) Long-term supply of products and services related to demand for project engineering, accumulating rich supplier experience and having brand advantages.</p> <p>(3) Advantages such as local supply and branding will help to enter the industrial cable field such as solar energy, offshore wind power and port infrastructure.</p>
	Favorable Factors	<p>(1) The performance of quality, service and delivery is highly satisfactory to customers and we have brand power in the Taiwanese engineering market.</p> <p>(2) The high-voltage cable demand in the public sector sees signs of recovery, benefiting from the renewable energy policy.</p>
	Unfavorable Factors	<p>(1) The uncertainties in real estate investments remain due to trade war between China and the United States and labor shortage, thereby weakening the growth of market demand, while the fluctuations of demand are hard to predict.</p> <p>(2) The private sector faces oversupply and price competition.</p>
	Response Measures	<p>(1) Entering the industrial cable field of solar energy, offshore wind power and port infrastructure by taking the advantages of local supply and branding.</p> <p>(2) Grasping and improving the chances brought by the demand for industrial cable construction such as solar and offshore wind power driven by the government's green energy policy.</p>

Stainless Steel Business	
Competitive Niche	<p>(1) The long strips are produced and sold by a single plant, with resource integration, economies of scale and rapid and stable delivery in cooperation with rolling schedules.</p> <p>(2) Compared with imported goods, plate materials have the advantage of short delivery period.</p> <p>(3) The launch of new equipment in Taichung Plant and Yanshui Plant will be beneficial to adjustments to the product mix and improvement of product quality.</p>
Favorable Factors	<p>(1) Taiwan's cold-rolled steel coils are protected by anti-dumping duties.</p> <p>(2) China's environmental protection policies have increased their momentum, gradually improving the overcapacity of crude steel.</p>

Stainless Steel Business	
	(3) Environmental awareness arises, increasing the cost of operation and reducing profit margins for competitors.
Unfavorable Factors	<p>(1) Tsingshan set up a nickel iron plant and stainless steel plant in Indonesia, which integrate production processes from raw materials to final products, thus significantly reducing production costs and bringing us strong low-cost competition.</p> <p>(2) Global trade protectionism, US Section 232, EU steel defense measures and China's increase in the tax rebate on wire rod/straight rod exports affect global steel liquidity and reduce the Company's export volume.</p> <p>(3) There is a lack of hot rolling production line in mainland China, making its delivery and quality stability insufficient.</p>
Response Measures	<p>(1) In addition to continuing to strengthen the advantages in our integrated production lines, we will gradually develop the large-size product markets and stabilize the quality of large-size steel ingots, as well as actively expand the sales volume of niche steel and increase the quality and output of deep-processed products.</p> <p>(2) Maintaining major customers with high demand, actively developing new customer bases and expanding suitable markets for export</p> <p>(3) Solving capacity bottlenecks through capital expenditures, improving integrated manufacturing processes and enriching the product mix; internally, continuing to improve processes and carrying out industrial 4.0 automation projects to improve the product precision.</p>

Real Estate Business	
Competitive Niche	<p>(1) Location advantages: Huaxin City is located in the CBD of Nanjing Hexi New City, at the intersection of Metro Lines 2 and 10 and trams, and is the center of the New City.</p> <p>(2) Business advantage: Huaxin City is positioned as an international city complex, including office buildings, commercial centers, quality houses and other types of products. The functions of various industries complement and promote each other, which is the most competitive product in the real estate industry.</p> <p>(3) Scale advantage: The floors under development reaches more than 1 million square meters, and the Huaxin City has become a landmark project in Nanjing. The headquarters of four large national financial institutions have been moved into the office buildings, which has raised the expectation of the value of office buildings and businesses, and has a spillover effect on the investment in and opening of shopping centers and the rental and sales of office buildings of later phases.</p> <p>(4) Quality advantage: In line with the new trend of market demand, energy-saving and environmentally-friendly new materials and new technologies are widely used, attention is paid to the humanization of design and the durability and maintainability of products from the details, so that the products gain a competitive edge, thus making the Company quickly occupy the market and shape the brand.</p>
Favorable Factors	<p>(1) Due to the scarcity of land and the important role of real estate in economic proportion, financial investment and currency valuation, real estate has a long-term role in maintaining and increasing asset value.</p> <p>(2) The economy promoted by the Chinese government has continued to develop for many years. The central city has great ability to promote and control the economy, which makes the high-end office building market stable for a long time, and demand growth can be expected.</p> <p>(3) The establishment of National Jiangbei New District will drive Nanjing into a new round of sustainable development, bringing stable growth and prosperity to the real estate market. The project is located in Hexi, and we will be able to fully enjoy the resulting growth benefits.</p> <p>(4) With the delivery of residential housing in the project, the resident population is growing rapidly; transportation facilities and public ancillary services have been completed, the market is fully mature, and business demand continues to grow steadily.</p> <p>(5) The development of CBD is close to completion, and the demand for high-end office buildings in the central area of Hexi will lead the growth of supply.</p>
Unfavorable	(1) Land prices and construction costs keep rising, and house prices are skyrocketing, both of

Real Estate Business	
Factors	<p>which increase the risks inherent in the real estate market. There are many challenges in the expectations of profits from new deliveries of land.</p> <p>(2) There are many developers involved in land auctions, and it is not easy to obtain high-quality land suitable for development.</p> <p>(3) The city continues to expand, showing a multi-centered situation, diverting some of the customers, while the scale and number of commercial shopping centers in the region are both increasing, thus intensifying the competition.</p> <p>(4) The office buildings under construction in the science park nearby the project, which benefit from a large volume and low land costs, which has an indirect impact on the overall office building markets.</p>
Response Measures	<p>(1) Optimizing the development process and improving the accuracy of drawings, outsourcing and procurement through the improvement of internal processes to save the development cost of the project.</p> <p>(2) Doing product planning and design. On the basis of accurately understanding customer needs, focusing on product differentiation and personalization, and meet market expectations with featured products and services.</p> <p>(3) Making full use of the opportunities to continuously introduce products into the market, establishing differentiated brands through the spread of brand products, and enabling us to achieve brand premium.</p> <p>(4) Tracking and responding in advance the policy trends of government departments governing relevant industries in a timely manner, and timely seizing the best timing for lease and sales according to market changes.</p>

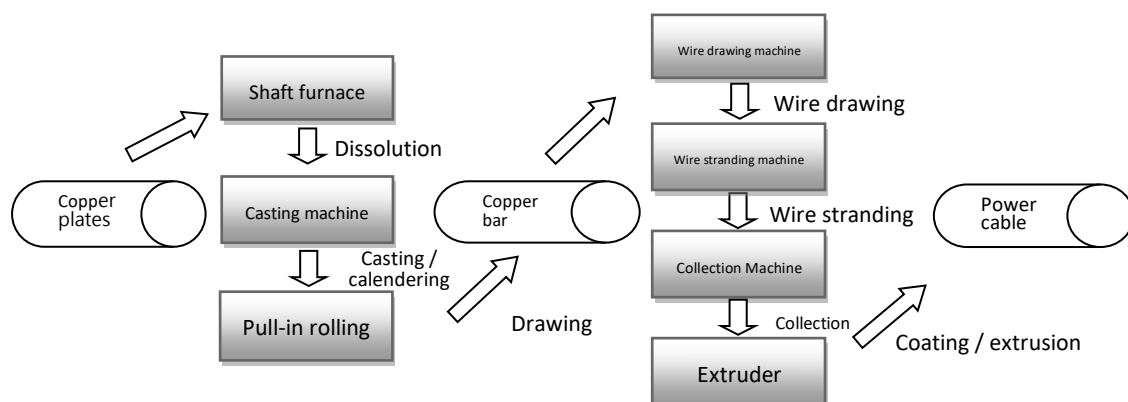
(2) Key applications and production processes of main products

1. Key Applications of Main Products

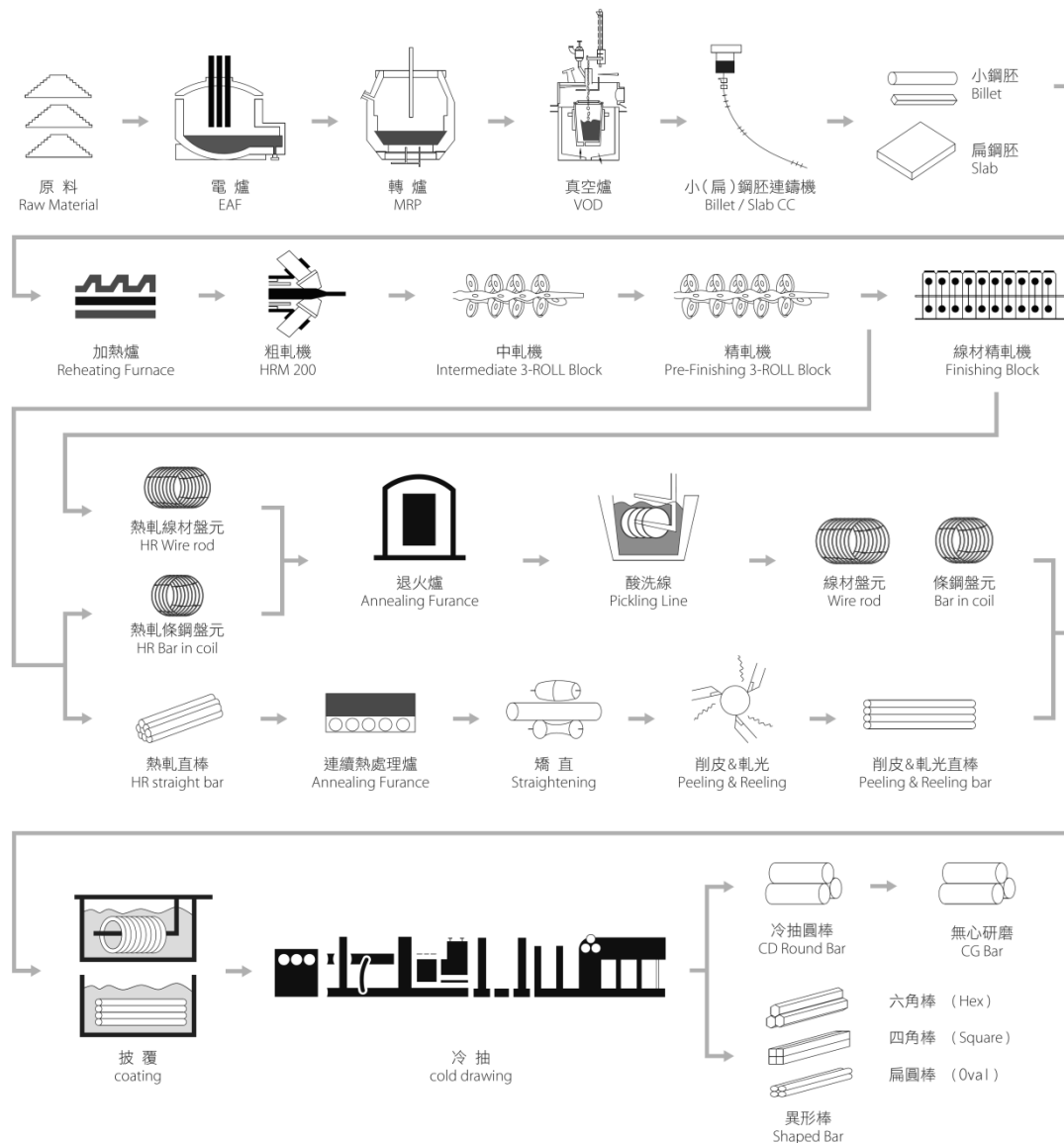
Main Products	Key Applications
Copper material	Wire and cable conductor, home appliances, electrical and electronic devices, transformers, etc.
Power cables	Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission 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, chemical tanks and steel tubes
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.

2. Production Process

(1) Wire and Cable Business



(2) Stainless Steel Business



Product Type	Product Use	Production Process
Steel billet/bar	Machining, tube blanks and flanges, etc.	Steel billet → hot rolling/ straightening→ inspection packaging (finished products)
Stainless steel peeling bar	Forging, turning parts, electrical machinery parts, etc.	Hot rolled straight bar or white plate (raw materials) → Straightening / fixed length → Peeling / calendaring → Cutting → Inspection packaging (finished products)
Cold refined rod	Various shaft parts, medical equipment, furniture decoration parts, turning parts, electrical machinery parts, 3C products, food industry, transportation industry (high-speed rail / automobile), etc.	Hot-rolled pickling bar / peeling bar or white plate (raw materials) → straightening / fixed length → cold drawing / grinding → cutting → straightening → calendaring / polishing → inspection packaging (finished products)

Product Type		Product Use	Production Process
Stainless steel seamless pipe		Petrochemical heat exchangers, fluid piping and instrumentation tubes, power station boiler tubes, nuclear power station tubes, marine fluid tubes and instrument tubes, turning tubes, and automotive tubes.	Round steel billet → hot extrusion (or hot perforation) → cold processing (cold drawing and cold rolling) → heat treatment (solution and annealing) → pickling → inspection → packaging
Prestressed concrete	Steel wire for prestressed concrete	Used in long-span concrete structures such as large bridges and buildings	Pickling → drawing → stranding → heat treatment → splitting → packaging (each process is tested)
	Hot-dip galvanized steel wire and steel strand for bridge cables	Suspension cables for long-span suspension bridges, cables for cable-stayed bridges, and cables for long-span structures	Pickling → drawing → galvanizing → single wire flange → packaging

(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, molybdenum iron, zinc ingot and zinc aluminum ingot.	In addition to being sourced from Taiwan, raw materials are also from Japan, Japan, Australia, New Caledonia, South Africa, Europe, United States 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\$ thousands

Year	2017				2018			
Item	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer
	Supplier A	22,066,631	14.5	-	Supplier A	18,459,103	11.1	-
	Other (Note)	129,681,153	85.5	-	Other (Note)	148,012,167	88.9	-
	Net Purchases	151,747,785	100.0	-	Net Purchases	166,471,269	100.0	-

Note: There is no supplier accounting for more than 10% of total amount of purchases.

2. Major customer information for the last two years

Unit: NT\$ thousands

Year	2017				2018			
Item	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer
	Net Sales	167,792,585	100.0	-	Net Sales	190,915,137	100.0	-

Note: There is no customer accounting for more than 10% of the total sales amount.

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

Currency Unit: NT\$ thousands

Volume Unit: Metric Ton

Year	2017			2018		
Production value/main product	Production capacity	Production volume	Value	Production capacity	Production volume	Value
Bare copper wire	552,000	481,787	82,221,423	552,000	524,960	87,656,240
Wire and cables	56,520	39,291	8,496,636	52,920	42,228	10,129,898
Steel strands	111,000	101,708	2,265,923	120,000	99,300	2,531,831
Stainless steel strips and bars	574,200	516,134	27,950,873	558,600	560,624	20,212,666
Stainless steel coils	311,000	190,041	10,804,615	311,000	153,592	10,488,132
Seamless steel pipes	18,000	16,903	2,863,805	18,000	16,529	2,499,510
Total			134,603,275			133,518,277

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\$ thousands
Volume Unit: Metric Ton

Year	2017				2018			
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	377,212	57,286,614	155,640	29,889,901	390,608	62,105,322	129,671	26,423,717
Wire and cables	40,339	10,115,739	2,440	499,290	42,577	11,740,709	2,248	705,802
Steel strands	88,234	1,980,190	7,446	150,570	103,825	2,724,663	7,393	192,945
Stainless steel strips and bars	341,687	20,485,270	136,278	9,610,043	409,676	25,283,561	130,084	10,449,148
Stainless steel coils	250,710	15,543,503	63,343	3,973,559	263,102	17,167,285	66,880	4,489,687
Seamless steel pipes	5,684	900,246	11,193	1,806,378	6,937	773,266	9,937	1,862,247
Others (Note)	-	14,933,907	-	617,376	-	26,281,322	-	715,463
Total		121,245,469		46,547,117		146,076,128		44,839,009

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:

As of March 29, 2019

Year		2017	2018	Current Year up to March 29, 2019
Number of employees		4,654	4,815	4,887
Average age		39.3	39.5	39.6
Average years of service		9.7	9.6	9.6
Education background (%)	Ph.D.	0.3	0.4	0.4
	Master's	7.2	8.3	8.3
	University/College	38.5	39.2	39.5
	High school	35.7	34.8	34.8
	Below high school	18.2	17.3	17.0

Note: Walsin Lihwa Holdings Limited includes its subsidiaries

(2) Employees of Walsin Lihwa Corp.:

As of March 29, 2019

Year		2017	2018	Current Year up to March 29, 2019
Number of employees		2,454	2,632	2,631
Average age		38.6	38.6	38.7
Average years of service		9.6	9.3	9.5
Education background (%)	Ph.D.	0.7	0.7	0.7
	Master's	13.1	14.7	14.9
	University/College	42.3	42.0	42.0
	High school	30.4	29.4	29.1
	Below high school	13.5	13.2	13.3

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\$ thousands /RMB thousands

Country	Plant area	Time/Unit	Content of inspection:	In violation of:	Fines
Plants in Taiwan	Yanshui Plant	September 27, 2018; Tainan City Government	Although there are sprinklers and dust-absorbing equipment in the raw material storage area, some open spaces have not been properly managed, causing transport vehicles to produce obvious granular pollutants in the air during the transportation process, which was in violation of the Air Pollution Control Act.	Subparagraph 2, Paragraph 1, Article 31 of the Air Pollution Control Act and Paragraph 8, Article 7 of the Guidelines for the Control of Air Pollution Conduct. Article 60 of the Air Pollution Control Act.	NTD 100
		August 22, 2018; Tainan City Government	The EPA visited the Yanshui Plant for on-site inspection unexpectedly and found that the yellow smoke escaped around the plant due to its production.	Paragraph 1, Article 23 of the Air Pollution Control Act. Paragraphs 2 and 4, Article 24 of the Air Pollution Control Act, as well as Article 20 of the Regulations Governing the Setting of Fixed Pollution Sources and Operation Permits. Paragraph 1, Article 62 of the Air Pollution Control Act.	NTD 200

Country	Plant area	Time/Unit	Content of inspection:	In violation of:	Fines
		October 15, 2018; Tainan City Government	During the metal rolling procedures (M02), the bag dust collector for the air pollution control equipment (A203) failed to comply with the permit due to failure to install the monitoring instrument for pressure drop for the dust collector, and bag dust collector (A202, the pressure drop is about 150mmH ₂ O, which does not meet the license 15-50mmH ₂ O, so it did not operate according to the approved content of the license.	Paragraphs 1 and 2, Article 24 of the Air Pollution Control Act.	NTD 200
		October 15, 2018; Tainan City Government	The mass of waste declaration was unbalanced, the monthly output of waste was greater than the maximum monthly output of waste, and the height of the reduction stack was more than 1.25 times.	Subparagraphs 1 and 2, Paragraph 1, Article 31 and Paragraph 1, Article 39 of the Waste Disposal Act as well as Subparagraph 2, Paragraph 1, Article 3 of the Regulations Governing Reuse of Waste.	NTD 72
Overseas Plants	Jiangyin g Walsin	July 6, 2018; Jiangyin Environmental Protection Bureau	On June 22, 2018, the emulsion in the alloy workshop entered the rainwater pipe network and polluted the river. The water quality was tested, and the COD value was 154mg/L, which exceeded the national first-class discharge standard set forth in Table 4 of the Sewage Discharge Standard GB8978-1996, which is 100mg/ L. To this end, the Jiangyin Environmental Protection Bureau came to the factory to investigate and issue a decision to correct the illegal acts.	Article 10 of the Water Pollution Control Act.	RMB 200
	Changshu hu Walsin	November 27, 2018; Changshu Haishu Town People's Government	1. Water in the ditch of the filter press was overflowing and was tested as alkaline by test paper; 2. There was sludge in the circulating pool with any markings, there was water overflowing to the cement floor with cracks and no	Article 52 of the Regulations for the Prevention and Control of Environmental Pollution by Solid Waste	RMB 20

Country	Plant area	Time/Unit	Content of inspection:	In violation of:	Fines
			seepage on the side, and it was tested as alkaline by test paper; 3. There was puddles on the south side of the pool, and it was tested by test paper as alkaline; 4. There was no standard disposal of industrial solid waste such as oil rag and butter lime.		
		December 27, 2018; Changshu Environmental Protection Bureau	The EPA in its inspection found that there were puddles in the lawn on the south side of the D pool on the west side of the water treatment in the Second Plant. The wastewater from the water treatment filter press room of the Third Plant flowed into the mud floor on the west side of the filter press room.	Article 22 of the Water Pollution Prevention and Control Act.	RMB 50
		January 2, 2019; Changshu Haishu Town People's Government	During the China International Import Expo, the plant was required to suspend its production. The suspension was inspected by taking the acid mist tower spray water sample in the pickling S2-1 area as well as the rain pool water sample in the basketball court.	Article 20 of the Atmospheric Pollution Prevention and Control Act.	RMB 200

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 avoid human errors and to implement economically feasible environmental management projects. Internal audit and environmental education & training (including regulatory identification) will also be applied to assist in reinforcing self-regulation and horizontal development at various factories. Environmental investment plans and management measures are as follows:

1. Obtained ISO-14001 certification for system management:

In line with international environmental conventions, factories in both Taiwan (Hsinchuang plant 1, Hsinchuang plant 2, Yangmei Copper Wire plant, Taichung plant and Yanshui plant) and mainland China (Shanghai Walsin Lihwa Power Wire & Cable plant, Nanjing plant, Jiangying plant, Yantai plant and Changshu plant) have all obtained "Environmental Management System" certification. In order to ensure the operational effectiveness of Walsin's environmental management system, the Company hired a professional consulting

team in 2017 to instruct 10 domestic and overseas factories to transition to ISO 14001:2015. Basic operation for ISO 45001 was also introduced as a pilot program, as environmental protection and vocational safety & health management system are integrated into a universal operating model across the entire group while on-site guidance is also provided. Consistency in documentation and stability in system operation are required of these factories. Through educational training at various factories, the spirit of the management system is deeply ingrained in actual factory operation after multiple training sessions focusing on topics ranging from regulatory interpretation to actual operation. Furthermore, with a proactive attitude, we will continue to improve our overall environmental protection efforts and vocational safety & health condition. We will strive to enhance environmental performance, reduce environmental loss, improve corporate image and boost our international competitiveness. Walsin expects to conclude the integration and version conversion of its management system at various factories in May, 2018.

2. Air pollution management:

Comply with the air pollution control laws in Taiwan and in China and apply for permits for fixed (atmospheric) pollution source ranges that are progressively announced. The various plants in Taiwan and in China have obtained operating (emission of pollutants) permits for various manufacturing processes and facilities, reducing atmospheric emissions.

3. Greenhouse gas emission and campaign for reduction:

To counter climate change and global warming, reduction in greenhouse gas emission is a necessary measure. GHGs inventories provide compliance basis for efforts to reduce greenhouse gas emission.

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, Yanshui 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.

Since 2015, the Company has established the "Safe Environment Information Platform--the ability to conduct GHGs inventories and to calculate carbon emission for products" to collect greenhouse gas emissions at home and abroad. Through continuous review every year and system intelligence, in 2018, the greenhouse gas emission was optimized. Through the system, we can understand the emission in each season and compare it with the situation last year and can present the chart for the completion trend. Then we can review the carbon emissions through the quarterly environmental safety committee meetings, so as to effectively control the carbon emission. In addition, we have actively educated each plant to pass the inspection of the external certification agency in accordance with the ISO 14064-1 standard. At present, Taichung Plant and Yanshui Plant in Taiwan have obtained ISO14064-1 verification. In mainland China, we are also actively participating in Shanghai carbon emission trading to integrate into China's carbon trading market, which can not only ensure that the Company has sufficient carbon allowance in the future, but also promote measures such as energy conservation through advanced technology, thereby laying a good foundation for the Company's long-term operation and development.

The average pollutant concentration in wastewater discharged by the factories in 2018 met the effluent criteria. The recycling ratio of Taiwan plants reached as high as 93.79%.

5. Strict control of industrial waste:

We uphold the idea of circular economy; therefore, the 4Rs (reduce, reuse, recycle and recovery) have constituted the foundation for our company's waste production and control. When our copper wire and steel products are used and disposed of, over 96% of the waste can be recycled for reuse. The utilization rate of non-hazardous and hazardous waste ranges from 98.69% to 99.14% and 69.83% to 94.95% respectively. We recycle and reuse partial waste produced by ourselves and the rest is removed, treated, or reused by qualified companies we have appointed. The total waste volume generated by plants in Taiwan decreased by 2.95% in 2018 year on year. The landfill rate in Taiwan decreased by 62.58% (from 2.68% to 1.07%) year on year. This was mainly due to the waste acid transportation from Yanshui Plant to Taichung Plant for waste acid treatment and reuse this year to reduce the sludge generated, while the overseas landfill rate decreased by 27.21% (from 1.58% to 1.15%). This was mainly due to the fact that the dust collection of Yantai Plant was done in the plant for reuse instead of the original outsourcing to reduce the final solidification. In the future, the target landfill rate will continue to be less than 2%. The Company will continue to promote source reduction of waste and recycling of waste in the plant, and, in conjunction with the strength of the overall supply chain, reduce the amount of raw materials and reduce the harm that production may bring to the environment. The Company will continue to implement the circular economy concept by innovating the environmental protection technology. In addition to continuously strengthening the sustainable growth, the Company has established strict control and auditing mechanisms for waste flow and screening of qualified vendors to ensure that waste flows are proper and legal.

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.

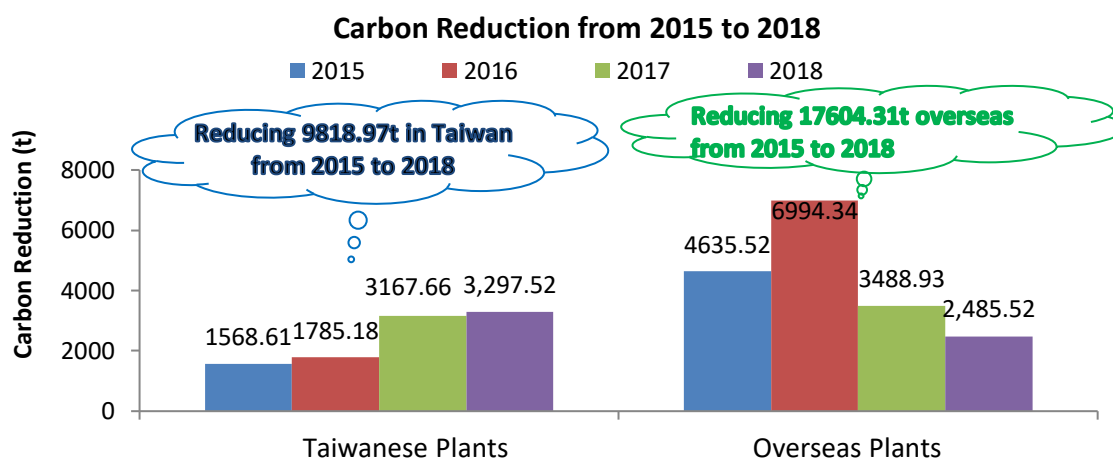
Our annual carbon reduction quantity target is declared at the beginning of every year. The target declared for 2018 was a total of 4,458.01 metric tons for all of our plants at home and abroad. And the actual quantity achieved was 5,783.04 metric tons with an achievement rate of 129.72%. The most outstanding was our Yanshui Plant. It implemented its energy saving plan covering as many as 46 items, the most effective of which was the adoption of the chemical energy to the electric furnace by the use of silicon ingredient to reduce the use of electric power. The annual carbon reduction totaled 790.18 metric tons, accounting for 13.67% of the carbon reduction at home and abroad. In 2018, a total of 97 carbon reduction schemes were proposed in Taiwan's factories and overseas factories, reducing CO₂ emissions by 5,783.04 metric tons of CO₂e per year,

saving about NT\$17,319,000 in Taiwan, and saving about RMB 917,000 and MYR 59,000 in overseas factories.

2018 Energy Saving Plans for our plants in various regions

Plant site	Project type	Energy-saving type	Quantities planned	Energy conserved	Carbon reduction (t)	Amounts saved for carbon reduction
Taiwanese plants	Manufacturing process / Offices	Electricity (1000 kWh)	73	5,216,241.11	2,877.23	NTD 17,319,000
		Natural gas (1000 m ³)	4	231,706.00	420.29	
		Total	77	-	3,297.52	
Overseas plants	Manufacturing process	Electricity (1000 kWh)	16	1,778,631.23	1,364.52	RMB 917,000 MYR 59,000
		Natural gas (1000 m ³)	2	461,889.00	984.94	
		Diesel (kl)	1	3.98	12.32	
		Steam (m ³)	1	123.00	38.83	
		Others (t)	1	23.18	84.91	
		Total	20	-	2,485.52	

Note 1: This quantity of carbon dioxide equivalent is calculated based on the emission coefficients of the local electricity, natural gas, gasoline, steam, diesel and others 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 plays 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.

- (1) Development of green manufacturing processes
- (2) Green product
- (3) Management of harmful product materials
- (4) By-product reduction, recycling and reuse

(1) Development of Green Manufacturing Processes

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:

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

In 2018, we developed the green manufacturing processes listed below, which further reduced pollution and achieved the goals of energy conservation, carbon reduction and resources conservation.

- A. Developing furnace slag improvement treatment and reuse technology to reduce its environmental impact.
- B. Developing furnace slag reduction process to reduce the environmental impact and save resources.
- C. Adopting pure oxygen combustion technology to reduce fuel consumption and NOx emissions.
- D. Improving heat treatment process to reduce fuel consumption and achieve energy conservation and carbon reduction.
- E. Reducing pickling process. Removing rust by machine instead of pickling to reduce chemical solution consumption, reduce pollution and save resources.
- F. Further increasing waste sulfuric acid recycling and reuse equipment to reduce sulfuric acid solution consumption and save resources.
- G. 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.
- H. 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.
- I. 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.

A. 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.

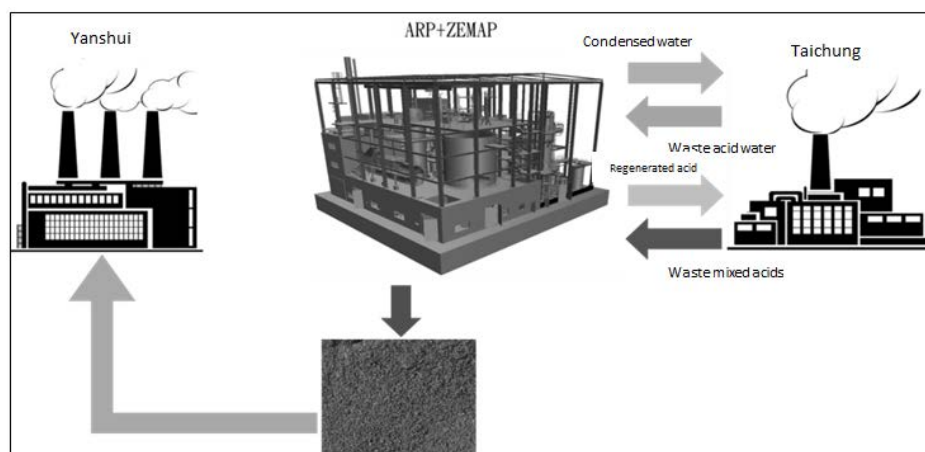
The ARP treats the waste mixed acid produced from the stainless steel pickling process and recycles the hydrofluoric acid and nitric acid to reduce the quantity treated at waste water plant and the sludge production.

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. It lowered the pollution impact to the environment and created a new circular economy operation mode.

B. 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 and remakes them into steel materials. 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

A. 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.

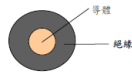
B. Wire and Cables

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.

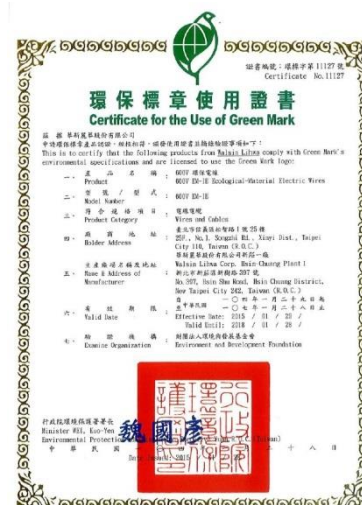
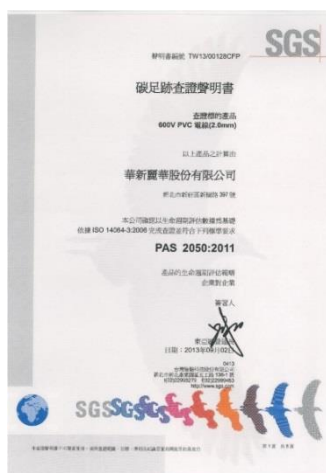
600V 環保電線 (EM-IE)

• 額定：600V 環保電線，用途：一般室內配線、電機器具配線、控制線路
 • 規格：參考 CNS 679
 • 絕緣顏色：黑色
 • 特徵：不含有害物質、不含重金屬、低 VOC

• 構造：



序號	規格	單位	重量	單位	序號	規格	單位	重量	單位
1	2	3	4	5	6	7	8	9	10
1	11/2	1.2	0.8	2.8	15.5	1.5	50	17	100
2	14/2	1.6	0.8	3.2	5.90	1.5	50	26	100
3	16/2	2.0	0.8	3.6	5.62	1.5	50	37	100
4	18/2	2.4	0.8	4.0	5.34	1.5	50	48	100
5	20/2	2.8	0.8	4.4	5.06	1.5	50	59	100
6	22/2	3.2	0.8	4.8	4.78	1.5	50	70	100
7	24/2	3.6	0.8	5.2	4.50	1.5	50	81	100
8	26/2	4.0	0.8	5.6	4.22	1.5	50	92	100
9	28/2	4.4	0.8	6.0	3.94	1.5	50	103	100
10	30/2	4.8	0.8	6.4	3.66	1.5	50	114	100
11	32/2	5.2	0.8	6.8	3.38	1.5	50	125	100
12	34/2	5.6	0.8	7.2	3.10	1.5	50	136	100
13	36/2	6.0	0.8	7.6	2.82	1.5	50	147	100
14	38/2	6.4	0.8	8.0	2.54	1.5	50	158	100
15	40/2	6.8	0.8	8.4	2.26	1.5	50	169	100
16	42/2	7.2	0.8	8.8	1.98	1.5	50	180	100
17	44/2	7.6	0.8	9.2	1.70	1.5	50	191	100
18	46/2	8.0	0.8	9.6	1.42	1.5	50	202	100
19	48/2	8.4	0.8	10.0	1.14	1.5	50	213	100
20	50/2	8.8	0.8	10.4	0.86	1.5	50	224	100
21	52/2	9.2	0.8	10.8	0.58	1.5	50	235	100
22	54/2	9.6	0.8	11.2	0.30	1.5	50	246	100
23	56/2	10.0	0.8	11.6	0.02	1.5	50	257	100
24	58/2	10.4	0.8	12.0	-0.26	1.5	50	268	100
25	60/2	10.8	0.8	12.4	-0.54	1.5	50	279	100
26	62/2	11.2	0.8	12.8	-0.82	1.5	50	290	100
27	64/2	11.6	0.8	13.2	-1.10	1.5	50	301	100
28	66/2	12.0	0.8	13.6	-1.38	1.5	50	312	100
29	68/2	12.4	0.8	14.0	-1.66	1.5	50	323	100
30	70/2	12.8	0.8	14.4	-1.94	1.5	50	334	100
31	72/2	13.2	0.8	14.8	-2.22	1.5	50	345	100
32	74/2	13.6	0.8	15.2	-2.50	1.5	50	356	100
33	76/2	14.0	0.8	15.6	-2.78	1.5	50	367	100
34	78/2	14.4	0.8	16.0	-3.06	1.5	50	378	100
35	80/2	14.8	0.8	16.4	-3.34	1.5	50	389	100
36	82/2	15.2	0.8	16.8	-3.62	1.5	50	400	100
37	84/2	15.6	0.8	17.2	-3.90	1.5	50	411	100
38	86/2	16.0	0.8	17.6	-4.18	1.5	50	422	100
39	88/2	16.4	0.8	18.0	-4.46	1.5	50	433	100
40	90/2	16.8	0.8	18.4	-4.74	1.5	50	444	100
41	92/2	17.2	0.8	18.8	-5.02	1.5	50	455	100
42	94/2	17.6	0.8	19.2	-5.30	1.5	50	466	100
43	96/2	18.0	0.8	19.6	-5.58	1.5	50	477	100
44	98/2	18.4	0.8	20.0	-5.86	1.5	50	488	100
45	100/2	18.8	0.8	20.4	-6.14	1.5	50	499	100



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)

For the environmental protection equipment invested by the Company in 2018, by the end of 2018, among all expenditures, the Taiwanese plants accounted for nearly NT\$461.7 million, and the Chinese plants accounted for nearly RMB 26.52 million, as shown in the following table:

2018 Environmental protection accounting expenses		Taiwan plants (NT\$1,000)		Mainland China plants (RMB1,000)		Malaysian plant (MYR1,000)	
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	6,576	119,505	1,733	1,733	2	-
Environment protection related management fee	E02-01 Resource circulation fee	298,495	-	12,025	-	8	-
	E02-02 Natural resources fee	98	-	10,239	-	-	-
	E02-03 Green procurement	76	-	38	-	-	-
	E02-04 Educational training fee	653	-	11	-	-	-
	E02-05 Test-derived fee	2,306	-	194	-	-	-
	E02-06 Monitoring fee	3,310	-	152	-	24	-
Other environment protection related fees	E02-07 R&D cost	8,400	-	0	-	-	-
	E02-08 Social activities cost	630	-	17	-	-	-
	E02-09 Damage compensation cost	572	-	270	-	22	-
	E02-10 Fees charged by governments	21,086	-	107	-	5	-
Sum	Subtotal	342,202	119,505	24,786	1,733	61	-
	Total		461,707		26,519		61

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 2019, for sake of the process improvements, all of its plants invested in pollution prevention for a total of capital expenditure of NT\$106,236,000 (Taiwanese plants) and RMB 15,667,000 (overseas plants). They include the pollution prevention equipment valued at NT\$100,000/RMB20,000 and above as follows:

(1) Taiwanese plants

Plant area	Equipment name (Taiwan)	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	Establishment of vacuum equipment	1	8,200	Reducing damage caused by dust to the human body
Yanshui	Exhaust fans for four-inch and five-inch rolling mills changed to frequency conversion control	1	2,500	Energy conservation
Yanshui	Expansion project for agricultural land RC floor on the west side of M5 storage area	1	13,736	Using a dustproof net to prevent dust from escaping

Plant area	Equipment name (Taiwan)	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	New furnace temporary storage area	1	28,300	Stacking slag
Yanshui	Elbow and expansion of converter air cooling section	1	2,500	Prevention of dust pollution
Yanshui	RC floor and retaining wall project for agricultural land expansion on the south side of M2 storage area	1	45,000	Increasing the use of the field
Yanshui	Construction of old slag plant and slag pit	1	6,000	Slag classification
	Sum	7	106,236	

(2) Plants overseas

Plant area	Equipment name (China)	Quantity	Investment cost (Currency: RMB 1,000)	Anticipated benefits
Yantai	6-metric-ton steel billet grabber	1	600	Improving the efficiency of shipping operations and avoiding night work nuisance.
Changshu	RO concentrated water evaporator	1	4,650	The new evaporator is complementary to the existing MVR evaporator, and can support each other when the equipment is abnormal or repaired, so as to avoid any suspension of the production line due to emergency.
Yantai	VOD added dust removal system	1	3,000	Part of the dust is directly emitted from VOD furnace, and the dust removal system can effectively collect the dust to avoid legal risks.
Nanjing	VOCs treatment facility	1	2,519	After market research and review by environmental experts, the hydrolytic acidification + contact oxidation process (called VOCs treatment system) is selected to meet requirement of the VOCs in the exhaust gas.
Changshu	Emergency pool for water treatment plant	1	850	For environmental projection emergencies.
Yantai	Rain and sewage division	1	400	Avoiding direct discharge of sewage into rivers under abnormal conditions in compliance with environmental requirements.
Yantai	Raw material warehouse	1	2,940	Reducing unorganized dust emissions from the stockyard.
Jiangying Walsin	Online water quality automatic monitoring system (online water quality monitoring device for the wastewater treatment station and the rainwater drainage outlet)	1	460	To avoid the polluted rainwater discharge directly into the river under abnormal conditions.
Nanjing	SCR8200 non-pickling system transformation	1	248	Reducing emissions of isopropyl alcohol water vapor mixture to reduce processing costs; Reducing the amount of isopropyl alcohol to save RMB 80,000 per month.
	Sum	8	15,667	



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 2018, the Company spent a total of NT\$24,974,000 on employee education and training. Details are as follows:

Total training participation	Total training hours	Average training hours per employee
51,922	83,898	17

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 has 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's environmental safety and health policy is based on our vision of "building a friendly environment and healthy and safe workplace, perfecting the management of the contractors and supply chains, and creating shared value." Through legal compliance, risk control, health care, consulting and communication and performance management, we continue achieving the harmony and common prosperity arising from "personal, environmental (social) and business management and management performance."

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)

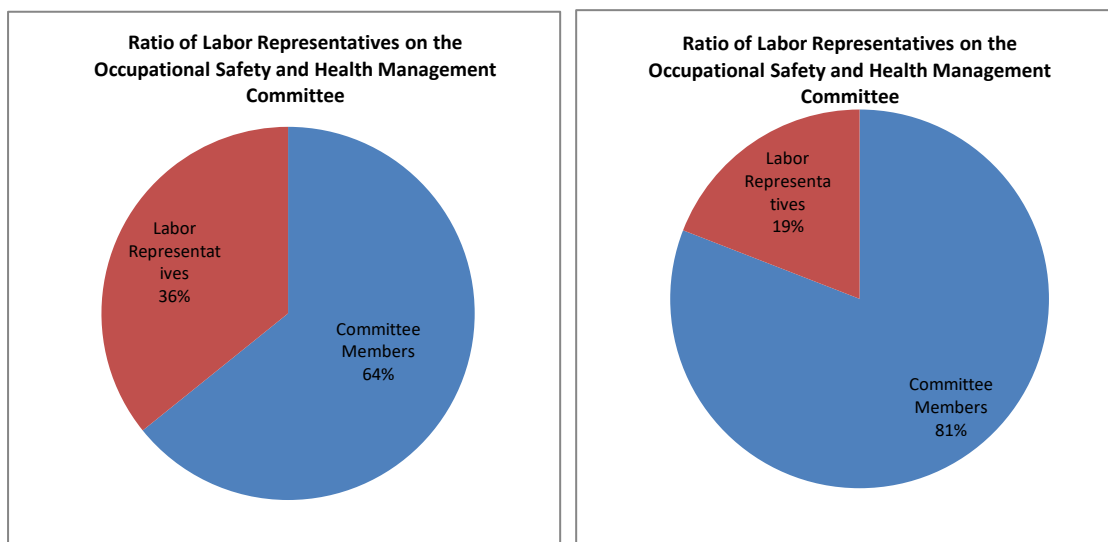
Plants in Walsin Group have obtained TOSHMS (Hsinchuang plant 1, Hsinchuang plant 2, Taichung plant and Yanshui plant; Hsinchuang plants 1 and 2 both obtained performance recognition from Occupational Safety and Health Administration of Ministry of Labor) and plants that have obtained work safety standardization 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 revision of ISO45001, Walsin Group plans to gradually complete ISO45001 certification for various business offices at home and abroad in 2019. 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).



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.



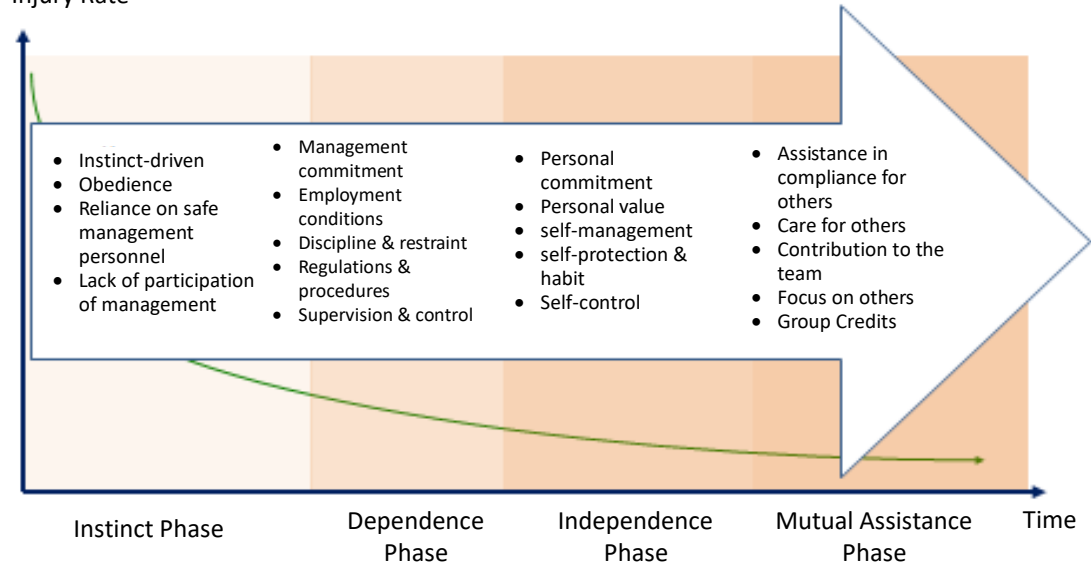
3. Activities for occupational safety and dynamic safety observation and joint prevention of dangers in the plants

Since every disaster can be avoided, occupational safety and health management begins with the concept of standard operating procedures, hazard identification and risk assessment. Many hazards can be reduced or even avoided through prior planning and analysis. In 2018, each business in Walsin started to carry out various inspection and processing operations, and established an SJP management system to implement standard operating procedures, hazard identification and risk assessment through dynamic safety observation, and take action based on the review of risk assessment results to continuously improve the harmful factors in the working environment. In particular, we strengthened the participation of all employees and promoted dynamic safety observation top-down in group or section meetings to achieve continuous improvement.

In 2018, the standardization of safety operations and regional joint prevention activities were deepened on the bases established in the past two years; the basic reasons for the medium- and high-risk operations and the accidents that occurred in the past five years and the reasonableness of the improvement measures have been re-examined, reviewed along with the current status, and improved. In this year's activity plan, each plant is required to take a dynamic observation film for the above-mentioned medium- and high-risk operations, and employees in each unit must use the group (section) meetings or departmental regular meetings to review and propose improvement for such risks. At the end 2018, a total of 818 revisions were reviewed and made at home and abroad, including changes in operating methods and hardware improvements. For regional joint prevention activities, we especially planned to form mechanical group, instrumentation group and production operation group to conduct joint prevention and inspection. After one year of improvement and improvement activities, the number of occupational disasters dropped from 52 in 2003 to 37, especially in the case of clip wounds (6 fewer than in 2017), as shown in the chart.

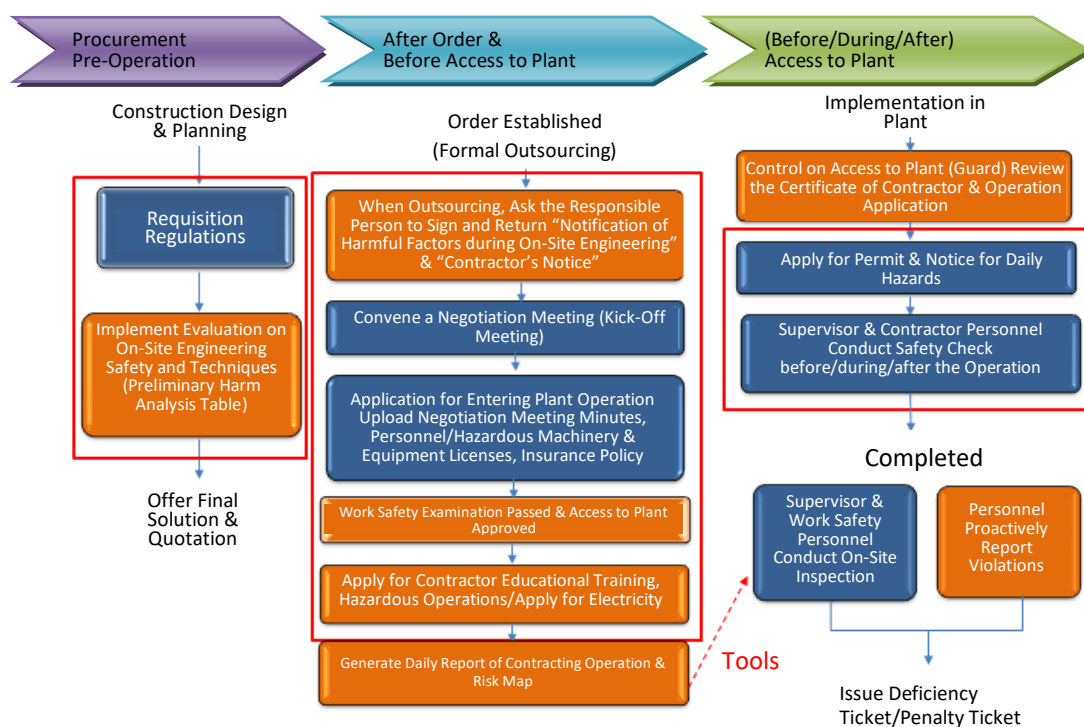
In the medium- and long-term prospects, we will gradually improve our operating standards and enhance the awareness and professional capabilities of regional joint prevention personnel to achieve the "mutual assistance phase."

Injury Rate



4. Contractor management

In addition to its commitment to fulfilling its corporate social responsibilities, the Company also requires that its suppliers and contractors should sign an environmental safety and social commitment letter to jointly comply with the requirements of the environmental safety and health laws and reduce disasters and pollution. In 2018, based on the past contractor management, more emphasis was put on management implementation and system improvement, and the control e-system was set up for contractors to enter the factory operation. We hoped that by making the construction information transparent through the layers of inspection, we can achieve the goal of improving the on-site construction by contractor and ensuring the participation of all employees in the construction supervision. We plan to find two demonstration plants from Taiwan for trial operation in 2019, and continue to expand it into the domestic/overseas plants in 2020.



5. Key tasks in future health and safety management (2019 safety and environment guidelines)

- (1) Integrated ESH Management - Standardization of Safety and Health Management of the Head Office
- (2) Integrated ESH Management - Planning and implementation of integrated E-system management
- (3) Reducing environmental protection and ESH penalty risk and resource integration
- (4) Prevention of ESH-related damages and raising safety culture awareness
- (5) Group ESH system training and certification
- (6) Energy management

6. Environmental safety operation management and performance assessment measures

- (1) Active performance indicators:

[System] Efficiency of the execution of, and promotion of implementation of, key projects

[Leadership] Maturity of ESH operation and management

[Energy Conservation] Key project - energy conservation and carbon reduction (energy conservation project, GHG inventory)

[Management] safety & environment database reporting system and the status of the receipts/ issues

- (2) Passive performance indicators

[Safety] Reducing occupational hazard/injuries & occupational, safety and health risks

[Energy Conservation] Energy conservation and carbon reduction

[Management] Reducing environmental protection/safety risk (air/water/waste pollution/environmental assessment) (safety/occupational health/fire-fighting/on-site management)

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

- (1) Employee health exams:

The health of employees is the blessing of the Company. Walsin attaches great importance to the health management of its employees. Taking the care of employees' health as the starting point, we plan a complete health check-up and organize relevant health promotion activities, so that all staff can get complete health care and promote their health as our ultimate goal. The Company provides health check-up services that are superior to regulatory items and frequencies, and provides a variety of cancer screenings. It also conducts annual personal consultations after employees' physical examinations, so that employees can better understand their health status and continue to track various health abnormalities, for the purpose of "early detection, early treatment." A total of 8,460 employees underwent health check-ups or health care management in 2018.

- (2) 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 total number of people that were examined and managed during 2018 was 8,460.

Taiwan Region employee healthcare management	2015	2016	2017	2018
Health Checkup	1,309 persons	2,003 persons	1,481 persons	2,279 persons
New employee healthcare management	266 persons	231 persons	401 persons	315 persons
Existing employee healthcare management	1,167 persons	1,828 persons	2,075 persons	1,928 persons
Special health hazard management	1,557 persons	2,036 persons	2,351 persons	1,969 persons
Total	4,299 persons	6,098 persons	6,308 persons	8,460 persons

(3) Employee healthcare management:

All personnel working on special operation sites undergo special health exams and hierarchical management according to plans; the exam items include high temperature, noise, radiation, lead, magnesium, dust and nickel. A total of 1,693 employees working for special workplaces receiving special health check-ups in 2018.

Taiwan Region Management of Special Hazards to Health	2015	2016	2017	2018
High temperature operation management	262 persons	332 persons	246 persons	248 persons
Noise operation management	857 persons	1,075 persons	1,629 persons	972 persons
Free radiation operation	92 persons	112 persons	111 persons	108 persons
Lead operation management	36 persons	79 persons	13 persons	10 persons
Manganese operation management	49 persons	22 persons	23 persons	24 persons
Dust operation management	261 persons	346 persons	264 persons	264 persons
Nickel operation management	0 person	70 persons	65 persons	67 persons
Total	1,557 persons	2,036 persons	2,351 persons	1,693 persons





(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	2018			
Dynamic-autonomous activities for health	31	Number of events	2,212	Number of people
Static-autonomous activities for health	79	Number of events	1,821	Number of people
Occupational medicine on-site service at factories-consultation	19	Number of events	78	Number of people

(5) 2018 achievements in health workplace promotion:

Walsin continues to cultivate the safe working environment, guard the health of employees and balance work and life, while protecting the physical and mental health of employees and their relatives. The active promotion of occupational health and health management programs has also received multiple recognitions: Taichung Plant won the National Excellent Health Workplace - Vitality Award in 2018 from the Health Promotion Administration, Ministry of Health and Welfare, and was recognized by the Environmental Protection Bureau, Taichung City Government in the maintenance work in the Air Quality Purification Zone in the Dongfeng Green Corridor Bicycle Road and received the certificate of appreciation for Third Place. We participated in the "2018 Sports Miles Competition" organized by the Health Bureau to help promote the occupational safety of the Central Park of the Export Processing Zone. In the Health Promotion Association's 2018 Regional Joint Disaster Prevention and Rescue Emergency Response Exercise, we received the certification of appreciation. Hsinchuang Plant won the anti-smoking and anti-betel nuts/drug promotion model. Yanshui Plant donated 358 bags of blood and thus received the certificate of appreciation from the Tainan Blood Donation Center in 2018, as well as received the certificate of appreciation from the National Health Insurance Administration, Ministry of Health and Welfare and Welfare for their assistance in promoting the Health Passbook.

Plant	Award		
Hsinchuang	Taipei Medical University	Role Model for Anti-Tobacco/Betel Nuts/Drug Promotion Award	
Taichung	Health Promotion Administration, Ministry of Health and Welfare	National Excellent Health Workplace - Vitality Award	
	Health Bureau of Taichung City Government	Best Participation Award in 2018 Sports Miles Competition	
	Environmental Protection Bureau, Taichung City Government	Third place for maintenance work in the Air Quality Purification Zone in the Dongfeng Green Corridor Bicycle Road	

Plant	Award		
	Environmental Protection Bureau, Taichung City Government	Awarded Certificate of appreciation from the Environmental Protection Bureau, Taichung City Government for maintenance work in the Air Quality Purification Zone in the Dongfeng Green Corridor Bicycle Road	
	Taichung Port Branch, Export Processing Zone Administration, Ministry of Economic Affairs	Assisted in the promotion of the 2018 annual joint disaster prevention and emergency response drill for the Occupational Safety and Health Promotion Association of the Central Region of the Export Processing Zone, and won the certificate of appreciation	
Yanshui Plant	Tainan Blood Donation Center	Certificate of appreciation from Tainan Blood Donation Center in 2018	
	National Health Insurance Administration, Ministry of Health and Welfare	Received the certificate of appreciation from the Central National Health Insurance Administration, Ministry of Health and Welfare for their assistance in promoting the Health Passbook.	

(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 ratio $\leq 120\%$ (Net indebtedness/Tangible asset) 3. Interest protection multiples $\geq 150\%$ 4. Net tangible assets \geq NT\$50 billion
Real Estate Purchase Agreement	Seller: Lianshun Leather Co., Ltd.	2018/12/18 ~ 2019/04/15	1. Land markings: 401 to 405, 407 in Jiafang section of Xinying District and 82 to 83, 83-1 in Zhuwei section of Yanshui District, with a total land area of 14,024.20 Ping. 2. Construction markings: 174, 174-1 in Jiafang section of Xinying District and 9-1 to 9-6 in Zhuwei section of Yanshui District, with a total construction area of 8,944.29 Ping. 3. Total land price: NT\$812,241,000; total construction price: NT\$99,332,000; total purchase price: NT\$911,573,000.	Nil.

(2) Walsin (Nanjing) Construction Limited

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Construction Agreement	61 companies including Nanjing Huadong Electric Equipment Ltd., etc.	2017/01 ~	Walsin Centro AB area phase two design, consultancy, construction, power distribution, etc., accumulates to RMB 387,000,000.	None

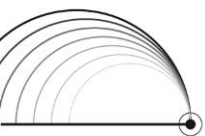
VI Financial Information

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				
Items		2014	2015	2016	2017	2018
Current Assets		52,140,435	51,200,394	55,356,705	63,652,434	58,726,913
Property, Plant and Equipment		18,439,033	17,575,655	20,483,863	20,984,890	25,083,436
Intangible Assets		201,172	199,080	177,029	169,726	164,451
Other Assets		37,976,806	35,708,162	38,161,617	45,443,695	48,679,310
Total Assets		108,757,446	104,683,291	114,179,214	130,250,745	132,654,110
Current Liabilities	Before Distribution	19,971,882	17,078,873	32,360,784	34,618,169	32,146,970
	After Distribution	19,971,882	17,780,073	34,688,984	37,944,169	36,138,170
Non-current Liabilities		23,370,603	24,035,959	16,536,425	23,352,320	21,242,797
Total Liabilities	Before Distribution	43,342,485	41,114,832	48,897,209	57,970,489	53,389,767
	After Distribution	43,342,485	41,816,032	51,225,409	61,296,489	57,380,967
Equity Attributable to owners of the Company		63,499,315	61,680,070	63,365,942	70,523,463	77,328,012
Capital Stock		35,760,002	35,760,002	33,960,002	33,660,002	33,260,002
Capital Surplus		15,647,004	15,766,866	15,701,403	15,854,392	15,966,420
Retained Earnings	Before Distribution	9,932,518	11,383,125	15,211,219	19,234,380	32,144,727
	After Distribution	9,932,518	10,681,925	12,883,019	15,908,380	28,153,527
Other Equity		2,452,684	(621,113)	(897,872)	2,090,607	(4,043,137)
Treasury Stock		(292,893)	(608,810)	(608,810)	(315,918)	0
Non-controlling Interests		1,915,646	1,888,389	1,916,063	1,756,793	1,936,331
Total Equity	Before Distribution	65,414,961	63,568,459	65,282,005	72,280,256	79,264,343
	After Distribution	65,414,961	62,867,259	62,953,805	68,954,256	75,273,143



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

Unit: NT\$ thousands

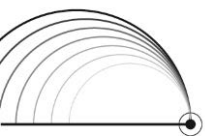
Year		Financial Summary for the Last Five Years				
		2014	2015	2016	2017	2018
Current Assets		9,989,580	10,670,083	12,619,660	15,188,603	16,809,906
Property, Plant and Equipment		11,427,661	11,625,911	13,853,939	14,356,176	16,432,206
Intangible Assets		-	-	-	-	-
Other Assets		61,654,567	72,824,020	67,646,531	76,090,868	86,063,522
Total Assets		83,071,808	95,120,014	94,120,130	105,635,647	119,305,634
Current Liabilities	Before Distribution	8,342,078	9,409,878	14,688,116	12,497,690	21,561,638
	After Distribution	8,342,078	10,111,078	17,016,316	15,823,690	25,552,838
Non-current Liabilities		11,230,415	24,030,066	16,066,072	22,614,494	20,415,984
Total Liabilities	Before Distribution	19,572,493	33,439,944	30,754,188	35,112,184	41,977,622
	After Distribution	19,572,493	34,141,144	33,082,388	38,438,184	45,968,822
Capital Stock		35,760,002	35,760,002	33,960,002	33,660,002	33,260,002
Capital Surplus		15,647,004	15,766,866	15,701,403	15,854,392	15,966,420
Retained Earnings	Before Distribution	9,932,518	11,383,125	15,211,219	19,234,380	32,144,727
	After Distribution	9,932,518	10,681,925	12,883,019	15,908,380	28,153,527
Other Equity		2,452,684	(621,113)	(897,872)	2,090,607	(4,043,137)
Treasury Stock		(292,893)	(608,810)	(608,810)	(315,918)	0
Total Equity	Before Distribution	63,499,315	61,680,070	63,365,942	70,523,463	77,328,012
	After Distribution	63,499,315	60,978,870	61,037,742	67,197,463	73,336,812



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

Unit: NT\$ thousands (Except EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2014	2015	2016	2017	2018
Net Sales	162,987,384	149,338,115	143,355,241	167,792,585	190,915,137
Gross Profit	7,570,228	5,808,905	9,564,407	12,004,831	15,935,365
Operating Income	3,503,590	1,957,744	5,321,774	7,895,645	11,026,209
Non-operating Revenue and Expense	157,734	507,687	851,597	1,498,803	5,644,765
Profit before Taxes	3,661,324	2,465,431	6,173,371	9,394,448	16,670,974
Gain from Continued Operations	2,535,532	1,728,132	4,838,503	6,694,013	11,959,287
Loss from Discontinued Operations	-	-	-	-	-
Profit for the year	2,535,532	1,728,132	4,838,503	6,694,013	11,959,287
Other comprehensive income, net of income tax	1,502,331	(3,210,351)	(239,696)	2,786,719	(3,142,772)
Total comprehensive income for the year	4,037,863	(1,482,219)	4,598,807	9,480,732	8,816,515
Profit for the year attributable to owners of the company	2,264,691	1,601,726	4,568,125	6,559,984	11,756,781
Profit for the year attributable to non-controlling interests	270,841	126,406	270,378	134,029	202,506
Total comprehensive income for the year attributable to owners of the company	3,802,986	(1,604,667)	4,252,535	9,362,394	8,612,785
Total comprehensive income for the year attributable to non-controlling interests	234,877	122,448	346,272	118,338	203,730
Earnings Per Share	0.64	0.45	1.33	1.97	3.53



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

Unit: NT\$ thousands (Excpet EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2014	2015	2016	2017	2018
Net Sales	70,179,109	71,574,888	67,074,039	76,123,074	85,099,970
Gross Profit	3,093,674	4,090,649	5,982,561	5,318,064	3,840,250
Operating Income	2,058,839	2,996,429	4,785,519	3,836,535	2,122,510
Non-operating Revenue and Expense	226,852	(838,608)	390,100	3,290,917	10,123,522
Profit before Taxes	2,285,691	2,157,821	5,175,619	7,127,452	12,246,032
Gain from Continued Operations	2,264,691	1,601,726	4,568,125	6,559,984	11,756,781
Loss from Discontinued Operations	-	-	-	-	-
Profit for the year	2,264,691	1,601,726	4,568,125	6,559,984	11,756,781
Other comprehensive income, net of income tax	1,538,295	(3,206,393)	(315,590)	2,802,410	(3,143,996)
Total comprehensive income for the year	3,802,986	(1,604,667)	4,252,535	9,362,394	8,612,785
Earnings Per Share	0.64	0.45	1.33	1.97	3.53

(5) Auditors' Opinion from 2014 to 2018

Year	CPA	Audit Opinion
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
2018	Deloitte & Touche Kenny Hong, Ming-Yu Chiu	An Unmodified Opinion with an Other Matter Paragraph



2. Financial Analysis of Recent Five Years

(1) Financial Analysis – Consolidated (Based on IFRSs)

Analysis Items		Year	Financial Analysis for the Last Five Years				
			2014	2015	2016	2017	2018
Capital structure (%)	Debt Ratio		39.85	39.27	42.82	44.50	40.24
	Ratio of long-term Capital to Property, Plant and Equipment		481.50	498.44	399.42	455.72	400.69
Liquidity analysis (%)	Current Ratio		261.06	299.78	171.06	183.87	182.68
	Quick Ratio		136.12	160.67	76.01	80.75	94.86
	Interest Coverage Ratio (times)		581.00	681.97	2,011.36	1,931.29	2,536.69
Operating Performance	Accounts Receivable Turnover (Times)		9.74	9.48	9.83	11.75	12.56
	Average Collection Period		37.47	38.50	37.13	31.06	29.06
	Inventory Turnover (Times)		7.06	6.30	5.38	5.24	5.99
	Accounts Payable Turnover (times)		21.64	20.21	17.98	17.39	18.67
	Average Days in Sales		51.69	57.93	67.84	69.65	60.93
	Property, plant and equipment Turnover (Times)		8.13	8.29	7.53	8.09	8.28
	Total Assets Turnover (Times)		1.46	1.39	1.31	1.37	1.45
Profitability analysis	Return on Total Assets (%)		2.75	1.89	4.65	5.77	9.47
	Return on Stockholders' equity (%)		3.97	2.67	7.51	9.73	15.78
	Pre-tax Income to Paid-in Capital (%)		10.23	6.89	18.17	27.90	50.12
	Profit Ratio (%)		1.55	1.15	3.37	3.98	6.26
	Earnings (loss) Per Share (NT\$) (Note 1)		0.64	0.45	1.33	1.97	3.53
Cash Flow(Note 2)	Cash Flow Ratio (%)		2.84	23.48	22.98	22.23	9.39
	Cash Flow Adequacy Ratio (%)		55.76	93.52	92.90	83.19	62.30
	Cash Reinvestment Ratio (%)		0.59	4.13	7.69	5.32	0.00
Leverage	Operating Leverage		2.98	4.54	2.28	1.49	1.48
	Financial Leverage		1.27	1.27	1.06	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 2017, interest coverage ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, profit ratio and earnings per share in 2018 show an increase. It's because that profit before tax and profit for the year ended December 31, 2018 increased.							
B. Compared to 2017, cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio in 2018 show an decrease. It's because that purchase of property, plant and equipment and purchase of associates under equity method in 2018 increased.							

Note 1 If net cash provided by operating activities is negative, shall not be calculated.

Note 2 Financial analysis formulas show as the following:

1. Financial Structure:

(1) Debt Ratio = Total liabilities / Total assets

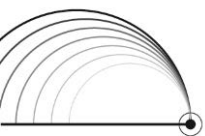
(2) Ratio of Long-term Capital to Property, plant and equipment = (Stockholders' equity + non-current liabilities) / net worth of Property, plant and equipment

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 = $\frac{\text{Net sales}}{\text{Average receivables for each period (included trade receivables and operating notes receivable)}}$
- (2) Average Collection Period Turnover Days = $365 / \text{Receivable turnover}$
- (3) Inventory Turnover = $\frac{\text{Cost of sales}}{\text{Average inventories}}$
- (4) Payables (included trade payables and operating notes payable) Turnover = $\frac{\text{Cost of sales}}{\text{Average payables for each period (included trade payables and operating notes payable)}}$
- (5) Average Days in Sales = $365 / \text{Inventory turnover}$
- (6) Property, Plant and Equipment Turnover = $\frac{\text{Net sales}}{\text{Average of property, plant and equipment, net}}$
- (7) Total Assets Turnover = $\frac{\text{Net sales}}{\text{Average of total assets}}$

4. Profitability:

- (1) Return on Total Assets = $\frac{[\text{Net income after tax} + \text{interest expense} \times (1 - \text{tax rate})]}{\text{Average of total assets}}$
- (2) Return on Stockholders' equity = $\frac{\text{Net income after tax}}{\text{Average of stockholders' equity}}$
- (3) Profit Ratio = $\frac{\text{Net income after tax}}{\text{Net sales}}$
- (4) Earnings (loss) Per Share = $\frac{\text{Net income attributable to owners} - \text{stock dividend} - \text{preferred}}{\text{Weighted average of outstanding shares}}$

5. Cash Flow:

- (1) Cash Flow Ratio = $\frac{\text{Net cash provided by operating activities}}{\text{Current liabilities}}$
- (2) Cash Flow Adequacy Ratio = $\frac{\text{Net cash provided by operating activities in recently five years}}{\text{Recently five years of (capital expenses} + \text{increase of inventories} + \text{cash dividend})}$
- (3) Cash Reinvestment Ratio = $\frac{(\text{Net cash provided by operating activities} - \text{cash dividend})}{(\text{Property, plant and equipment, gross} + \text{long-term investment} + \text{other non-current assets} + \text{working capital})}$

6. Leverage:

- (1) Operating Leverage = $\frac{(\text{Net sales} - \text{variable operating cost and expense})}{\text{Operating income}}$
- (2) Financial Leverage = $\frac{\text{Operating income}}{(\text{Operating income} - \text{interest expense})}$

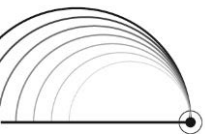


(2) Financial Analysis –Unconsolidated (Based on IFRSs)

Analysis Items		Year	Financial Analysis for the Last Five Years				
			2014	2015	2016	2017	2018
Capital structure (%)	Debt Ratio		23.56	35.13	32.67	33.23	35.18
	Ratio of Long-term Capital to Property, plant and equipment		653.93	737.23	573.35	648.76	594.83
Liquidity analysis (%)	Current Ratio		119.74	113.39	85.91	121.53	77.96
	Quick Ratio		36.63	52.70	28.86	44.92	22.20
	Interest Coverage Ratio (times)		955.88	691.36	1,210.70	1,741.08	2,652.81
Operating Performance	Accounts Receivable Turnover (Times)		30.08	32.93	36.83	33.13	31.71
	Average Collection Period		12.13	11.08	9.91	11.01	11.51
	Inventory Turnover (Times)		11.60	11.23	9.00	8.20	7.94
	Accounts Payable turnover (times)		23.98	25.05	20.65	19.34	20.33
	Average Days in Sales		31.46	32.50	40.55	44.51	45.96
	Property, plant and equipment Turnover (Times)		6.06	6.20	5.26	5.39	5.52
	Total Assets Turnover (Times)		0.85	0.80	0.70	0.76	0.75
Profitability analysis	Return on Total Assets (%)		3.07	2.10	5.26	6.96	10.86
	Return on Stockholders' equity (%)		3.66	2.55	7.30	9.79	15.90
	Pre-tax Income to Paid-in Capital (%)		6.39	6.03	15.24	21.17	36.81
	Profit Ratio (%)		3.22	2.23	6.81	8.61	13.81
	Earnings Per Share (NT\$)		0.64	0.45	1.33	1.97	3.53
Cash Flow(Note 2)	Cash Flow Ratio (%)		17.52	54.45	18.53	29.65	9.03
	Cash Flow Adequacy Ratio (%)		48.96	53.38	46.64	47.63	34.25
	Cash Reinvestment Ratio (%)		1.92	5.76	2.46	1.44	0.00
Leverage	Operating Leverage		2.55	2.11	1.71	2.03	2.55
	Financial Leverage		1.14	1.13	1.10	1.12	1.29
Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)							
A. Compared to 2017, current ratio, quick ratio and cash flow ratio in 2018 show an decrease. It's because that the increase of short-term borrowings.							
B. Compared to 2017, interest coverage ratio, return on total assets, return on stockholders' equity, pre-tax income to paid-in capital, profit ratio and earnings per share in 2018 show an increase. It's because that profit before tax and profit for the year ended 2018 increased.							
C. Compared to 2017, cash flow ratio in 2018 show an decrease. It's because that purchase of property, plant and equipment and purchase of associates under equity method increased.							
D. Compared to 2017, cash reinvestment ratio in 2018 show an decrease. It's because that the cash dividends and purchase of associates under equity method increased.							

Note 1: If net cash provided by operating activities is negative , shall not be calculated.

Note 2: 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 2018 Business Report, Financial Statements, and proposal for allocation of earnings. The Financial Statements had been audited by Deloitte & Touche Accountants, Kenny Hong and Ming-Yu Chiu and has issued an audit report.

The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of 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 22, 2019





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, 2018 and 2017, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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.

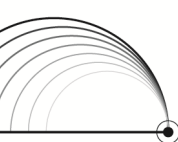
Key Audit Matters

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, 2018. 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, 2018:

Sales Revenue Recognition

The sales revenue of the Group's stainless steel business unit had grown significantly in 2018. The business unit's main products include stainless steel bars and stainless steel cold-and-hot rolled coils. Aside from Taiwan, there are many customers in China, America, Southeast Asia and Europe and the sales terms vary for different types of customers. Thus, we consider the reality of export sales revenue



of stainless steel business unit as key audit matter. Refer to Notes 4 and 25 to the consolidated financial statements for related accounting policies and disclosure information of revenue recognition.

We performed the following audit procedures in respect of the above key audit matter:

1. We verified and tested the internal control process of the export sales of stainless steel business unit.
2. We sampled and inspected the transactions of export sales revenue of stainless steel business unit to confirm its existence.

Inventory Valuation

As of December 31, 2018, the manufacturing and trading inventory of the Group amounted to NT\$18,292,552 thousand, which constituted 14% of the Group's consolidated total assets, as of December 31, 2018. Refer to Notes 4, 5 and 13 for related accounting policies of 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, 2018 and 2017 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\$7,959,485 thousand and NT\$7,667,995 thousand, which constituted 6.00% and 5.89% of the Group's consolidated total assets, as of December 31, 2018 and 2017, respectively, and the total net operating revenue of such subsidiaries amounted to NT\$11,999,669 thousand and NT\$9,443,554 thousand, which constituted 6.29% and 5.63% of the Group's consolidated total net operating revenue, for the years ended December 31, 2018 and 2017, respectively.

We have also audited the parent company only financial statements of Walsin Lihwa Corporation as of and for the years ended December 31, 2018 and 2017 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.

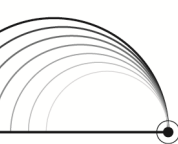
Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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, 2018 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 Kenny Hong and Ming-Yu Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2019

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.

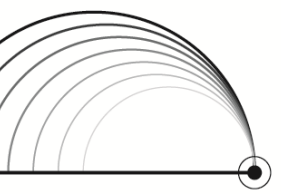


WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 9,406,154	7	\$ 10,952,691	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	95,426	-	129,615	-
Derivative financial assets for hedging - current (Notes 4 and 8)	15,630	-	7,430	-
Financial assets at amortized cost - current (Notes 4 and 9)	1,489,831	1	-	-
Contract assets - current (Notes 4 and 13)	2,589,864	2	-	-
Debt investments with no active market - current (Notes 4 and 10)	-	-	1,459,958	1
Notes receivable (Notes 4 and 11)	3,844,819	3	5,712,204	4
Trade receivables (Notes 4 and 11)	11,729,199	9	9,090,763	7
Finance lease receivables (Note 12)	52,489	-	50,758	-
Other receivables	1,212,252	1	488,554	-
Prepayments for leases (Note 21)	59,811	-	62,230	-
Inventories (Notes 4 and 13)	26,048,519	20	32,297,139	25
Other financial assets (Note 6)	114,255	-	1,401,866	1
Other current assets	<u>2,068,664</u>	<u>1</u>	<u>1,999,226</u>	<u>2</u>
Total current assets	<u>58,726,913</u>	<u>44</u>	<u>63,652,434</u>	<u>49</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 14)	3,991,218	3	-	-
Available-for-sale financial assets - non-current (Notes 4 and 15)	-	-	3,702,495	3
Financial assets measured at cost - non-current (Notes 4 and 16)	-	-	2,509,320	2
Investments accounted for using equity method (Notes 4 and 18)	30,555,851	23	25,210,753	19
Property, plant and equipment (Notes 4 and 18)	25,083,436	19	20,984,890	16
Investment properties (Notes 4 and 19)	10,241,647	8	10,406,246	8
Other intangible assets	164,451	-	169,726	-
Deferred tax assets - non-current (Notes 4 and 27)	1,657,511	1	1,222,430	1
Refundable deposits	187,053	-	186,507	-
Long-term finance lease receivables (Note 12)	830,991	1	883,480	1
Long-term prepayments for leases (Note 21)	1,119,004	1	1,161,364	1
Other non-current assets	<u>96,035</u>	<u>-</u>	<u>161,100</u>	<u>-</u>
Total non-current assets	<u>73,927,197</u>	<u>56</u>	<u>66,598,311</u>	<u>51</u>
TOTAL	<u>\$ 132,654,110</u>	<u>100</u>	<u>\$ 130,250,745</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	\$ 10,024,097	8	\$ 6,815,772	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	27,710	-
Contract liabilities - current (Notes 4 and 13)	19,899	-	-	-
Notes payable	409,879	-	446,655	-
Trade payables	8,643,816	7	9,243,642	7
Current tax liabilities (Notes 4 and 27)	4,389,952	3	3,147,811	3
Other payables	3,513,168	3	3,635,500	3
Advance receipts on real estate (Note 13)	-	-	10,323,447	8
Current portion of long-term borrowings (Note 22)	4,564,196	3	171,438	-
Other current liabilities	<u>581,963</u>	<u>-</u>	<u>806,194</u>	<u>1</u>
Total current liabilities	<u>32,146,970</u>	<u>24</u>	<u>34,618,169</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 22)	19,993,411	15	21,950,366	17
Deferred tax liabilities - non-current (Notes 4 and 27)	182,494	-	168,512	-
Net defined benefit liabilities (Notes 4 and 23)	645,403	1	868,311	1
Other non-current liabilities (Note 29)	<u>421,489</u>	<u>-</u>	<u>365,131</u>	<u>-</u>
Total non-current liabilities	<u>21,242,797</u>	<u>16</u>	<u>23,352,320</u>	<u>18</u>
Total liabilities	<u>53,389,767</u>	<u>40</u>	<u>57,970,489</u>	<u>45</u>
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 24)				
Share capital	<u>33,260,002</u>	<u>25</u>	<u>33,660,002</u>	<u>26</u>
Capital surplus	<u>15,966,420</u>	<u>12</u>	<u>15,854,392</u>	<u>12</u>
Retained earnings				
Legal reserve	3,937,554	3	3,281,556	3
Special reserve	2,712,250	2	2,712,250	2
Unappropriated earnings	<u>25,494,923</u>	<u>19</u>	<u>13,240,574</u>	<u>10</u>
Total retained earnings	<u>32,144,727</u>	<u>24</u>	<u>19,234,380</u>	<u>15</u>
Other equity				
Exchange differences on translating foreign operations	(3,567,540)	(3)	(2,944,758)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	(474,446)	-	-	-
Unrealized gain on available-for-sale financial assets	-	-	5,042,894	4
Cash flow hedges	<u>(1,151)</u>	<u>-</u>	<u>(7,529)</u>	<u>-</u>
Total other equity	<u>(4,043,137)</u>	<u>(3)</u>	<u>2,090,607</u>	<u>1</u>
Treasury shares (Notes 4 and 24)	<u>-</u>	<u>-</u>	<u>(315,918)</u>	<u>-</u>
Total equity attributable to owners of WLC	<u>77,328,012</u>	<u>58</u>	<u>70,523,463</u>	<u>54</u>
NON-CONTROLLING INTERESTS	<u>1,936,331</u>	<u>2</u>	<u>1,756,793</u>	<u>1</u>
Total equity	<u>79,264,343</u>	<u>60</u>	<u>72,280,256</u>	<u>55</u>
TOTAL	<u>\$ 132,654,110</u>	<u>100</u>	<u>\$ 130,250,745</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 22, 2019)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of US Dollars)**

	2018		2017	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 306,240	7	\$ 356,591	9
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,107	-	4,220	-
Derivative financial assets for hedging - current (Notes 4 and 8)	509	-	242	-
Financial assets at amortized cost - current (Notes 4 and 9)	48,505	1	-	-
Contract assets - current (Notes 4 and 13)	84,319	2	-	-
Debt investments with no active market - current (Notes 4 and 10)	-	-	47,532	1
Notes receivable (Notes 4 and 11)	125,177	3	185,974	4
Trade receivables (Notes 4 and 11)	381,872	9	295,971	7
Finance lease receivables (Note 12)	1,709	-	1,653	-
Other receivables	39,468	1	15,906	-
Prepayments for leases (Note 21)	1,947	-	2,026	-
Inventories (Notes 4 and 13)	848,072	20	1,051,510	25
Other financial assets (Note 6)	3,720	-	45,641	1
Other current assets	<u>67,350</u>	<u>1</u>	<u>65,090</u>	<u>2</u>
Total current assets	<u>1,911,995</u>	<u>44</u>	<u>2,072,356</u>	<u>49</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 14)	129,944	3	-	-
Available-for-sale financial assets - non-current (Notes 4 and 15)	-	-	120,544	3
Financial assets measured at cost - non-current (Notes 4 and 16)	-	-	81,697	2
Investments accounted for using equity method (Notes 4 and 18)	994,819	23	820,796	19
Property, plant and equipment (Notes 4 and 18)	816,651	19	683,213	16
Investment properties (Notes 4 and 19)	333,441	8	338,800	8
Other intangible assets	5,354	-	5,526	-
Deferred tax assets - non-current (Notes 4 and 27)	53,964	1	39,799	1
Refundable deposits	6,090	-	6,072	-
Long-term finance lease receivables (Note 12)	27,055	1	28,764	1
Long-term prepayments for leases (Note 21)	36,432	1	37,811	1
Other non-current assets	<u>3,126</u>	<u>-</u>	<u>5,245</u>	<u>-</u>
Total non-current assets	<u>2,406,876</u>	<u>56</u>	<u>2,168,267</u>	<u>51</u>
TOTAL	<u>\$ 4,318,871</u>	<u>100</u>	<u>\$ 4,240,623</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 22)	\$ 326,358	8	\$ 221,904	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	902	-
Contract liabilities - current (Notes 4 and 13)	648	-	-	-
Notes payable	13,345	-	14,542	-
Trade payables	281,420	7	300,949	7
Current tax liabilities (Notes 4 and 27)	142,925	3	102,484	3
Other payables	114,380	3	118,362	3
Advance receipts on real estate (Note 13)	-	-	336,104	8
Current portion of long-term borrowings (Note 22)	148,598	3	5,582	-
Other current liabilities	<u>18,947</u>	<u>-</u>	<u>26,248</u>	<u>1</u>
Total current liabilities	<u>1,046,621</u>	<u>24</u>	<u>1,127,077</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 22)	650,933	15	714,646	17
Deferred tax liabilities - non-current (Notes 4 and 27)	5,942	-	5,486	-
Net defined benefit liabilities (Notes 4 and 23)	21,013	1	28,270	1
Other non-current liabilities (Note 29)	<u>13,722</u>	<u>-</u>	<u>11,888</u>	<u>-</u>
Total non-current liabilities	<u>691,610</u>	<u>16</u>	<u>760,290</u>	<u>18</u>
Total liabilities	<u>1,738,231</u>	<u>40</u>	<u>1,887,367</u>	<u>45</u>
EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 24)				
Share capital	<u>1,082,859</u>	<u>25</u>	<u>1,095,882</u>	<u>26</u>
Capital surplus	<u>519,825</u>	<u>12</u>	<u>516,178</u>	<u>12</u>
Retained earnings				
Legal reserve	128,196	3	106,839	3
Special reserve	88,304	2	88,304	2
Unappropriated earnings	<u>830,048</u>	<u>19</u>	<u>431,078</u>	<u>10</u>
Total retained earnings	<u>1,046,548</u>	<u>24</u>	<u>626,221</u>	<u>15</u>
Other equity				
Exchange differences on translating foreign operations	(116,150)	(3)	(95,873)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	(15,447)	-	-	-
Unrealized gain on available-for-sale financial assets	-	-	164,183	4
Cash flow hedges	<u>(37)</u>	<u>-</u>	<u>(245)</u>	<u>-</u>
Total other equity	<u>(131,634)</u>	<u>(3)</u>	<u>68,065</u>	<u>1</u>
Treasury shares (Notes 4 and 24)	<u>-</u>	<u>-</u>	<u>(10,287)</u>	<u>-</u>
Total equity attributable to owners of WLC	2,517,598	58	2,296,059	54
NON-CONTROLLING INTERESTS	<u>63,042</u>	<u>2</u>	<u>57,197</u>	<u>1</u>
Total equity	<u>2,580,640</u>	<u>60</u>	<u>2,353,256</u>	<u>55</u>
TOTAL	<u>\$ 4,318,871</u>	<u>100</u>	<u>\$ 4,240,623</u>	<u>100</u>
The accompanying notes are an integral part of the consolidated financial statements. (With Deloitte & Touche auditors' report dated February 22, 2019)				

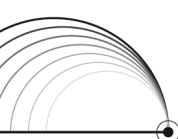


WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)	\$ 190,915,137	100	\$ 167,792,585	100
OPERATING COSTS (Notes 4 and 13)	<u>(174,979,772)</u>	<u>(92)</u>	<u>(155,787,754)</u>	<u>(93)</u>
GROSS PROFIT	<u>15,935,365</u>	<u>8</u>	<u>12,004,831</u>	<u>7</u>
REALIZED GROSS PROFIT	<u>15,935,365</u>	<u>8</u>	<u>12,004,831</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,144,126	1	1,722,346	1
General and administrative expenses	2,634,343	1	2,314,407	1
Research and development expenses	<u>130,687</u>	<u>-</u>	<u>72,433</u>	<u>-</u>
Total operating expenses	<u>4,909,156</u>	<u>2</u>	<u>4,109,186</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>11,026,209</u>	<u>6</u>	<u>7,895,645</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	355,283	-	331,982	-
Dividend income	177,925	-	167,634	-
Other income	367,344	-	63,647	-
(Loss) gain on disposal of property, plant and equipment	(11,616)	-	60,284	-
Foreign exchange gain (loss), net	271,081	-	(17,907)	-
Loss on valuation of financial assets and liabilities	85,216	-	(23,734)	-
Impairment loss (Note 26)	(78,547)	-	(67)	-
Other expenses	(239,432)	-	(326,459)	-
Interest expense	(684,163)	-	(512,995)	-
Gain (loss) on disposal of investments (Note 26)	355,668	-	(260,608)	-
Share of gain of associates under equity method	<u>5,046,006</u>	<u>3</u>	<u>2,017,026</u>	<u>1</u>
Total non-operating income and expenses	<u>5,644,765</u>	<u>3</u>	<u>1,498,803</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	16,670,974	9	9,394,448	6
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(4,711,687)</u>	<u>(3)</u>	<u>(2,700,435)</u>	<u>(2)</u>
NET INCOME FOR THE YEAR	<u>11,959,287</u>	<u>6</u>	<u>6,694,013</u>	<u>4</u>

(Continued)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS (INCOME)				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 4,052	-	\$ (150,736)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(1,243,074)	-	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	(1,286,630)	(1)	-	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(572,415)	-	(757,920)	-
Unrealized gain on available-for-sale financial assets	-	-	724,447	-
Cash flow hedges gain	6,378	-	6,142	-
Share of other comprehensive income of associates under equity method	(51,083)	-	2,964,786	2
Other comprehensive (loss) income for the year	(3,142,772)	(1)	2,786,719	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,816,515</u>	<u>5</u>	<u>\$ 9,480,732</u>	<u>6</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 11,756,781	6	\$ 6,559,984	4
Non-controlling interests	202,506	-	134,029	-
	<u>\$ 11,959,287</u>	<u>6</u>	<u>\$ 6,694,013</u>	<u>4</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 8,612,785	5	\$ 9,362,394	6
Non-controlling interests	203,730	-	118,338	-
	<u>\$ 8,816,515</u>	<u>5</u>	<u>\$ 9,480,732</u>	<u>6</u>
EARNINGS PER SHARE (Notes 4 and 28)				
Basic	<u>\$ 3.53</u>		<u>\$ 1.97</u>	
Diluted	<u>\$ 3.53</u>		<u>\$ 1.97</u>	

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 22, 2019)

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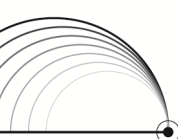
WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of U.S. Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 25)	\$ 6,215,697	100	\$ 5,462,887	100
OPERATING COSTS (Notes 4 and 13)	<u>(5,696,883)</u>	<u>(92)</u>	<u>(5,072,041)</u>	<u>(93)</u>
GROSS PROFIT	<u>518,814</u>	<u>8</u>	<u>390,846</u>	<u>7</u>
REALIZED GROSS PROFIT	<u>518,814</u>	<u>8</u>	<u>390,846</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	69,807	1	56,075	1
General and administrative expenses	85,767	1	75,351	1
Research and development expenses	<u>4,255</u>	<u>-</u>	<u>2,358</u>	<u>-</u>
Total operating expenses	<u>159,829</u>	<u>2</u>	<u>133,784</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>358,985</u>	<u>6</u>	<u>257,062</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	11,567	-	10,808	-
Dividend income	5,793	-	5,458	-
Other income	11,960	-	2,072	-
(Loss) gain on disposal of property, plant and equipment	(378)	-	1,963	-
Foreign exchange gain (loss), net	8,824	-	(583)	-
Loss on valuation of financial assets and liabilities	2,774	-	(773)	-
Impairment loss (Note 26)	(2,557)	-	(2)	-
Other expenses	(7,795)	-	(10,629)	-
Interest expense	(22,275)	-	(16,701)	-
Gain (loss) on disposal of investments (Note 26)	11,580	-	(8,485)	-
Share of gain of associates under equity method	<u>164,285</u>	<u>3</u>	<u>65,669</u>	<u>1</u>
Total non-operating income and expenses	<u>183,778</u>	<u>3</u>	<u>48,797</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	542,763	9	305,859	6
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(153,400)</u>	<u>(3)</u>	<u>(87,919)</u>	<u>(2)</u>
NET INCOME FOR THE YEAR	<u>389,363</u>	<u>6</u>	<u>217,940</u>	<u>4</u>

(Continued)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of U.S. Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ 132	-	\$ (4,908)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(40,471)	-	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	(41,889)	(1)	-	-
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(18,636)	-	(24,676)	-
Unrealized gain on available-for-sale financial assets	-	-	23,586	-
Cash flow hedges gain	208	-	200	-
Share of other comprehensive income of associates under equity method	<u>(1,663)</u>	<u>-</u>	<u>96,526</u>	<u>2</u>
Other comprehensive (loss) income for the year	<u>(102,319)</u>	<u>(1)</u>	<u>90,728</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 287,044</u>	<u>5</u>	<u>\$ 308,668</u>	<u>6</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 382,770	6	\$ 213,576	4
Non-controlling interests	<u>6,593</u>	<u>-</u>	<u>4,364</u>	<u>-</u>
	<u>\$ 389,363</u>	<u>6</u>	<u>\$ 217,940</u>	<u>4</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 280,410	5	\$ 304,814	6
Non-controlling interests	<u>6,633</u>	<u>-</u>	<u>3,854</u>	<u>-</u>
	<u>\$ 287,043</u>	<u>5</u>	<u>\$ 308,668</u>	<u>6</u>
EARNINGS PER SHARE (Notes 4 and 28)				
Basic	<u>\$ 0.11</u>		<u>\$ 0.06</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ 0.06</u>	

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

(Concluded)



WALSIN LIHWA CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of WLC												
	Retained Earnings					Other 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	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other	Comprehensive Income	Cash Flow Hedges	Treasury Shares	Total	Non-controlling Interests
BALANCE AT JANUARY 1, 2017	\$ 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 (Note 24)													
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
Cancellation 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
Effect of retrospective application of IFRS 9 (Note 3)	-	-	-	-	4,651,666	-	(5,042,894)	1,875,068	-	-	1,483,840	26	1,483,866
Effect of retrospective application of IFRS 15	-	-	-	-	5,978	-	-	-	-	-	5,978	-	5,978
BALANCE AT JANUARY 1, 2018, AS RESTATED	33,660,002	15,854,392	3,281,556	2,712,250	17,898,218	(2,944,758)	-	1,875,068	(7,529)	(315,918)	72,013,281	1,756,819	73,770,100
Appropriation of 2017 earnings (Note 24)													
Legal reserve	-	-	655,998	-	(655,998)	-	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(3,326,000)	-	-	-	-	-	(3,326,000)	-	(3,326,000)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	615	-	-	-	-	-	-	-	-	615	-	615
Change in capital surplus from investments in associates under equity method	-	27,333	-	-	97,100	-	-	(97,100)	-	-	27,333	-	27,333
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal (Note 14)	-	-	-	-	(252,951)	-	-	252,951	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	11,756,781	-	-	-	-	-	11,756,781	202,506	11,959,287
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(22,227)	(622,782)	-	(2,505,365)	6,378	-	(3,143,996)	1,224	(3,142,772)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	11,734,554	(622,782)	-	(2,505,365)	6,378	-	8,612,785	203,730	8,816,515
Cancellation of treasury shares	(400,000)	84,082	-	-	-	-	-	-	-	315,918	-	-	-
Others	-	(2)	-	-	-	-	-	-	-	-	(2)	-	(2)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(24,218)	(24,218)
BALANCE, DECEMBER 31, 2018	<u>\$ 33,260,002</u>	<u>\$ 15,966,420</u>	<u>\$ 3,937,554</u>	<u>\$ 2,712,250</u>	<u>\$ 25,494,923</u>	<u>\$ (3,567,540)</u>	<u>\$ -</u>	<u>\$ (474,446)</u>	<u>\$ (1,151)</u>	<u>\$ -</u>	<u>\$ 77,328,012</u>	<u>\$ 1,936,331</u>	<u>\$ 79,264,343</u>

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 22, 2019)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)

	Equity Attributable to Owners of WLC													
						Other Equity							Non-controlling Interests	Total Equity
						Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Shares	Total			
	Share Capital	Capital Surplus	Retained Earnings											
			Legal Reserve	Special Reserve	Unappropriated Earnings									
BALANCE AT JANUARY 1, 2017	\$ 1,105,649	\$ 511,197	\$ 91,966	\$ 88,304	\$ 314,967	\$ (68,700)	\$ 39,913	\$ -	\$ (445)	\$ (19,822)	\$ 2,063,029	\$ 62,382	\$ 2,125,411	
Appropriation of 2016 earnings (Note 24)														
Legal reserve	-	-	14,873	-	(14,873)	-	-	-	-	-	-	-	-	
Cash dividends distributed by WLC	-	-	-	-	(75,800)	-	-	-	-	-	(75,800)	-	(75,800)	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(16)	-	-	(734)	-	-	-	-	-	(750)	-	(750)	
Change in capital surplus and retained earnings from investments in associates under equity method	-	4,766	-	-	-	-	-	-	-	-	4,766	-	4,766	
Net profit for the year ended December 31, 2017	-	-	-	-	213,576	-	-	-	-	-	213,576	4,364	217,940	
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(6,058)	(27,174)	124,270	-	200	-	91,238	(510)	90,728	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	207,518	(27,174)	124,270	-	200	-	304,814	3,854	308,668	
Cancellation of treasury shares	(9,767)	231	-	-	-	-	-	-	-	9,536	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(9,039)	(9,039)	
BALANCE, DECEMBER 31, 2017	1,095,882	516,178	106,839	88,304	431,078	(95,874)	164,183	-	(245)	(10,286)	2,296,059	57,197	2,353,256	
Effect of retrospective application of IFRS 9 (Note 3)	-	-	-	-	151,446	-	(164,183)	61,047	-	-	48,310	1	48,311	
Effect of retrospective application of IFRS 15	-	-	-	-	195	-	-	-	-	-	195	-	195	
BALANCE AT JANUARY 1, 2018, AS RESTATED	1,095,882	516,178	106,839	88,304	582,719	(95,874)	-	61,047	(245)	(10,286)	2,344,564	57,198	2,401,762	
Appropriation of 2017 earnings (Note 24)														
Legal reserve	-	-	21,357	-	(21,357)	-	-	-	-	-	-	-	-	
Cash dividends distributed by WLC	-	-	-	-	(108,286)	-	-	-	-	-	(108,286)	-	(108,286)	
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	20	-	-	-	-	-	-	-	-	20	-	20	
Change in capital surplus from investments in associates under equity method	-	890	-	-	3,161	-	-	(3,161)	-	-	890	-	890	
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal (Note 14)	-	-	-	-	(8,235)	-	-	8,235	-	-	-	-	-	
Net profit for the year ended December 31, 2018	-	-	-	-	382,770	-	-	-	-	-	382,770	6,593	389,363	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(724)	(20,276)	-	(81,568)	208	-	(102,360)	40	(102,320)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	382,046	(20,276)	-	(81,568)	208	-	280,410	6,633	287,043	
Cancellation of treasury shares	(13,023)	2,737	-	-	-	-	-	-	-	10,286	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(789)	(789)	
BALANCE, DECEMBER 31, 2018	\$ 1,082,859	\$ 519,825	\$ 128,196	\$ 88,304	\$ 830,048	\$ (116,150)	\$ -	\$ (15,447)	\$ (37)	\$ -	\$ 2,517,598	\$ 63,042	\$ 2,580,640	

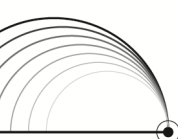
The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 22, 2019)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 16,670,974	\$ 9,394,448
Adjustments for:		
Depreciation expenses	1,734,995	1,762,164
Amortization expenses	32,973	29,784
Expected credit loss recognized (reversed) on trade receivables	9,907	(18,634)
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(85,216)	23,734
Interest expense	684,163	512,995
Interest income	(355,283)	(331,982)
Dividend income	(177,925)	(167,634)
Compensation cost of employees share options	5,397	1,469
Share of gain of associates under equity method	(5,046,006)	(2,017,026)
Loss (gain) on disposal of property, plant and equipment	11,616	(60,283)
Loss on the disposal of intangible assets	185	-
Gain (loss) on disposal of investments	(355,668)	260,608
Impairment loss recognized on property, plant and equipment	78,547	67
Gain on foreign currency exchange	(275)	(7,224)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	-	(379,141)
Decrease in financial assets mandatorily classified as at fair value through profit or loss	153,306	-
Decrease in contract assets	6,823	-
Decrease (increase) in notes receivable	1,867,385	(690,388)
Increase in trade receivables	(2,648,343)	(345,803)
(Increase) decrease in other receivables	(134,272)	36,028
Decrease (increase) in inventories	3,651,933	(5,172,451)
Increase in other current assets	(271,739)	(565,733)
Decrease in other financial assets	1,287,611	863,273
Decrease (increase) in other operating assets	33,265	(2,322)
Decrease in notes payable	(36,776)	(35,651)
Decrease (increase) in trade payables	(599,826)	1,506,865
Decrease (increase) in other payables	(321,214)	676,359
Decrease (increase) in advance real estate receipts	(10,143,723)	3,398,960
Decrease (increase) in net defined benefit liabilities	(222,908)	51,093
Decrease in other current liabilities	(440,148)	(180,750)
Increase in other operating liabilities	65,675	112,235
Cash generated from operations	5,455,433	8,655,060
Interest paid	(612,840)	(520,161)
Interest received	295,805	223,588
Dividends received from associates	1,514,347	798,326
Income tax paid	(3,633,464)	(1,458,894)
Net cash generated from operating activities	3,019,281	7,697,919

(Continued)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (750)	\$ -
Proceeds from the disposal of financial assets at fair value through other comprehensive income	73,158	-
Share buybacks due to capital reduction from financial assets at fair value through other comprehensive income	915	-
Proceeds from disposal of financial assets held for trading	-	371,002
Proceeds from disposal of available-for-sale financial assets	-	48,769
Debt investments with no active market	3,072	54,228
Purchase of financial assets measured at cost	-	(692,576)
Proceeds from disposal of financial assets measured at cost	-	546
Proceeds from capital return of investments in financial assets measured at cost	-	15,958
Derivative instruments not held for trading	-	2,133
Purchase of associates under equity method	(592,586)	(1,595,460)
Proceeds from capital return of investments in associates under equity method	-	58,927
Proceeds from disposal of non-current assets held for sale	-	399,812
Purchase of property, plant and equipment	(5,795,665)	(2,367,653)
Proceeds from disposal of property, plant and equipment	10,593	124,291
Increase in refundable deposits	(1,435)	(3,461)
Purchase of intangible assets	(1,926)	(422)
Increase in other receivables	(365,101)	-
Net cash used in investing activities	<u>(6,669,725)</u>	<u>(3,583,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	3,217,299	2,668,879
Increase in long-term borrowings	6,000,000	6,500,000
Decrease in long-term borrowings	(3,564,196)	(6,694,035)
Dividends paid to owners of WLC	(3,325,743)	(2,328,020)
Changes in non-controlling interests	(29,522)	(193,745)
Other financing activities	(2)	(5)
Net cash generated from (used in) financing activities	<u>2,297,836</u>	<u>(46,926)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(193,929)</u>	<u>(847,980)</u>

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WALSIN LIHWA CORPORATION AND SUBSIDIARIES

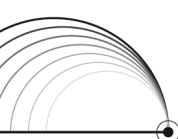
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,546,537)	\$ 3,219,107
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,952,691</u>	<u>7,733,584</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 9,406,154</u>	<u>\$ 10,952,691</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

(Concluded)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 542,763	\$ 305,859
Adjustments for:		
Depreciation expenses	56,487	57,371
Amortization expenses	1,074	970
Expected credit loss recognized (reversed) on trade receivables	323	(607)
Net loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(2,774)	773
Interest expense	22,275	16,701
Interest income	(11,567)	(10,808)
Dividend income	(5,793)	(5,458)
Compensation cost of employees share options	176	48
Share of gain of associates under equity method	(164,285)	(65,669)
Loss (gain) on disposal of property, plant and equipment	378	(1,963)
Loss on the disposal of intangible assets	6	-
Gain (loss) on disposal of investments	(11,580)	8,485
Impairment loss recognized on property, plant and equipment	2,557	2
Gain on foreign currency exchange	(9)	(235)
Changes in operating assets and liabilities		
Increase in financial assets held for trading	-	(12,344)
Decrease in financial assets mandatorily classified as at fair value through profit or loss	4,991	-
Decrease in contract assets	222	-
Decrease (increase) in notes receivable	60,797	(22,477)
Increase in trade receivables	(86,223)	(11,258)
(Increase) decrease in other receivables	(4,372)	1,173
Decrease (increase) in inventories	118,897	(168,401)
Increase in other current assets	(8,847)	(18,419)
Decrease in other financial assets	41,921	28,106
Decrease (increase) in other operating assets	1,083	(76)
Decrease in notes payable	(1,197)	(1,161)
Decrease (increase) in trade payables	(19,529)	49,060
Decrease (increase) in other payables	(10,458)	22,020
Decrease (increase) in advance real estate receipts	(330,253)	110,661
Decrease (increase) in net defined benefit liabilities	(7,257)	1,663
Decrease in other current liabilities	(14,329)	(5,884)
Increase in other operating liabilities	2,138	3,654
Cash generated from operations	177,615	281,786
Interest paid	(19,953)	(16,935)
Interest received	9,631	7,280
Dividends received from associates	49,303	25,991
Income tax paid	(118,296)	(47,498)
Net cash generated from operating activities	<u>98,300</u>	<u>250,624</u>

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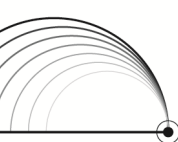


WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of U.S. Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (24)	\$ -
Proceeds from the disposal of financial assets at fair value through other comprehensive income	2,382	-
Share buybacks due to capital reduction from financial assets at fair value through other comprehensive income	30	-
Proceeds from disposal of financial assets held for trading	-	12,079
Proceeds from disposal of available-for-sale financial assets	-	1,588
Debt investment with no active market	100	1,766
Purchase of financial assets measured at cost	-	(22,548)
Proceeds from disposal of financial assets measured at cost	-	18
Proceeds from capital return of investments in financial assets measured at cost	-	520
Derivative instruments not held for trading	-	69
Purchase of associates under equity method	(19,293)	(51,944)
Proceeds from capital return of investments in associates under equity method	-	1,919
Proceeds from disposal of non-current assets held for sale	-	13,017
Purchase of property, plant and equipment	(188,692)	(77,085)
Proceeds from disposal of property, plant and equipment	345	4,046
Increase in refundable deposits	(47)	(114)
Purchase of intangible assets	(63)	(14)
Increase in other receivables	(11,887)	-
Net cash used in from investing activities	(217,149)	(116,683)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	104,747	86,892
Increase in long-term borrowings	195,344	211,623
Decrease in long-term borrowings	(116,041)	(217,940)
Dividends paid to owners of WLC	(108,277)	(75,795)
Changes in non-controlling interests	(961)	(6,308)
Other financing activities	-	-
Net cash generated from (used in) financing activities	74,812	(1,528)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(6,314)	(27,608)

(Continued)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of U.S. Dollars)**

	2018	2017
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (50,351)	\$ 104,805
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>356,591</u>	<u>251,786</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 306,240</u>	<u>\$ 356,591</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

(Concluded)





WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (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 of WLC and its subsidiaries (collectively, the "Group") were reported to the board of directors of WLC on February 22, 2019.

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

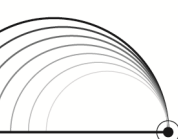
- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively,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

Except for the following, whenever applied, 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 would not have any material impact on the Group's accounting policies:

- 1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have



been applied retrospectively starting from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

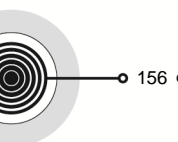
On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.


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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 10,952,691	\$ 10,952,691	d)
Derivatives	Held- for- trading	Mandatorily at fair value through profit or loss (i.e. FVTPL)	37,250	37,250	
	Hedging instruments	Hedging instruments	7,430	7,430	
Structured deposits	Debt investment with no active market - current	Amortized cost	1,459,958	1,459,958	c)
Equity securities	Available- for- sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	6,211,815	7,442,072	a)
Debt securities	Held- for- trading	Mandatorily at FVTPL	92,365	92,365	b)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	16,255,759	16,225,759	d)
Refundable deposits	Loans and receivables	Amortized cost	186,507	186,507	d)
Financial assets pledged as collateral or for security	Loans and receivables	Amortized cost	1,401,866	1,401,866	d)

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Non-controlling Interests Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 129,615	\$ -	\$ -	\$ 129,615	\$ -	\$ -	\$ -	b)
<u>FVTOCI</u>								
Equity instruments	-	-	-	-	-	-	-	
Add: From available-for-sale (IAS 39)	-	6,211,815	1,230,257	7,442,072	4,185,663	(2,955,414)	8	a)
	-	6,211,815	1,230,257	7,442,072	4,185,663	(2,955,414)	8	
<u>Amortized cost</u>	-							
Add: From debt investment with no active market - current (IAS 39)	-	1,459,958	-	1,459,958	-	-	-	c)
Add: From loans and receivables (IAS 39)	-	28,766,823	-	28,766,823	-	-	-	d)
	-	30,226,781	-	30,226,781	-	-	-	
	\$ 129,615	\$ 36,438,596	\$ 1,230,257	\$ 37,798,468	\$ 4,185,663	\$ (2,955,414)	\$ 8	
Investments accounted for using equity method	\$ 25,210,753	\$ -	\$ 253,609	\$ 25,464,362	\$ 466,003	\$ (212,412)	\$ 18	c)

- a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$1,122,923 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.





Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$1,230,257 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

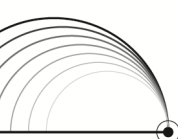
The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and measured at cost, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$4,185,663 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$4,185,663 thousand in retained earnings on January 1, 2018.

- b) Investments in government bonds previously classified as at FVTPL under IAS 39 did not meet the classification criteria of debt investments measured at amortized cost or at FVTOCI, on the basis of the facts, circumstances and business model that existed at January 1, 2018. As a result, they were classified as financial assets at FVTPL under IFRS 9.
- c) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 are classified as measured at amortized cost under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- d) Notes receivable, trade receivables, other receivables and finance lease receivables that were previously classified as loans and receivables under IAS 39 are classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- e) As a result of retrospective application under IFRS 9, the related adjustments of investments in associates and subsidiaries accounted for using the equity method comprised an increase in investments accounted for using the equity method of \$253,609 thousand, an increase in other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income of \$3,707,577 thousand, a decrease in other equity - unrealized gain (loss) on available-for-sale financial assets of \$3,919,971 thousand and an increase in retained earnings of \$466,003 thousand on January 1, 2018.

Classification and measurement of financial liabilities

On the basis of the facts and circumstances that existed at January 1, 2018, the Group has performed an assessment of the classification of recognized financial liabilities and has elected not to restate prior reporting periods.

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



Financial Liabilities	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Derivatives	Held- for- trading	Mandatorily at FVTPL	<u>\$ 27,710</u>	<u>\$ 27,710</u>

Hedge accounting

Under the Group's previous hedge accounting policy of IAS 39, the spot element of forward contracts was designated as a fair value hedging instrument for the foreign-currency denominated liabilities, the forward element of forward contracts was excluded from the designated hedging relationships, and the related changes are recognized directly in profit or loss. On adoption of IFRS 9, the Group elected not to apply the treatment of hedging costs for forward contracts retrospectively. Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging starting from January 1, 2018.

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

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

The amendments clarify that the difference between the carrying amount of the 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 Group 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 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, there is no anticipated material impact of retrospective application of the above amendments to the consolidated financial statements starting from 2018.

4) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Group should transfer to, or from, investment property



when, and only when, the 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 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 applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

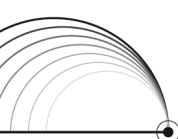
- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC) and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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 for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.



1) IFRS 16 “Leases”

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

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases.

On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.



c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

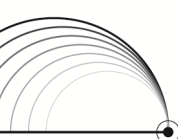
Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Finance lease receivables - current	\$ 52,489	\$ -	\$ 52,489
Finance lease receivables - non-current	830,991	-	830,991
Prepayments for leases - current	59,811	(59,811)	-
Prepayments for leases - non-current	1,119,004	(1,119,004)	-
Other current assets	2,068,664	(4,089)	2,064,575
Right-of-use assets	<u>-</u>	<u>1,456,022</u>	<u>1,456,022</u>
Total effect on assets	<u>\$ 4,130,959</u>	<u>\$ 273,118</u>	<u>\$ 4,404,077</u>
Lease liabilities - current	\$ -	\$ 54,290	\$ 54,290
Lease liabilities - non-current	<u>-</u>	<u>218,828</u>	<u>218,828</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 273,118</u>	<u>\$ 273,118</u>

2) 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 Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.



Upon initial application of IFRIC 23, there are no significant influence over the Group.

3) 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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

4) 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 Group will apply the above amendments prospectively.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group continues to assess other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance, and there are no significant influence over the Group for the current period.

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)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 the Group 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 the Group 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 the Group 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 Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated. Also, when the Group 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 Group's interest as an unrelated investor in the associate or joint venture, i.e. the Group's share of the gain or loss is eliminated.

2) Amendments to IFRS 3 "Definition of a Business"

The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance and will disclose these other impacts when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

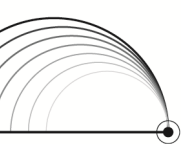
The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by FSC.

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. 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 17 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

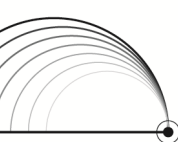
In preparing the financial statements of each individual company entity, transactions in currencies other than the entity's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions.

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.

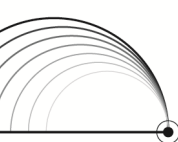
When the Group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 measured 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.

For a transfer from the investment properties classification to property, plant and equipment, the deemed cost of the property for subsequent accounting is its carrying amount at the commencement of owner-occupation.

For a transfer from the property, plant and equipment classification to investment properties, the deemed cost of the property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

2018

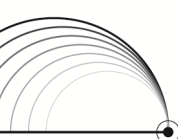
Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured 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. Fair value is determined in the manner described in Note 31.





b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition or time deposits with original maturities within 3-12 months from the date of acquisition and the interest paid to deposits which are terminated before maturity are higher than demand deposits, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.





2017

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 FVTPL are subsequently measured 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. Fair value is determined in the manner described in Note 31.

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 FVTPL.

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.

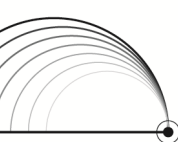
Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, finance lease receivables, as well as contract assets.

The Group always recognizes lifetime Expected Credit Losses (i.e. ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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 measured 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.

For financial assets measured 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.





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 measured 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.

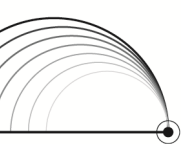
Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.





Repurchase of WLC's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of WLC's own equity instruments.

Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Group, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2017

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

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 on which 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 hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

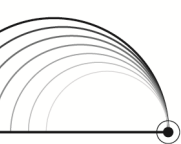
Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. 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 included in the initial cost of the non-financial asset or non-financial liability.





Before 2018, hedge accounting was discontinued prospectively when the Group revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. 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.

o. Levies

Levies imposed by a government are accrued as other liabilities when the transactions or activities that trigger the payment of such levies occur. 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.

p. 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.

q. Revenue recognition

2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods and real estate

Revenue from the sale of goods and real estate comes from sales of wires, cables, stainless steel and real estate. Sales of wires, cables and stainless steel are recognized as revenue when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Regarding contracts relating to the sale of real estate in the course of ordinary activities, a fixed transaction price is received in instalments and recognized as a contract liability. The transaction price, after adjusting for the effect of the significant financing component, is recognized as revenue when the construction is completed and the real estate is transferred to the buyer.

2) Revenue from the rendering of services

Service income is recognized when services are rendered. Revenue should be recognized





over time by measuring the progress toward complete satisfaction of the performance obligation. Payment for installation services is not due from the customer until the installation services are complete, and therefore, a contract asset is recognized over the period in which the installation services are performed. The contract asset is reclassified to trade receivables when installation is complete.

3) Construction contract revenue

A contract asset is recognized during construction and is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognized to date, then the Group recognizes a contract liability for the difference. Certain payments retained by the customer as specified in the contract are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligation.

When it is not able to reasonably measure the Group's progress toward satisfaction of the performance obligation but expects to recover costs, the Group recognizes revenue only to the extent of costs incurred.

2017

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. Allowances for sales returns and liabilities 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) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) 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.

3) Dividend and interest income

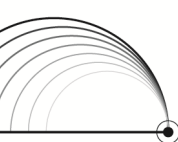
Dividend income from investments is recognized when a shareholder's right to receive payment has been established and provided that it is probable that the economic benefits will flow to the Group and that the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

r. 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.





1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a effective interest rate over the lease term.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

s. 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

t. Taxation

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 on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

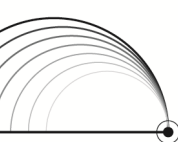
Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

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.

u. Translation into US dollar

The financial statements are stated in New Taiwan dollars. The translation of the 2018 and 2017, New Taiwan dollar amounts into US dollar amounts is included solely for the convenience of readers, using the average exchange rate of NT\$30.715 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2018. 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 US 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 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:

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	
	2018	2017
Cash on hand	\$ 6,930	\$ 3,254
Checking accounts and cash in bank	5,768,038	7,280,465
Cash equivalent		
Time deposits	3,471,604	3,509,802
Short-term bills	<u>159,582</u>	<u>159,170</u>
	<u>\$ 9,406,154</u>	<u>\$ 10,952,691</u>

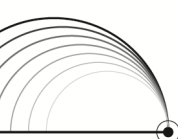
The ranges of market rates of cash in bank at the end of the reporting period were as follows (except the market rate of checking account was zero):

	December 31	
	2018	2017
Bank balance	0.05%-0.40%	0.05%-0.40%

Cash in the bank in the total amounts of EUR326 thousand and EUR2,400 thousand as of December 31, 2018 and 2017, 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, 2018 and 2017 were classified and pledged as follows:

		December 31	
Purpose		2018	2017
Other financial assets - current			
Pledged time deposits	To secure short-term borrowings and letters of credit	\$ 751	\$ 114,329
Restricted deposits	To secure short-term borrowings and letters of credit	58,039	271,806
	To meet contract requirements for completing construction	55,465	56,243
	To meet down payment of advance receipts on real estate	<u>-</u>	<u>959,488</u>
		<u>114,255</u>	<u>1,401,866</u>
Non-current assets			
Refundable deposits	To meet contract requirements for completing construction	83,867	32,800
	To meet required security deposit	<u>600</u>	<u>600</u>
		<u>84,467</u>	<u>33,400</u>
		<u>\$ 198,722</u>	<u>\$ 1,435,266</u>

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31	
	2018	2017
<u>Financial assets held for trading</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	\$ -	\$ 37,250
Non-derivative financial assets		
Government bonds	-	92,365
	<u>-</u>	<u>129,615</u>
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	\$ 94,858	\$ -
Exchange rate swap contracts	568	-
	<u>95,426</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 95,426</u>	<u>\$ 129,615</u>
Current	\$ 95,426	\$ 129,615
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 95,426</u>	<u>\$ 129,615</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	\$ -	\$ 25,223
Exchange rate swap contracts	-	2,487
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 27,710</u>
Current	\$ -	\$ 27,710
Non-current	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 27,710</u>

- a. As of December 31, 2018 and 2017, outstanding commodity futures not under hedge accounting are 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, 2018</u>							
Commodity futures contracts							
Copper	Buy	3,075	2018.06.20-2018.12.31	2019.02.20-2019.07.17	US\$ 18,815	US\$ 18,142	US\$ (673)
Copper	Sell	8,400	2018.10.30-2018.12.31	2019.01.16-2019.03.12	US\$ 51,350	US\$ 49,694	US\$ 1,656

(Continued)





	Type of Transaction	Quantity (Tons)	Trade Date	Expiration Date	Exercise Price (In Thousands)	Market Price (In Thousands)	Valuation (Loss) Gain (In Thousands)
Copper	Buy	10,095	2018.07.02-2018.12.28	2019.01.01-2019.09.30	RMB 496,770	RMB 486,169	RMB (10,601)
Nickel	Sell	6,894	2018.11.1-2018.12.21	2019.02.01-2019.04.17	US\$ 76,935	US\$ 73,292	US\$ 3,643
Zinc	Buy	1,070	2018.11.08-2018.12.11	2019.01.31-2019.02.28	RMB 22,342	RMB 22,384	RMB 42

December 31,
2017

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

(Concluded)

- b. As of December 31, 2018 and 2017, outstanding forward exchange contracts not under hedge accounting were as follows:

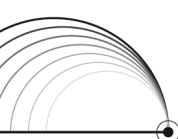
	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Sell forward exchange contracts	EUR to MYR	2019.01.08-2019.06.04	EUR698/MYR3,343
	USD to MYR	2019.01.31-2019.03.29	USD800/MYR3,249
	USD to RMB	2019.01.09-2019.01.29	USD118,000/RMB812,467
	SGD to RMB	2019.06.26	SGD3,866/RMB19,159
	EUR to USD	2019.01.29-2019.03.08	EUR15,000/USD17,149
Buy forward exchange contracts	USD to NTD	2019.01.03	USD20,000/NTD615,100
	USD to JPY	2019.02.13-2019.03.29	USD7,064/JPY780,620
	USD to RMB	2019.01.03	USD6,000/RMB41,175
	EUR to USD	2019.01.29	EUR5,000/USD5,709

December 31, 2017

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

- c. As of December 31, 2017, 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



- d. For the years ended December 31, 2018 and 2017, 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	
	2018	2017

Derivative financial assets for hedging - current

Fair value hedges - exchange rate swap contracts	<u>\$ 15,630</u>	<u>\$ 7,430</u>
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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, 2018</u>			
Exchange rate swap contracts	USD to NTD	2019.03.26	USD45,000/NTD1,376,380
	USD to RMB	2019.03.26	USD10,000/RMB69,215
	USD to RMB	2019.03.28	USD55,000/RMB381,811
<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	
	2018	2017
Gains on the hedging instruments	<u>\$ 15,630</u>	<u>\$ 7,430</u>
Losses on the hedged items	<u>\$ 11,057</u>	<u>\$ 4,594</u>



9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Foreign investments	
Interest rate-linked structured investment deposits	<u>\$ 1,489,831</u>

The interest rate for interest rate linked structured investment deposits was 3.9% as at the end of the reporting period. The deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET-2017

**December 31,
2017**

Interest rate linked structured investment deposits	<u>\$ 1,459,958</u>
Current	\$ 1,459,958
Non-current	<u>-</u>
	<u>\$ 1,459,958</u>

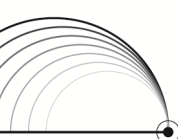
11. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable	<u>\$ 3,844,819</u>	<u>\$ 5,712,204</u>
<u>Trade receivables</u>		
Trade receivables	\$ 11,850,109	\$ 9,213,290
Less: Allowance for impairment loss	<u>(120,910)</u>	<u>(122,527)</u>
	<u>\$ 11,729,199</u>	<u>\$ 9,090,763</u>

2018

- At amortized cost

The average credit period on the 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. When the Group dealt with new entities, the Group reviewed the credit ratings of the entities and obtained sufficient collateral, where appropriate, as a means of mitigating the risk of financial



loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. In this regard, the management believes the Group's credit risk is significantly reduced.

The Group applies the simplified approach to allowances for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss allowance for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, they are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 365 Days	More than 365 Days	Total
Expected credit loss rate	0%	0%-2%	7.5%-50%	10%-100%	50%-100%	-
Gross carrying amount	\$ 9,704,453	\$ 1,793,516	\$ 159,730	\$ 40,251	\$ 152,159	\$ 11,850,109
Loss allowance (lifetime ECLs)	-	(13,811)	(11,681)	(9,676)	(85,742)	(120,910)
Amortized cost	<u>\$ 9,704,453</u>	<u>\$ 1,779,705</u>	<u>\$ 148,049</u>	<u>\$ 30,575</u>	<u>\$ 66,417</u>	<u>\$ 11,729,199</u>

The movements of the loss allowance of trade receivables are as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	\$ 122,527
Adjustments on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	122,527
Add: Net remeasurement of loss allowance	9,907
Less: Amounts written off	(9,560)
Foreign exchange gains and losses	(1,964)
Balance at December 31, 2018	<u>\$ 120,910</u>



2017

The average credit period on the 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. An allowance for impairment loss is based on estimated uncollectable amounts determined by reference to age of receivables, past default experience with 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 consists mainly of unrelated customers.

The Group did not recognize impairment loss for the trade receivable 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 is as follows:

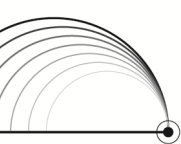
	December 31, 2017
Not past due	\$ 7,780,810
Up to 90 days	1,006,183
91-180 days	67,258
181-365 days	128,280
Past due more than 365 days	<u>230,759</u>
	<u>\$ 9,213,290</u>

The above aging schedule was based on the number of days past the due date.

The aging of receivables that were past due but not impaired is as follows:

	December 31, 2017
Up to 90 days	\$ 472,051
91-180 days	5,860
181-365 days	77,536
Overdue more than one year	<u>-</u>
	<u>\$ 555,447</u>

The above aging schedule was based on the number of days past the due date.



Movements in the allowance for impairment loss recognized on trade receivables are as follows:

	Individually Assessed Impairment Loss	Group Assessed Impairment Loss	Total
Balance at January 1, 2017	\$ 45,780	\$ 99,686	\$ 145,466
Add (less): Impairment losses reversed	20,527	(39,161)	(18,634)
Less: Amounts written off during the period as uncollectible	(5)	(1,169)	(1,174)
Foreign exchange translation 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	
	2018	2017
<u>Gross investments in leases</u>		
Not later than 1 year	\$ 52,489	\$ 50,758
Later than 1 year and not later than 5 years	228,468	220,937
Later than 5 years	<u>602,523</u>	<u>662,543</u>
Present value of minimum lease payments	<u>\$ 883,480</u>	<u>\$ 934,238</u>
<u>Finance lease receivables</u>		
Not later than 1 year	\$ 52,489	\$ 50,758
Later than 1 year and not later than 5 years	228,468	220,937
Later than 5 years	602,523	662,543
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Finance lease receivables	<u>\$ 883,480</u>	<u>\$ 934,238</u>
Current	\$ 52,489	\$ 50,758
Non-current	<u>830,991</u>	<u>883,480</u>
	<u>\$ 883,480</u>	<u>\$ 934,238</u>

The power supply contracts of solar power equipment are processed according to the financial lease accounting policy. 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, 2018 and 2017.

The finance lease receivables as of December 31, 2018 and 2017 were neither past due nor impaired.



Refer to Note 33 for the carrying amount of finance lease receivables of the Group pledged as security for bank borrowings.

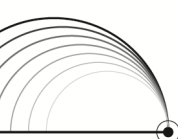
13. INVENTORIES

	December 31	
	2018	2017
Manufacturing and trading industries		
Raw materials	\$ 4,864,217	\$ 5,531,324
Raw materials in transit	2,081,448	1,431,104
Supplies	1,797,681	1,422,873
Work-in-process	2,311,453	1,776,678
Finished goods and merchandise	7,237,753	8,623,945
Contracts in progress	-	2,596,687
	<u>18,292,552</u>	<u>21,382,611</u>
Real estate development industry		
Undeveloped land	3,434	3,434
Buildings and land held for sale	1,538,598	1,427,032
Contracts in progress	6,213,935	9,484,062
	<u>7,755,967</u>	<u>10,914,528</u>
	<u>\$ 26,048,519</u>	<u>\$ 32,297,139</u>

- The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was NT\$174,545,602 thousand and NT\$155,331,615 thousand, respectively.
- The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included the inventory write-downs of NT\$491,857 thousand.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included reversals of inventory write-downs of NT\$349,408 thousand. Previous write-downs had been reversed according to the result of the inventory close out.

- Construction in progress for the manufacturing industry included construction costs of cable and wire installation projects not completed as of the balance sheet date. As of December 31, 2018, the Group recognized NT\$2,589,864 thousand in contract assets under IFRS 15.
- The purchase of inventory for the real estate development industry is primarily for the land, and construction costs of future construction and construction projects are still under development 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 the related 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 and handed over to the third parties in 2017 and 2018, and the sale of the real estate in the amount of NT\$5,121,782 thousand was recognized as “operating revenue” for the year ended December 31, 2017 and NT\$4,497,701 thousand was recognized as “operating revenue” for the year ended December 31, 2018, respectively. Part of the office building was completed in February 2018, and the sale of this



real estate in the amount of NT\$8,764,430 thousand was recognized as “operating revenue” for the year ended December 31, 2018.

As of December 31, 2018 and December 31, 2017, the cash equivalents received from the advance sale of real estate by Walsin (Nanjing) Construction Limited are as follows:

	December 31			
	2018		2017	
	RMB	NTD	RMB	NTD
Residential buildings	\$ 4,446	\$ 19,899	\$ 895,041	\$ 4,076,437
Office buildings	-	-	1,371,622	6,247,010
	<u>\$ 4,446</u>	<u>\$ 19,899</u>	<u>\$ 2,266,663</u>	<u>\$ 10,323,447</u>

14. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Domestic listed ordinary shares	
HannStar Display Corp.	\$ 1,670,537
HannStar Board Corp.	1,347,136
Domestic unlisted ordinary shares	291,562
Overseas unlisted ordinary shares	<u>681,983</u>
	<u>\$ 3,991,218</u>
Current	\$ -
Non-current	<u>3,991,218</u>
	<u>\$ 3,991,218</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments’ fair values in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 15 and 16 for information relating to their reclassification and comparative information for 2017.

WLC participated in Powertec Energy Corp’s capital increase by cash on April 20, 2018 and gained significant influence over the investee; thus, the relevant financial assets have been reclassified as “investments accounted for using the equity method” and were recognized at fair value on April 20, 2018. This transaction was deemed as a disposal of financial assets at fair value through other comprehensive income - non-current. The difference between the fair value and the carrying amount is NT\$255,298 thousand, which was recognized as a deduction of unappropriated earnings for the year ended December 31, 2018.

The Group disposed of 2,869 thousand shares of Taiwan High Speed Rail Corp. in the stock market at market price in 2018, resulting in proceeds of NT\$948 thousand from the disposal of



financial assets at fair value through other comprehensive income, which was recognized as an additional item under unappropriated earnings for the year ended December 31, 2018.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
<u>Domestic investments</u>	
Listed shares and emerging market shares	
HannStar Display Corp.	\$ 2,358,684
HannStar Board Corp.	1,276,389
Taiwan High Speed Rail Corp.	<u>67,422</u>
	<u>\$ 3,702,495</u>
Current	\$ -
Non-current	<u>3,702,495</u>
	<u>\$ 3,702,495</u>

16. FINANCIAL ASSETS MEASURED AT COST - 2017

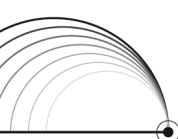
	December 31, 2017
Domestic unlisted ordinary shares	\$ 1,812,485
Overseas unlisted ordinary shares	<u>696,835</u>
	<u>\$ 2,509,320</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 2,509,320</u>

On May 26, 2017, WLC subscribed for 611,026 thousand shares of Powertec Energy Corp. through the issuance of ordinary shares for cash of NT\$692,576 thousand which was approved by the board of directors; after the subscription, WLC's percentage of ownership in Powertec Energy Corp. was 18.90%.

Management believed that fair value of the above unlisted equity investments held by the Group could not be reliably measured due to the wide range of reasonable fair value estimates; therefore, the investments were measured at cost less impairment at the end of reporting period.

17. SUBSIDIARIES

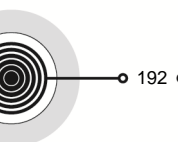
- a. Subsidiaries included in consolidated financial statements



The consolidated entities as of December 31, 2018 and 2017 were as follows:

Investor	Investee	Main Business	% of Ownership		
			December 31		
			2018	2017	
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. (TMTC)	OEM on MEMS foundry service	100.00	100.00	
	Ace Result Global Limited	Investment holding	(Liquidating) 100.00	(Liquidating) 100.00	
	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	
	P.T. Walsin Lippo Industries (P.T. Walsin)	Manufacture and sale of cables and wires	70.00	70.00	
	PT. WAL SIN LIPPO KABEL	Cables and wires	70.00	70.00	
	Waltuo Green Resources Corp.	Waste disposal, resource recovery and cement products	100.00	-	
WLHL	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	
	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	79.51	
	Renowned International Limited	Investments	83.97	83.97	
	Walsin International Investments Limited	Investments	100.00	100.00	
	Borrego Solar System, Inc.	Solar power system	75.97	76.22	
	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	
CIL	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	Joint Success Enterprises Limited	Investments	50.95	50.95
		Walsin (Nanjing) Development Limited	Construction, rental and sale of buildings and industrial factories	100.00	100.00
Nanjing Walsin Property Management Co., Ltd.		Property management, business management and housing leasing	100.00	100.00	

(Continued)



Investor	Investee	Main Business	% of Ownership December 31	
			2018	2017
Energy Pilot Limited	Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	100.00	-
	Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	100.00	-
	Green Lake Capital, LLC.	Solar power business	100.00	100.00
	Green Lake Exchange, LLC.	Solar power business	100.00	100.00
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	100.00	100.00

(Concluded)

- b. The following entities were excluded from consolidation as of December 31, 2018 and 2017:

Investor	Investee	Main Business	% of Ownership December 31		Note
			2018	2017	
WLHL	Walcom Chemical Industrial Limited	Commerce	65.00	65.00	Note

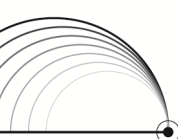
Note: The investee has a capital of HK\$500 thousand and total assets of HK\$1 thousand. As of December 31, 2018 and 2017, the investee had no sales, and its total assets were less than 1% of the Group's consolidated assets.

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, 2018 and 2017, the combined total assets were NT\$7,959,485 thousand and NT\$7,667,995 thousand, respectively. For the years ended December 31, 2018 and 2017, the combined total net operating revenue of such subsidiaries were NT\$11,999,669 thousand and NT\$9,443,554 thousand, respectively.

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

Name of Associate	December 31			
	2018		2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,915,961	22.21	\$ 13,420,078	22.21
Walton Advanced Engineering, Inc.	2,270,771	20.83	2,131,792	20.83
Walsin Technology Corp.	6,400,352	18.30	3,133,527	18.30
<u>Associates that are not individually material</u>				
Others	7,968,767		6,525,356	
	<u>\$ 30,555,851</u>		<u>\$ 25,210,753</u>	



On November 2, 2017, WLC subscribed for 72,521 thousand shares of Winbond Electronics Corporation through the issuance of ordinary 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%.

The shares of Powertec Energy Corp. that were held by the Group were originally classified as "financial assets at fair value through other comprehensive income". However, on April 20, 2018, the Group subscribed for 59,258 thousand shares of Powertec Energy Corp. through the issuance of ordinary shares for cash of NT\$592,586 thousand, which was approved by the board of directors. After the subscription, the Group's percentage of ownership in Powertec Energy Corp. increased to 20.53%, and the Group subsequently gained significant influence over the investee. Therefore, the relevant financial assets were reclassified at fair value to "investments accounted for using the equity method" on April 20, 2018. Refer to Note 14 for the details.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2018	2017
Winbond Electronics Corp.	\$ 11,976,146	\$ 20,726,246
Walton Advanced Engineering, Inc.	\$ 1,183,986	\$ 1,765,017
Walsin Technology Corp.	\$ 13,690,958	\$ 9,334,744

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, 2018 and 2017 was based on the associates' financial statements audited by independent auditors for the same period.

a. Material associates

December 31, 2018

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 37,528,246	\$ 5,223,270	\$ 36,573,150
Non-current assets	58,514,218	12,072,517	26,895,352
Current liabilities	(16,469,744)	(4,031,868)	(21,234,642)
Non-current liabilities	<u>(15,681,623)</u>	<u>(2,483,077)</u>	<u>(4,919,217)</u>
Equity	63,891,097	10,780,842	37,314,643
Non-controlling interests	<u>(1,446,726)</u>	<u>-</u>	<u>(2,620,235)</u>
	<u>\$ 62,444,371</u>	<u>\$ 10,780,842</u>	<u>\$ 34,694,408</u>
Proportion of the Group's ownership	22.21%	20.83%	18.30%

(Continued)

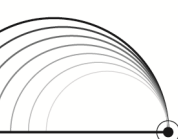




	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Equity attributable to the Group	\$ 13,868,895	\$ 2,245,649	\$ 6,349,077
Other adjustments	<u>47,066</u>	<u>25,122</u>	<u>51,275</u>
Carrying amount	<u>\$ 13,915,961</u>	<u>\$ 2,270,771</u>	<u>\$ 6,400,352</u>
Operating revenue	<u>\$ 51,190,323</u>	<u>\$ 8,552,749</u>	<u>\$ 47,755,334</u>
Net profit (loss) for the year	\$ 7,727,658	\$ 529,075	\$ 20,529,452
Other comprehensive income (loss)	<u>(1,738,471)</u>	<u>658,179</u>	<u>(449,643)</u>
Total comprehensive income (loss) for the year	<u>\$ 5,989,187</u>	<u>\$ 1,187,254</u>	<u>\$ 20,079,809</u> (Concluded)

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 Group's ownership	22.21%	20.83%	18.30%
Equity attributable to the Group	\$ 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 (loss) for the year	\$ 5,822,950	\$ 675,829	\$ 2,611,092
Other comprehensive income (loss)	<u>3,749,701</u>	<u>878,783</u>	<u>(962,512)</u>
Total comprehensive income (loss) for the year	<u>\$ 9,572,651</u>	<u>\$ 1,554,612</u>	<u>\$ 3,573,604</u>



b. Associates that are not individually material

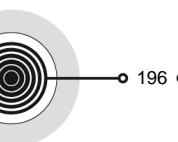
	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Gain (loss) from continuing operations	\$ 16,292	\$ 8,118
Other comprehensive income	<u>(1,052,104)</u>	<u>1,757,439</u>
Total comprehensive income for the year	<u>\$ (1,035,812)</u>	<u>\$ 1,765,557</u>

The Group's share of profit and other comprehensive income of associates for the years ended December 31, 2018 and 2017 was based on the associates' financial statements audited by independent auditors for the same period.

19. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<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>
<u>Cost</u>						
Balance at January 1, 2018	\$ 2,153,376	\$ 9,201,419	\$ 24,264,236	\$ 6,382,902	\$ 4,508,623	\$ 46,510,556
Additions	100,477	253,205	1,503,033	363,810	3,648,567	5,869,092
Disposals	-	(78,641)	(362,097)	(726,117)	(2,685)	(1,169,540)
Reclassified	129,297	(32,947)	581,721	544,747	(1,222,818)	-
Transferred to investment properties	-	(302,428)	-	-	-	(302,428)
Effect of foreign currency exchange differences	-	(41,447)	(104,751)	(50,554)	(47,260)	(244,012)
Balance at December 31, 2018	<u>\$ 2,383,150</u>	<u>\$ 8,999,161</u>	<u>\$ 25,882,142</u>	<u>\$ 6,514,788</u>	<u>\$ 6,884,427</u>	<u>\$ 50,663,668</u>

(Continued)



	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
Accumulated depreciation and impairment						
Balance at January 1, 2018	\$ 8,067	\$ 5,396,063	\$ 15,096,192	\$ 5,025,344	\$ -	\$ 25,525,666
Disposals	-	(75,086)	(351,073)	(721,172)	-	(1,147,331)
Impairment losses recognized in profit or loss	-	-	(2,286)	80,686	-	78,400
Depreciation expense	-	257,144	937,167	320,746	-	1,515,057
Reclassified	-	(134,235)	(119,070)	253,305	-	-
Transferred to investment properties	-	(231,367)	-	-	-	(231,367)
Effect of foreign currency exchange differences	-	(21,477)	(95,452)	(43,264)	-	(160,193)
Balance at December 31, 2018	<u>\$ 8,067</u>	<u>\$ 5,191,042</u>	<u>\$ 15,465,478</u>	<u>\$ 4,915,645</u>	<u>\$ -</u>	<u>\$ 25,580,232</u>
Carrying amounts at December 31, 2018	<u>\$ 2,375,083</u>	<u>\$ 3,808,119</u>	<u>\$ 10,416,664</u>	<u>\$ 1,599,143</u>	<u>\$ 6,884,427</u>	<u>\$ 25,083,436</u>

(Concluded)

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

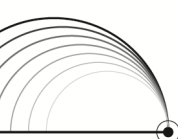
The Group's main buildings and electrical and mechanical power equipment are depreciated over their estimated useful lives of 50 years and 20 years, respectively.

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, 2018 and 2017, the recorded total carrying amount of such parcels of land amounted to NT\$427,697 thousand and NT\$418,425 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.

20. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Completed investment properties	<u>\$ 10,241,647</u>	<u>\$ 10,406,246</u>



	Completed Investment Properties
<u>Cost</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>
Balance at January 1, 2018	\$ 12,053,582
Additions	2,201
Transferred from property, plant and equipment	302,428
Effect of foreign currency exchange differences	<u>(27,139)</u>
Balance at December 31, 2018	<u>\$ 12,331,072</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2017	\$ 1,430,121
Depreciation expense	222,357
Effect of foreign currency exchange differences	<u>(5,142)</u>
Balance at December 31, 2017	<u>\$ 1,647,336</u>
Balance at January 1, 2018	\$ 1,647,336
Depreciation expense	219,938
Transferred from property, plant and equipment	231,367
Effect of foreign currency exchange differences	<u>(9,216)</u>
Balance at December 31, 2018	<u>\$ 2,089,425</u>

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, 2018 and 2017, the completed investment properties' real estate values were NT\$33,876,240 thousand and NT\$33,694,611 thousand, respectively.

21. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	2018	2017
Current assets	\$ 59,811	\$ 62,230
Non-current assets	<u>1,119,004</u>	<u>1,161,364</u>
	<u>\$ 1,178,815</u>	<u>\$ 1,223,594</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.

22. BORROWINGS

	December 31	
	2018	2017
Short-term borrowings	<u>\$ 10,024,097</u>	<u>\$ 6,815,772</u>
Current portion of long-term borrowings	<u>\$ 4,564,196</u>	<u>\$ 171,438</u>
Long-term borrowings	<u>\$ 19,993,411</u>	<u>\$ 21,950,366</u>

a. Short-term borrowings as of December 31, 2018 and 2017 were as follows:

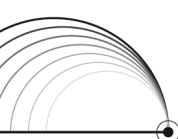
	December 31			
	2018		2017	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials'				
procurement loans	1.15-1.374	\$ 938,612	1.15-2.495	\$ 323,492
Bank credit loans	0.70-5.50	<u>9,085,485</u>	0.80-3.933	<u>6,492,280</u>
		<u>\$ 10,024,097</u>		<u>\$ 6,815,772</u>

Refer to Notes 6 and 33 for collateral pledged for short-term borrowings as of December 31, 2018 and 2017.

b. Long-term borrowings as of December 31, 2018 and 2017 were as follows:

	December 31		
	2018	2017	
	Significant Covenant	Amount	Amount
Taipei Fubon Bank and others	Long-term credit loan, principal to be repaid in three phases: 1 st repayment due 48 months after the first drawdown date (September 2015), after which repayments are due once every six months; at rates of 30%, 35% and 35%, respectively	\$ 11,500,000	\$ 15,000,000
Bank of Taiwan	Long-term credit loan, principal repayments until maturity from August 7, 2017 to May 9, 2020	1,000,000	1,000,000
Taishin International Bank	Long-term credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	2,000,000	2,000,000
Taipei Fubon Commercial Bank	Long-term credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1,000,000	1,000,000
Chang Hwa Commercial Bank	Long-term credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1,500,000	1,500,000

(Continued)



		December 31	
		2018	2017
	Significant Covenant	Amount	Amount
First Commercial Bank	Long-term credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	\$ 1,000,000	\$ 1,000,000
First Commercial Bank	Long-term credit loan; principal repayments until maturity from December 28, 2018 to December 28, 2121	1,000,000	-
Hua Nan Commercial Bank	Long-term credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,500,000	-
Hua Nan Commercial Bank	Long-term credit loan; principal repayments until maturity from December 28, 2018 to December 28, 2121	1,500,000	-
Chinatrust Commercial Bank	Mid-term credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,000,000	-
Mega International Commercial Bank Co., Ltd.	Long-term credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,000,000	-
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from December 15, 2011 to December 15, 2021	157,126	176,766
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from September 27, 2012 to September 27, 2022	159,194	177,369
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from February 21, 2012 to February 21, 2022	134,046	150,460
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from December 25, 2013 to October 11, 2023	38,500	42,167
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from February 14, 2014 to October 11, 2023	33,867	37,067
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from October 6, 2014 to October 11, 2023	34,874	37,975
		24,557,607	22,121,804
		(4,564,196)	(171,438)
Less current portion of long-term borrowings			
		<u>\$ 19,993,411</u>	<u>\$ 21,950,366</u>
			(Concluded)

- 1) Under the loan agreements with Taipei Fubon Bank, WLC should maintain certain financial ratios during the loan term, which are based on the annual and semi-annual consolidated financial statements audited by the independent auditors. The financial ratios are as follows:
 - a) Ratio of current assets to current liabilities not less than 100%;
 - b) Ratio of total liabilities less cash and cash equivalents to tangible net worth not more than 120%;
 - c) Ratio of net income before interest expenses, taxation, depreciation and amortization to interest expenses not less than 150%; and
 - d) Tangible net worth (net worth less intangible assets) not less than NT\$50,000,000 thousand.



- 2) As of December 31, 2018 and 2017, the effective interest rate range of the credit borrowings was 1.25%-1.80% per annum. As of December 31, 2018 and 2017, the effective interest rate range of the secured borrowings was 1.94%-2.89% per annum.
- 3) As of December 31, 2018 and 2017, the Group's current portion of long-term borrowings was NT\$4,564,196 thousand and NT\$171,438 thousand under the loan agreements, respectively. The Group's consolidated financial reports for the year ended December 31, 2018 showed that the Group was in compliance with the aforementioned financial ratio requirements.
- 4) Refer to Note 33 for collaterals pledged on bank borrowings as of December 31, 2018 and 2017.

23. 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.

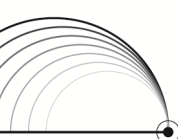
The total expense recognized in profit or loss for the years ended December 31, 2018 and 2017 was NT\$83,553 thousand and NT\$74,743 thousand, respectively, which represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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	
	2018	2017
Present value of defined benefit obligation	\$1,462,879	\$1,500,384
Fair value of plan assets	<u>(881,651)</u>	<u>(698,056)</u>
Net defined benefit liabilities	<u>\$ 581,228</u>	<u>\$ 802,328</u>



	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	<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>
Service cost			
Current service cost	15,288	-	15,288
Net interest expense (income)	<u>20,391</u>	<u>(9,179)</u>	<u>11,212</u>
Recognized in profit or loss	<u>35,679</u>	<u>(9,179)</u>	<u>26,500</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,648)	(19,648)
Actual (gain) loss - change in demographic assumption	17,269	-	17,269
Actuarial (gain) loss - changes in financial assumption	54,543	-	54,543
Actuarial (gain) loss - experience adjustments	<u>(51,792)</u>	<u>-</u>	<u>(51,792)</u>
Recognized in other comprehensive income (loss)	<u>20,020</u>	<u>(19,648)</u>	<u>372</u>
Contributions from the employer	-	(229,820)	(229,820)
Benefits paid	<u>(75,052)</u>	<u>75,052</u>	<u>-</u>
Account paid	<u>(18,152)</u>	<u>-</u>	<u>(18,152)</u>
Balance at December 31, 2018	<u>\$ 1,462,879</u>	<u>\$ (881,651)</u>	<u>\$ 581,228</u> (Concluded)

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	
	2018	2017
Operating costs	\$ 16,247	\$ 16,704
Selling and marketing expenses	2,145	2,405
General and administrative expenses	7,793	7,165
Research and development expenses	<u>315</u>	<u>403</u>
	<u>\$ 26,500</u>	<u>\$ 26,677</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.

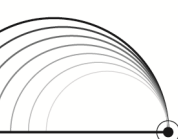
The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rates	1.00%	1.40%
Expected rates of salary increase	2.25%	2.25%

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	
	2018	2017
Discount rates		
0.5% increase	<u>\$ (68,045)</u>	<u>\$ (66,555)</u>
0.5% decrease	<u>\$ 73,072</u>	<u>\$ 71,358</u>
Expected rates of salary increase		
0.5% increase	<u>\$ 70,646</u>	<u>\$ 70,406</u>
0.5% decrease	<u>\$ (66,487)</u>	<u>\$ (66,348)</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.

**24. EQUITY**

	December 31	
	2018	2017
Share capital		
Ordinary shares	\$ 33,260,002	\$ 33,660,002
Capital surplus	15,966,420	15,854,392
Retained earnings	32,144,727	19,234,380
Others	(4,043,137)	2,090,607
Treasury shares	-	(315,918)
Non-controlling interests	<u>1,936,331</u>	<u>1,756,793</u>
	<u>\$ 79,264,343</u>	<u>\$ 72,280,256</u>

a. Share capitalOrdinary shares

	December 31	
	2018	2017
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>3,326,001</u>	<u>3,366,001</u>
Amount of issued shares	<u>\$ 33,260,002</u>	<u>\$ 33,660,002</u>

As of January 1, 2017, the balance of WLC's share capital account was NT\$33,960,002 thousand, divided into 3,396,001 thousand shares at a NT\$10.00 par value.

WLC cancelled 40,000 thousand and 30,000 thousand treasury shares in August 2018 and May 2017. As of December 31, 2018 and December 31, 2017, the balance of WLC's capital account was NT\$33,260,002 thousand, NT\$33,660,002 thousand, divided into 3,326,001 thousand and 3,366,001 thousand shares at par value of NT\$10, respectively.

b. Capital surplus

	December 31	
	2018	2017
Premium from issuance of ordinary shares	\$ 10,173,533	\$ 10,295,885
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	615	-
Arising from share of changes in capital surplus from investments in associates under equity method	242,323	214,990
Arising from treasury share transactions	2,448,303	2,241,869
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,415</u>	<u>1,027,417</u>
	<u>\$ 15,966,420</u>	<u>\$ 15,854,392</u>





The premium from shares issued in excess of par (share premium from issuance of ordinary 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. Refer to Note 26 for WLC's amended Articles that stipulated distribution of employees' compensation and remuneration of directors and supervisors.

In 2018, the shareholders held their regular meetings and amended the Articles of Incorporation. Based on WLC's amended Articles of Incorporation, 10% of WLC's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals WLC's paid-in capital. Also, WLC 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 WLC and will be distributed to shareholders. WLC shall reserve no lesser than 40% of the balance amount as shareholder's profit after offsetting its loss and tax payments 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.

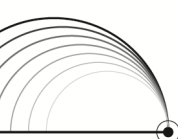
An appropriation of earnings to a legal reserve shall be made until the legal reserve equals WLC's paid-in capital. The legal reserve may be used to offset any deficits. If WLC has no deficit and the legal reserve has exceeded 25% of WLC's paid-in capital, the excess may be transferred to capital or 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.

The appropriation of earnings for 2017 and 2016 was approved in the shareholders' meeting on May 25, 2018 and May 26, 2017. The appropriation and dividends per share were as follows:





	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 655,998	\$ 456,813	\$ -	\$ -
Cash dividends	<u>3,326,000</u>	<u>2,328,200</u>	1.0	0.7
	<u>\$ 3,981,998</u>	<u>\$ 2,785,013</u>		

The appropriation of earnings for 2018 had been resolved by WLC's board of directors on February 22, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,175,678	\$ -
Special reserve	1,330,880	-
Cash dividends	<u>3,991,200</u>	1.20
	<u>\$ 3,981,998</u>	

The appropriation of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on May 24, 2019.

d. Special reserves

Information regarding the aforementioned special reserve did not change for the years ended December 31, 2018 and 2017.

e. Other equity items⁰

1) Foreign currency translation reserve

	For the Year Ended December 31	
	2018	2017
Beginning balance	\$ (2,944,758)	\$ (2,110,122)
Share of exchange difference of associates under equity method	<u>(622,782)</u>	<u>(834,636)</u>
Ending balance	<u>\$ (3,567,540)</u>	<u>\$ (2,944,758)</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	
	2018	2017
Beginning balance	\$ 5,042,894	\$ 1,225,921
Effect of retrospective application of IFRS 9	(5,042,894)	-
Unrealized gain arising on revaluation of available-for-sale financial assets	-	760,541
Share of unrealized gain on revaluation of available-for-sale financial assets of associates under equity method	-	3,092,526
Disposal of available-for-sale financial assets	-	(36,094)
Ending balance	<u>\$ -</u>	<u>\$ 5,042,894</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.

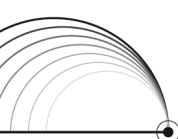
3) Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	\$ -
Effect of retrospective application of IFRS 9	<u>1,875,068</u>
Beginning balance (IFRS 9)	1,875,068
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal (Note 14)	252,951
Unrealized loss on financial assets at fair value through other comprehensive income	(719,216)
Share of other comprehensive income of associates accounted for using the equity method	<u>(1,883,249)</u>
Ending balance	<u>\$ (474,446)</u>

4) Cash flow hedges

	For the Year Ended December 31	
	2018	2017
Beginning balance	\$ (7,529)	\$ (13,671)
Transferred to carrying amount of hedged items	6,499	2,133
Others	<u>(121)</u>	<u>4,009</u>
Ending balance	<u>\$ (1,151)</u>	<u>\$ (7,529)</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, 2018 were summarized as follows:

Purpose of Reacquisition of Ordinary Shares	Number of Treasury Shares as of January 1, 2018	Treasury Share Increase During the Period	Treasury Share Decrease During the Period	Number of Treasury Shares as of December 31, 2018
Ordinary shares held by WLC as reserve for employees' incentives	<u>40,000,000</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>

Treasury share transactions for the year ended December 31, 2017 were summarized as follows:

Purpose of Reacquisition of Ordinary 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
Ordinary 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>

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.

25. REVENUE

	For the Year Ended December 31	
	2018	2017
Sales revenue	\$ 175,678,575	\$ 161,392,747
Sales of real estate	13,262,131	5,121,782
Revenue from the rendering of services	327,609	283,508

(Continued)





	For the Year Ended December 31	
	2018	2017
Construction contract revenue	660,631	24,797
Rental income	922,838	855,908
Other revenue	<u>63,353</u>	<u>113,843</u>
	<u>\$ 190,915,137</u>	<u>\$ 167,792,585</u>
		(Concluded)

26. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

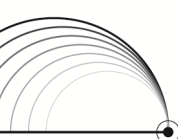
Non-operating Income and Expenses - Gain (Loss) on Disposal of Investments

	For the Year Ended December 31	
	2018	2017
Gain (loss) on disposal of investments - forward exchange contracts settled	\$ (3,958)	\$ 39,942
(Loss) gain on disposal of investments - exchange rate swap contracts settled	(8,060)	(71,035)
Gain (loss) on disposal of investments - commodity futures contracts settled	367,681	(275,052)
Gain on disposal of investments - financial assets at fair value through profit or loss	5	-
Gain on disposal of financial assets measured at cost	-	546
Gain on disposal of investments - funds	-	9,120
Gain on disposal of investments - available-for-sale financial assets - non-current	<u>-</u>	<u>35,871</u>
	<u>\$ 355,668</u>	<u>\$ (260,608)</u>

Non-operating Income and Expenses - Impairment Loss

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 78,400	\$ 163
Others	<u>147</u>	<u>(96)</u>
	<u>\$ 78,547</u>	<u>\$ 67</u>



**Employee Benefits Expense, Depreciation and Amortization**

For the Year Ended December 31, 2018				
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	\$ 3,364,348	\$ 1,962,684	\$ -	\$ 5,327,032
Post-employment benefits	\$ 209,499	\$ 99,932	\$ -	\$ 309,431
Other employee benefits	\$ 386,571	\$ 199,384	\$ -	\$ 585,955
Depreciation				
Property, plant and equipment	\$ 1,340,475	\$ 167,245	\$ 7,337	\$ 1,515,057
Investment properties	210,611	9,327	-	219,938
	\$ 1,551,086	\$ 176,572	\$ 7,337	\$ 1,734,995
Amortization	\$ 15,132	\$ 17,841	\$ -	\$ 32,973
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

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, 2018 and 2017, the employees' compensation amounted to NT\$125,000 thousand and NT\$73,000 thousand, respectively, and the remuneration of directors and supervisors amounted to NT\$63,000 thousand and NT\$51,000 thousand, respectively, representing 0.5% 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, 2018 and 2017 were approved by the Group's board of directors on February 22, 2019 and February 23, 2018, 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, 2017 and 2016 resolved by WLC's board of directors on February 23, 2018 and February 17, 2017, 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.

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

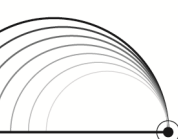
- a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 2,134,360	\$ 1,649,596
Reserve for land value increment tax	2,476,172	1,067,575
Income tax expense of unappropriated earnings	239,219	174,552
In respect of prior periods	<u>26,866</u>	<u>15,576</u>
	<u>4,876,617</u>	<u>2,907,299</u>
Deferred tax		
In respect of the current year	(103,096)	(206,942)
Effect of tax rate changes	(57,196)	-
Others	<u>(4,638)</u>	<u>78</u>
	<u>(164,930)</u>	<u>(206,864)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,711,687</u>	<u>\$ 2,700,435</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	
	2018	2017
Income before tax from continuing operations	<u>\$ 16,670,974</u>	<u>\$ 9,394,448</u>
Income tax expense calculated at the statutory rate	\$ 4,991,368	\$ 2,680,979
Equity in investees' net (gain) loss	(2,394,973)	(966,360)
Dividend income	(34,575)	(26,852)
Net gain on disposal of investments	-	(6,191)
Loss on investees' capital reduction for cover accumulated deficits	(104,251)	(112,387)

(Continued)



	For the Year Ended December 31	
	2018	2017
Others	(528,511)	(314,269)
Unrecognized loss carryforwards/deductible temporary differences	(17,922)	187,734
Adjustments for prior years' tax	27,964	15,654
Effect of tax rate changes	57,196	-
Income tax of unappropriated earnings	239,219	174,552
Reserve for land revaluation increment tax	<u>2,476,172</u>	<u>1,067,575</u>
Income tax expense recognized in profit or loss	<u>\$ 4,711,687</u>	<u>\$ 2,700,435</u> (Concluded)

In 2017, the applicable corporate income tax rate used by the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other Groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	<u>\$ 22,161</u>	<u>\$ 61,575</u>
Current tax liabilities		
Income tax payable	<u>\$ 4,389,952</u>	<u>\$ 3,147,811</u>

c. Deferred tax assets and liabilities

	December 31	
	2018	2017
Deferred tax assets		
Net operating loss carryforwards	\$ 51,278	\$ 36,939
Pension expense not currently deductible	87,000	111,000
Provision for devaluation loss on obsolete and slow-moving inventories	121,203	24,135
Provision for impairment loss on idle assets	19,000	18,000
Unrealized gross profit from intercompany transactions	5,854	6,510
		(Continued)





	December 31	
	2018	2017
Provision for permanent devaluation loss on long-term investments	52,000	46,460
Difference between financial and tax accounting of the depreciation of property, plant and equipment	5,805	125
Prepaid expense	1,049,775	699,507
Others	265,596	279,754
Deferred income tax liabilities		
Difference between financial and tax accounting of the depreciation of property, plant and equipment	(12,812)	(12,623)
Reserve for land revaluation increment tax	(149,557)	(132,005)
Others	<u>(20,126)</u>	<u>(23,884)</u>
	<u>\$ 1,475,017</u>	<u>\$ 1,053,918</u>
Deferred income tax assets - non-current	\$ 1,657,511	\$ 1,222,430
Deferred income tax liabilities - non-current	<u>(182,494)</u>	<u>(168,512)</u>
	<u>\$ 1,475,017</u>	<u>\$ 1,053,918</u> (Concluded)

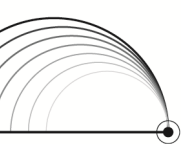
- d. The Group's loss carryforwards as of December 31, 2015 for income tax purposes were as follows:

Expiry Year	Net Operating Loss Tax Credit
2020	\$ 25,799
2022	6,928
2023	<u>18,551</u>
	<u>\$ 51,728</u>

- e. WLC's income tax returns through 2016 had been examined and cleared by the tax authorities, but not for 2015.

28. EARNINGS PER SHARE

	For the Year Ended December 31					
	2018			2017		
	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	\$ 11,756,781	3,326,000	<u>\$ 3.53</u>	\$ 6,559,984	3,326,000	<u>\$ 1.97</u> (Continued)



For the Year Ended December 31					
2018			2017		
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 WLC's Shareholders)	Shares (Denominator) (In Thousands)	(Attributable to WLC's Shareholders)	(Attributable to WLC's Shareholders)	Shares (Denominator) (In Thousands)	(Attributable to WLC's Shareholders)
Effect of dilutive potential ordinary shares					
Diluted earnings per share	-	8,113	-	4,638	
Diluted earnings per share					
Net income plus dilutive effect	<u>\$ 11,756,781</u>	<u>3,334,113</u>	<u>\$ 3.53</u>	<u>\$ 6,559,984</u>	<u>3,330,638</u> <u>\$ 1.97</u>

(Concluded)

29. 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 are as follows:

Year of 2019	\$ 130,851
2020-2024	274,363
After 2024	<u>140,416</u>
	<u>\$ 545,630</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, 2018 and 2017, deposits received under operating leases amounted to NT\$206,297 thousand and NT\$203,216 thousand, respectively (recorded under other non-current liabilities).

As of December 31, 2018, the Group's future minimum lease receivables on non-cancelable operating lease commitments are as follows:

Year of 2018	\$ 738,586
2019-2023	<u>1,367,363</u>
	<u>\$ 2,105,949</u>



30. 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.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

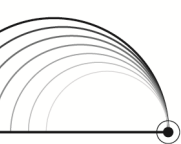
Except for the financial assets that are measured at cost, the management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximates of their respective fair values.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other <u>comprehensive income</u>				
Equity securities				
Securities listed in the ROC	\$ 3,017,673	\$ -	\$ -	\$ 3,017,673
Unlisted securities - ROC	<u>-</u>	<u>-</u>	<u>973,545</u>	<u>973,545</u>
	<u>\$ 3,017,673</u>	<u>\$ -</u>	<u>\$ 973,545</u>	<u>\$ 3,991,218</u>
Financial liabilities at <u>FVTPL</u>				
Derivatives not designated as hedging instruments	\$ 94,858	\$ 568	\$ -	\$ 95,426
Derivative financial liabilities for hedging	<u>-</u>	<u>15,630</u>	<u>-</u>	<u>15,630</u>
	<u>\$ 94,858</u>	<u>\$ 16,198</u>	<u>\$ -</u>	<u>\$ 110,056</u>

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>

- 2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.
- 3) Financial assets which belong to Level 3 are recognized in other comprehensive income - change in fair value, and there are no other adjustment.
- 4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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.

- 5) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted equity securities	Market approach. Fair values are determined based on observable and comparable companies' fair values at the end of the reporting period, adjusted by price-earnings ratio and price-to-book ratio of the investees.

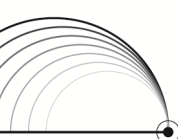


c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 9,406,154	\$ -
Notes receivable and trade receivables (including related parties)	15,574,018	-
Finance lease receivables (current and non-current)	883,480	-
Other receivables	1,212,252	-
Other financial assets	114,255	-
Refundable deposits	187,053	-
Loans and receivables		
Cash and cash equivalents	-	10,952,691
Notes receivable and trade receivables (including related parties)	-	14,802,967
Finance lease receivables (current and non-current)	-	934,238
Other receivables	-	488,554
Other financial assets	-	1,401,866
Refundable deposits	-	186,507
Financial assets at amortized cost - current	1,489,831	-
Debt investments with no active market - current	-	1,459,958
Financial assets at FVTPL (current and non-current)	95,426	129,615
Derivative financial assets for hedging	15,630	7,430
Financial assets at fair value through other comprehensive income (current and non-current)	3,991,218	-
Available-for-sale financial assets (current and non-current)	-	3,702,495
Financial assets measured at cost - non-current	-	2,509,320
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	-	27,710
Financial liabilities at amortized cost		
Short-term borrowings	10,024,097	6,815,772
Notes payable and trade payables	9,053,695	9,690,297
Other payables	3,513,168	3,635,500
Long-term borrowings (including current portion)	24,557,607	22,121,804
Deposits received (accounted for as other non-current liabilities)	402,683	352,186

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 interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

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 denominated 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	
	2018	2017
<u>Assets</u>		
US dollars	\$ 8,007,642	\$ 6,039,250
Japanese yen	132,123	66,520
Euros	493,291	899,703
Singapore dollars	19,167	26,816
Hong Kong dollars	8,665	18,424
Malaysian ringgit	363,824	334,663
Indonesian rupiah	-	31,739
<u>Liabilities</u>		
US dollars	6,051,498	5,881,138
Euros	260	1,311
Japanese yen	42,746	31,190
Malaysian ringgit	45,816	52,341



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	
	2018	2017
<u>Assets</u>		
US dollars	\$ 2,795,065	\$ 4,462,525
Euros	176,000	-
<u>Liabilities</u>		
US dollars	5,645,417	1,817,635
Euros	552,553	33,275
Singapore dollars	86,908	-

Sensitivity analysis

The Group was mainly exposed to US 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.

	US Dollar Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	\$ (8,942)	\$ 28,030

b) Interest rate risk

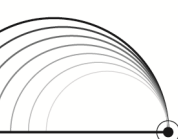
The Group's interest rate risk arises primarily from fixed and floating rate deposits and borrowings.

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	
	2018	2017
Cash flow interest rate risk		
Financial assets	\$ 1,489,831	\$ 1,459,958
Financial liabilities	34,581,704	28,937,576

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, 2018 and 2017 would have decreased by NT\$330,919 thousand and NT\$274,776 thousand, respectively.

Hedge accounting

For the year ended December 31, 2018

The Group's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure on 100% of the fair value of its foreign currency denominated receipts and payments and to manage exchange rate exposure. Those transactions are designated as fair value hedges. Adjustments are recognized directly in profit or loss and are presented as hedged items on the consolidated statements of comprehensive income.

Hedging Instruments	Currency	Notional Amount	Maturity Date	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Effectiveness
						Assets	Liabilities	
Fair value hedges								
Exchange rate swap contracts	USD to NTD	US\$45,000/ NTD1,376,380	2019/3/26	\$ 1,373,136	Deduction on financial assets for hedging	\$ -	\$ 3,244	\$ -
	USD to RMB	US\$10,000/ RMB 69,251	2019/3/26	RMB 69,553	Financial assets for hedging	RMB 338	-	-
	USD to RMB	US\$55,000/ RMB381,811	2019/3/28	RMB 385,690	Financial assets for hedging	RMB 3,880	-	-

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, 2018

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 14,588,293	\$ 2,648,447	\$ 17,344,964	\$ -	\$ 34,581,704
Non-interest bearing	<u>12,566,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,566,863</u>
	<u>\$ 27,155,156</u>	<u>\$ 2,648,447</u>	<u>\$ 17,344,964</u>	<u>\$ -</u>	<u>\$ 47,148,567</u>

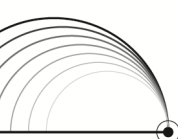
December 31, 2017

	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>

- b) The Group's derivative financial instruments with agreed upon settlement dates were as follows:

December 31, 2018

	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	\$ 18,386	\$ 102,345	\$ (25,873)	\$ -	\$ 94,858
Forward exchange contracts	-	15,630	-	-	15,630
Foreign exchange rate swap contracts	<u>5,750</u>	<u>(3,365)</u>	<u>(1,817)</u>	<u>-</u>	<u>568</u>
	<u>\$ 24,136</u>	<u>\$ 114,610</u>	<u>\$ (27,690)</u>	<u>\$ -</u>	<u>\$ 111,056</u>

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>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2018 and 2017 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, 2018</u>					
CTBC Bank	<u>\$ 171,614</u>	<u>\$ 181,460</u>	<u>\$ -</u>	-	US\$ 3,000
For the year ended <u>December 31, 2017</u>					
CTBC Bank	<u>\$ 148,157</u>	<u>\$ 128,351</u>	<u>\$ -</u>	-	US\$ 3,000

32. 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

(Continued)





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, associate since April 20, 2018
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
VVG Inc.	Actual related party
Nuvoton Technology Corporation	Actual related party

(Concluded)

b. Sales

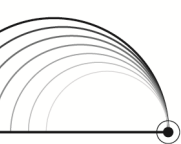
	For the Year Ended December 31	
	2018	2017
Associates	\$ 9,406	\$ 8,827
Other related parties	<u>999,664</u>	<u>812,293</u>
	<u>\$ 1,009,070</u>	<u>\$ 821,120</u>

c. Rental income

	For the Year Ended December 31	
	2018	2017
Associates	\$ 38,712	\$ 27,488
Other related parties	<u>13,361</u>	<u>19,918</u>
	<u>\$ 52,073</u>	<u>\$ 47,406</u>

d. Purchases

	For the Year Ended December 31	
	2018	2017
Associates	\$ 12,046	\$ 44,884
Other related parties	<u>2,803</u>	<u>849</u>
	<u>\$ 14,849</u>	<u>\$ 45,733</u>



e. Administrative expenses

	For the Year Ended December 31	
	2018	2017
Associates	\$ 10,476	\$ 9,722
Other related parties	<u>11,785</u>	<u>11,661</u>
	<u>\$ 22,261</u>	<u>\$ 21,383</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. Dividend income

	For the Year Ended December 31	
	2018	2017
HannStar Display Corp.	\$ 118,646	\$ 118,646
HannStar Board Corp.	47,165	35,373
Other related parties	<u>4,816</u>	<u>9,632</u>
	<u>\$ 170,627</u>	<u>\$ 163,651</u>

g. Notes receivable

	December 31	
	2018	2017
Associates	\$ 2,452	\$ 594
Other related parties	<u>104</u>	<u>83</u>
	<u>\$ 2,556</u>	<u>\$ 677</u>

h. Trade receivables

	December 31	
	2018	2017
Associates	\$ 295	\$ 263
Other related parties	<u>22,827</u>	<u>11,764</u>
	<u>\$ 23,122</u>	<u>\$ 12,027</u>

i. Notes payable

	December 31	
	2018	2017
Associates	<u>\$ 4,923</u>	<u>\$ 38,339</u>



j. Trade payables

	December 31	
	2018	2017
Associates	\$ -	\$ 668
Other related parties	<u>171</u>	<u>-</u>
	<u>\$ 171</u>	<u>\$ 668</u>

k. Other receivables

	December 31	
	2018	2017
Associates	\$ 14,169	\$ 6,965
Other related parties	<u>2,595</u>	<u>2,470</u>
	<u>\$ 16,764</u>	<u>\$ 9,435</u>

l. Financing provided

Financing provided for year ended December 31, 2018 are as follows:

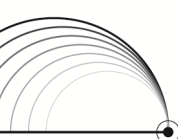
	December 31, 2018			
Related Parties	Highest Balance for the Period	Ending Balance	Interest Income	Interest Rate
Associates	\$ 360,054	\$ 358,014	\$ 1,489	4.79%

m. Guarantee deposits

	December 31	
	2018	2017
Associates	\$ 8,916	\$ 6,193
Other related parties	<u>2,139</u>	<u>3,923</u>
	<u>\$ 11,055</u>	<u>\$ 10,116</u>

n. Property, plant and equipment disposed of

	For the Year Ended December 31			
	2018		2017	
	Price	Gain on Disposals	Price	Gain on Disposals
Associates	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ -</u>



o. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	December 31	
	2018	2017
Short-term benefits	\$ 223,394	\$ 193,632
Post-employment benefits	<u>2,867</u>	<u>2,355</u>
	<u>\$ 226,261</u>	<u>\$ 195,987</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

33. 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	
	2018	2017
Restricted deposits (recorded under other financial assets - current)	\$ 58,039	\$ 328,049
Time deposits (recorded under other financial assets - current)	55,466	114,329
Finance lease receivables - current	52,489	50,758
Finance lease receivables - non-current	830,991	883,480
Other non-current assets	<u>33,400</u>	<u>33,400</u>
	<u>\$ 1,030,385</u>	<u>\$ 1,410,016</u>

34. 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, 2018 and 2017 were as follows:

a. Outstanding letters of credit not reflected in these consolidated financial statements as of December 31, 2018 and 2017 were as follows (in thousands):

	December 31	
	2018	2017
US dollars	US\$ 48,781	US\$ 46,523
Japanese yen	JPY 187,216	JPY 92,480
Euros	EUR 3,212	EUR 1,206
New Taiwan dollars	NT\$ 48,486	NT\$ 24,009



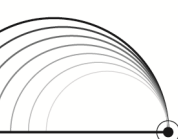
- b. As of December 31, 2018, the outstanding standby letters of credit not reflected in these consolidated financial statements amounted to approximately NT\$467,314 thousand, US\$10 and RMB62,056 thousand. As of December 31, 2017, the outstanding standby letters of credit not reflected in these consolidated financial statements amounted to approximately NT\$358,899 thousand, US\$66 thousand and RMB110,631. As of December 31, 2018 and 2017, tariff letters of credit amounted to approximately NT\$587,000 thousand, RMB3,500 thousand and NT\$657,000 thousand, respectively.
- c. Non-cancelable copper and nickel procurement contracts with a total contract value of US\$36,885 thousand and US\$45,383 thousand and RMB72,061 thousand were in effect as of December 31, 2018 and 2017, respectively.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is aggregated by foreign currencies other than functional currencies of the Group, 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, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
US dollars	\$ 260,708	30.7150	\$ 8,007,642
Japanese yen	474,920	0.2782	132,123
Euros	14,014	35.2000	493,291
Singapore dollars	853	22.4800	19,167
Hong Kong dollars	2,210	3.9210	8,665
Malaysian ringgit	51,156	7.11200	363,824
<u>Financial liabilities</u>			
Monetary items			
US dollars	197,021	30.7150	6,051,498
Euros	1,214	35.2000	42,746
Japanese yen	936	0.2782	260
Malaysian ringgit	6,442	7.11200	45,816
Swiss francs	17	31.1850	530
Non-monetary items			
US dollars	4,350	30.7150	133,621
Euros	92	35.2000	3,244



December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
US 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
<u>Financial liabilities</u>			
Monetary items			
US 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			
US dollars	2,311	29.7600	68,780
Euros	393	35.5700	13,964
			(Concluded)


For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gains (losses) were gains of NT\$271,081 thousand and gains of NT\$17,907 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.

36. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- Financing provided: See Table 1 attached;
- Endorsements/guarantees provided: See Table 2 attached;
- Marketable securities held: See Table 3 attached;
- 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;
- 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 Notes 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;

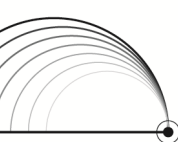
Information on investments in mainland China:

- 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.

37. 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:

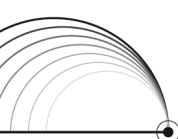
	(NT\$ in Thousand)				
	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>For the year ended December 31, 2018</u>					
External net sales and operating revenues	\$ 98,686,714	\$ 63,405,408	\$ 14,308,373	\$ 14,514,643	\$ 190,915,137
Operating profit (loss)	1,720,389	1,448,994	8,101,515	184,131	11,455,029
Net non-operating income (expenses)					
Net interest income (expenses)					(328,880)
Share of profit of associates under equity method					5,046,006
Dividend income					177,925
Gain on disposal of property, plant and equipment					(11,616)
Gain on disposal of investments					(73,152)
Loss on disposal of intangible assets					
Foreign exchange gain, net					271,081
Loss on financial assets and liabilities at fair value through profit or loss					85,216
Impairment loss					(78,547)
Net other income (expenses)					<u>127,912</u>
Consolidated income before income tax					<u>\$ 16,670,974</u>
<u>For the year ended December 31, 2017</u>					
External net sales and operating revenue	98,643,991	54,895,297	6,046,560	8,206,737	\$ 167,792,585
Operating profit	1,424,382	2,058,128	3,523,888	431,513	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>

2) Segment assets and liabilities

	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>Segment assets</u>					
December 31, 2018	\$ 15,273,620	\$ 33,047,809	\$ 27,588,996	\$ 56,743,685	<u>\$ 132,654,110</u>
December 31, 2017	17,395,883	31,885,133	32,387,785	48,581,944	<u>\$ 130,250,745</u>
<u>Segment liabilities</u>					
December 31, 2018	5,539,950	21,537,430	13,990,334	12,322,053	<u>\$ 53,389,767</u>
December 31, 2017	7,629,543	17,963,162	21,666,521	10,711,263	<u>\$ 57,970,489</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:



	Revenue from External Customers		Non-current Assets	
	2018	2017	December 31	2017
Asia	\$ 173,549,235	\$ 152,521,105	\$ 35,548,186	\$ 31,644,449
United States				
of America	11,604,394	9,440,512	-	-
Europe	2,858,304	2,812,151	-	-
Others	<u>2,903,204</u>	<u>3,018,817</u>	<u>-</u>	<u>-</u>
	<u>\$ 190,915,137</u>	<u>\$ 167,792,585</u>	<u>\$ 35,548,186</u>	<u>\$ 31,644,449</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 2018 and 2017.



TABLE 1

WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, US 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	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	\$ 10,938,049 (US\$ 69,000) (RMB 1,900,000)	\$ 10,622,177 (US\$ 69,000) (RMB 1,900,000)	\$ 7,296,355 (US\$ 19,000) (RMB 1,500,000)	2.05%-3.915%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 30,931,205 (US\$ 1,007,039)	\$ 30,931,205 (US\$ 1,007,039)
		Walsin Lihwa Corporation	Other receivables	Yes	7,738,750 (US\$ 250,000)	1,996,475 (US\$ 65,000)	1,996,475 (US\$ 65,000)	2.22%-3.40%	Operating capital	-	Operating capital	-	-	-	8,175,248 (US\$ 266,173)	8,175,248 (US\$ 266,173)
2	Walsin (China) Investment Co., Ltd.	Hangzhou Walsin Power Cable & Wire Co., Ltd.	Other receivables	Yes	360,054 (RMB 80,000)	358,014 (RMB 80,000)	358,014 (RMB 80,000)	4.79%	Operating capital	-	Operating capital	-	-	-	1,637,388 (US\$ 53,311)	1,637,388 (US\$ 53,311)
		Walsin (Nanjing) Development Co., Ltd.	Other receivables	Yes	8,873,361 (RMB 1,900,000)	7,160,288 (RMB 1,600,000)	611,905 (RMB 136,733)	5.22%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Yantai Walsin Stainless Steel Co., Ltd.	Other receivables	Yes	2,321,625 (US\$ 75,000)	2,303,625 (US\$ 75,000)	2,285,595 (US\$ 74,413)	2.13%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Other receivables	Yes	1,702,525 (US\$ 55,000)	1,382,175 (US\$ 45,000)	1,369,797 (US\$ 44,597)	2.13%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Changshu Walsin Specialty Steel Co., Ltd.	Other receivables	Yes	2,106,506 (US\$ 58,000) (RMB 70,000)	2,094,733 (US\$ 58,000) (RMB 70,000)	1,632,351 (US\$ 52,607) (RMB 3,693)	2.13%-4.35%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Walsin Hihwa Holdings Limited	Other receivables	Yes	8,873,361 (RMB 1,900,000)	8,502,842 (RMB 1,900,000)	- (RMB -)	-	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Dongguan Walsin Wire & Cable Co., Ltd.	Other receivables	Yes	2,277,256 (US\$ 40,000) (RMB 230,000)	2,257,891 (US\$ 40,000) (RMB 230,000)	66,823 (US\$ -) (RMB 14,932)	3.915%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)
		Jiangyin Walsin Steel Cable Co., Ltd.	Other receivables	Yes	619,100 (US\$ 20,000)	614,300 (US\$ 20,000)	306,106 (US\$ 9,966)	2.13%	Operating capital	-	Operating capital	-	-	-	1,637,388 (US\$ 53,311)	1,637,388 (US\$ 53,311)
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Other receivables	Yes	588,145 (US\$ 19,000)	276,435 (US\$ 9,000)	275,421 (US\$ 8,967)	2.13%	Operating capital	-	Operating capital	-	-	-	1,637,388 (US\$ 53,311)	1,637,388 (US\$ 53,311)
3	Dongguan Walsin Wire & Cable Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	2,277,256 (US\$ 230,000) (RMB 40,000)	2,257,891 (US\$ 230,000) (RMB 40,000)	- (US\$ -) (RMB -)	-	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)

(Continued)

Notes:

1. According to the financing regulations provided by Walsin Lihwa Holdings Limited, Walsin (China) Investment Co., Ltd. and Dongguan Walsin Wire & Cable Co., Ltd., the total limit on the amount of the financing provided to a single enterprise that holds directly or indirectly 100% of the voting rights of a subsidiary whose equity is 100%-owned, directly or indirectly by the parent company cannot exceed 40% of the equity of the parent company as presented in the consolidated financial statements of Walsin Lihwa Corporation. The limit on the amount of financing provided to a single enterprise that holds less than 100% of a subsidiary whose equity is less than 100%-owned, directly or indirectly by its parent company, cannot exceed 40% of the parent company's equity as presented in its the consolidated financial statements of a subsidiary. If the financing is ait is an one-time funding, the amount for an individual loan shall not exceed 40 % of the financing company's net worth as stated in the financing company's most current consolidated financial statements. If it is a revolving funding, the amount for an individual loan shall not exceed 10 % of the financing company's net worth in the financing company's most current consolidated financial statements.

- a. The limit on the amount of financing provided to a single enterprise was as follows:

Jiangyin Walsin Steel Cable Co., Ltd. = $\text{US\$}133,277 \times 40\% = \text{US\$}53,311$ (1,637,388).
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. = $\text{US\$}133,277 \times 40\% = \text{US\$}53,311$ (1,637,388).
Walsin (China) Investment Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Walsin Lihwa Corporation = $\text{US\$}665,432 \times 40\% = \text{US\$}266,173$ (8,175,248).
Walsin (Nanjing) Development Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Yantai Walsin Stainless Steel Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Jiangyin Walsin Specialty Alloy Materials Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Changshu Walsin Specialty Steel Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Dongguan Walsin Wire & Cable Co., Ltd. = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Walsin Lihwa Holdings Limited = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Hangzhou Walsin Power Cable & Wire Co., Ltd. = $\text{US\$}133,277 \times 40\% = \text{US\$}53,311$ (1,637,388).

- b. The limit on the amount of financing provided was as follows:

Walsin Lihwa Corporation = $\$77,328,012 \times 40\% = \$30,931,205$ (US\$1,007,039).
Walsin Lihwa Holdings Limited = $\text{US\$}665,432 \times 40\% = \text{US\$}266,173$ (8,175,248).
Walsin (China) Investment Co., Ltd. = $\text{US\$}133,277 \times 40\% = \text{US\$}53,311$ (1,637,388).

2. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of US dollars and Renminbi.
3. The currency exchange rate as of December 31, 2018 was as follows: US\$ to NT\$ = 1:30.715; RMB to NT\$ = 1:4.47518; US\$ to RMB = 1:6.8632.

(Concluded)

TABLE 1-1

CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and US 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		
4	Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	\$ 5,819,540 (US\$ 188,000)	\$ 5,467,270 (US\$ 178,000)	\$ 5,467,270 (US\$ 178,000)	2.05%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 30,931,205 (US\$ 1,007,039)	\$ 30,931,205 (US\$ 1,007,039)

Notes:

- According to the financing regulations provided by Concord Industries Limited, the total limit on the amount of financing provided to a subsidiary whose equity is 100%-owned, directly or indirectly by the parent company cannot exceed 40% of the equity of the parent company as presented in the consolidated financial statements of Walsin Lihwa Corporation.
 - The limit on the amount of financing provided to a single enterprise is as follows:
$$\text{Walsin (China) Investment Co., Ltd.} = \text{NT\$}77,328,012 \times 40\% = \text{NT\$}30,931,205 \text{ (US\$1,007,039)}.$$
 - The limit on the highest amount of financing provided is as follows:
$$\text{The limit on the amount of financing provided} = \text{NT\$}77,328,012 \times 40\% = \text{NT\$}30,931,205 \text{ (US\$1,007,039)}.$$
- The currency exchange rate as of December 31, 2018 is as follows: US\$ to NT\$ = 1:30.715.

TABLE 1-2

CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and US 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	\$ 819,688 (US\$ 26,480)	\$ 813,333 (US\$ 26,480)	\$ 813,333 (US\$ 26,480)	2.13%	Operating capital	\$ -	Operating capital	\$ -	-	\$ -	\$ 30,931,205 (US\$ 1,007,039)	\$ 30,931,205 (US\$ 1,007,039)
6	Walsin (Nanjing) Development Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	7,472,304 (RMB 1,600,000)	7,160,288 (RMB 1,600,000)	- (RMB -)	3.30%	Operating capital	-	Operating capital	-	-	-	30,931,205 (US\$ 1,007,039)	30,931,205 (US\$ 1,007,039)

Notes:

1. According to the financing regulations provided by Joint Success Enterprises Limited, the total limit on the amount of the financing provided to a subsidiary whose equity is 100%-owned, directly or indirectly by the parent company, cannot exceed 40% of the equity of the parent company as presented in the consolidated financial statements of Walsin Lihwa Corporation. The limit on the amount of financing provided to a subsidiary whose equity is less than 100%-owned, directly or indirectly by its parent company, cannot exceed 40% of the parent company's equity as presented in the parent company's most current consolidated financial statements. If the financing is a one-time funding, the amount for an individual loan shall not exceed 40 % of the parent company's net worth in the parent company's most current consolidated financial statements. If it is a revolving fund, the amount for an individual loan shall not exceed 10 % of the parent company's net worth in the parent company's most current consolidated financial statements.
 - a. The limits on the amount of financing provided to a single enterprise are as follows:
 Walsin (Nanjing) Development Co., Ltd. = NT\$77,328,012 × 40% = NT\$30,931,205 (US\$1,007,039).
 Walsin (China) Investment Co., Ltd. = NT\$77,328,012 × 40% = NT\$30,931,205 (US\$1,007,039)
 - b. The limit on the maximum amount of financing provided is as follows:
 The limit on the maximum amount of financing provided = NT\$77,328,012 × 40% = NT\$30,931,205 (US\$1,007,039).
2. The currency exchange rates as of December 30, 2018 are as follows: US\$ to NT\$ = 1:30.715, RMB to NT\$ = 1:4.47518; US\$ to RMB = 1:6.8632.

TABLE 2

WALSIN LIHWA CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and US 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\$ 3,148,134 (US\$ 102,495)	NT\$ 1,021,515 (US\$ 33,000)	NT\$ 1,013,595 (US\$ 33,000)	NT\$ 879,678 (US\$ 28,640)	\$ -	1	NT\$ 77,328,012	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,976,817 (US\$ 64,360)	NT\$ 325,028 (US\$ 10,500)	NT\$ 322,508 (US\$ 10,500)	NT\$ - (US\$ -)	-	-		Yes	No	No
				NT\$ 5,124,951	NT\$ 1,346,543	NT\$ 1,336,103	NT\$ 879,678		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 seven categories.
 - A company with which Walsin Lihwa Corporation does business.
 - A company in which Walsin Lihwa Corporation directly and indirectly holds more than 50% of the voting shares.
 - A company that directly and indirectly holds more than 50% of the voting shares in Walsin Lihwa Corporation.
 - A company in which Walsin Lihwa Corporation directly or indirectly holds 90% or more of the voting shares.
 - A company that fulfills Walsin Lihwa Corporation’s contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
 - A company in which all capital contributing shareholders make endorsements/guarantees for it and Walsin Lihwa Corporation’s joint-investment company in proportion to their shareholding percentages.
 - A company in the same industry as Walsin Lihwa Corporation whereby either provides among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.
- 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:
 $NT\$77,328,012 \times 100\% = NT\$77,328,012$.
 - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:
Borrego Solar Systems, Inc.: $US\$53,966 \times 250\% \times 75.97\% = US\$102,495$.
Green Lake Exchange, LLC.: $US\$25,744 \times 250\% \times 100\% = US\$64,360$.
- The currency exchange rate as of December 31, 2018 was as follows: US\$ to NT\$ = 1:30.715.

TABLE 3**WALSIN LIHWA CORPORATION****MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Walsin Lihwa Corporation	Share							
	HannStar Display Corp.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	237,292,180	\$ 1,670,537	7.34	\$ 1,670,537	
	HannStar Board Corp.	-	Financial assets at fair value through other comprehensive income - non-current	58,955,639	1,347,136	13.09	1,347,136	
	Kuang Tai Metal Industrial Co., Ltd.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	9,631,802	224,778	9.39	224,778	
	One-Seven Trading Co., Ltd.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	30,000	266	6.67	266	
	Global Investment Holdings	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	5,562,000	44,608	2.93	44,608	
	WK Technology Fund	-	Financial assets at fair value through other comprehensive income - non-current	380,477	5,069	1.91	5,069	
	Universal Venture Capital Investment	-	Financial assets at fair value through other comprehensive income - non-current	1,400,000	12,121	1.16	12,121	
	Hwa Bao Botanic Conservation Corp.	The holding company is a supervisor of the issuing company	Financial assets at fair value through other comprehensive income - non-current	75,000	723	15.00	723	

TABLE 3-1

CONCORD INDUSTRIES CONSTRUCTION CO. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
XiAn Lvjing Technology Co., Ltd.	Certification of capital verification	-	Financial assets at fair value through other comprehensive income - non-current	N/A	\$ 141,453	19.00	\$ 141,453	
	Shaanxi Tianhong Silicon Industrial Corporation							

TABLE 3-2**CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2018****(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chin-Cherng Construction Co.	<u>Share</u>							
	Chinshan Hotspring Development Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	8	\$ -	8.00	\$ -	
	Gsharp Corporation	-	Financial assets at fair value through other comprehensive income - non-current	270,000	-	2.73	-	

TABLE 3-3

WALSIN INFO-ELECTRIC CORP. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Walsin Info-Electric Corp.	Share W T International Inc.	-	Financial assets at fair value through other comprehensive income - non-current	228,000	\$ 2,280	7.60	\$ 3,997	

TABLE 3-4

MARKET PILOT LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
XiAn Walsin United Technology Co., Ltd.	Certificate of capital verification Shaanxi Electronic Group Optoelectronics Technology Co., Ltd.	Investee accounted for by the cost method	Financial assets at fair value through other comprehensive income - non-current	N/A	\$ 10,939	6.02	\$ 10,939	

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, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Purpose of Transaction	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount (Note 2)	Shares/Units	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares/Units	Amount (Note 3)
Walsin Lihwa Corporation	Share													
	Powertec Energy Corp.	Investments accounted for using the equity method	Capital investment	Related parties	611,025,882 (Note 1)	\$ 2,273,016	59,258,643	\$ 592,586	399,622,365 (Note 1)	\$ -	\$ 421,537	\$ (255,298) (Note 4)	270,662,160	\$ 2,444,065
	Concord Industries Limited	Investments accounted for using the equity method	Capital investment	Subsidiaries	405,903,187	8,456,321 (Note 5)	82,000,000	2,532,432	-	-	472,547	-	487,903,187	10,516,206

Notes:

1. Powertec Energy Corp. reduced its capital to cover accumulated deficits on January 19, 2018. After its capital reduction, the number of shares held by WLC reduced to 211,403,517, which were recognized as “financial assets at fair value through other comprehensive income”.
2. On April 20, 2018, WLC subscribed for 59,258 thousand shares of Powertec Energy Corp. through the issuance of ordinary shares for cash.
3. The amount included investment income or loss and the share of the change in capital surplus from investments in associates accounted for using the equity method.
4. The relevant financial assets were transferred to “investments accounted for using the equity method” and were recognized at fair value on April 20, 2018, and the transaction was deemed as a disposal of financial assets at fair value through other comprehensive income - non-current. The difference between the fair value and the carrying amount is NT\$255,298 thousand which was recorded as a deduction of unappropriated earnings for the year ended December 31, 2018.
5. The beginning balance including the effect of retrospective application of retrospective application of IFRS 9.

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, 2018
(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 Lihwa (Changzhou) Investment Co., Ltd.	Certificate of capital verification Shanghai Bank No. 2 Structured Product	Debt investments with no active market	Bank of Shanghai	-	N/A	\$ 318,000	N/A	\$ 1,304,000	N/A	\$ 1,304,674	\$ 1,291,000	\$ 13,674	N/A	\$ 331,000
Concord Industries Limited	Certificate of capital verification Yantai Walsin Stainless Steel Co., Ltd.	Investments accounted for using equity method	Capital increased by cash	Subsidiaries	N/A	(2,858)	N/A	286,649 (Note)	-	-	-	-	N/A	283,791

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, 2018
(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	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	\$ (1,391,213)	(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	\$ 133,703	1	
	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(5,155,081)	(3)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	190,945	1	
	Koung Tai Metal Industrial Co., Ltd.	Director of the related party	Sales	(982,705)	(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	22,827	-	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(142,303)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	13,085	-	
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(153,702)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	49,945	-	

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, 2018
(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	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Walsin Lihwa Holdings Limited	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sale	\$ (46,326)	(100)	Normal	Normal	Normal	\$ -	-	
Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Also a subsidiary of Walsin Lihwa Holdings Limited	Sale	(597,250)	(6)	Normal	Normal	Normal	-	-	
	Dongguan Walsin Wire & Cable Co., Ltd.	Also a subsidiary of Walsin Lihwa Holdings Limited	Sale	(246,625)	(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, 2018
(In Thousands of Renminbi)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Also a subsidiary of Concord Industries Limited	Sale	\$ (39,149)	(1)	Normal	Normal	Normal	\$ -	-	
	Changshu Walsin Specialty Steel Co., Ltd.	Also a subsidiary of Concord Industries Limited	Sale	(223,552)	(7)	Normal	Normal	Normal	30,174	4	
	Jiangyin Walsin Stainless Steel Co., Ltd.	Also a subsidiary of Concord Industries Limited	Sale	(80,856)	(3)	Normal	Normal	Normal	11,620	1	

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, 2018
(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 \$ 190,945	17.08	\$ -	-	\$ 157,139	\$ -
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Trade receivables 133,703	20.42	-	-	98,605	-

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, 2018

(In Thousands of Renminbi and US 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	Walsin (China) Investment Co., Ltd.	100% owned subsidiary	Other receivables RMB 2,086,225	-	\$ -	-	\$ -	\$ -
	Walsin Lihwa Corporation	Parent company	Other receivables RMB 458,085	-	-	-	-	-
Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Parent company	Other receivables US\$ 4,900	-	-	-	-	-
	Yantai Walsin Stainless Steel Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables US\$ 74,552	-	-	-	-	-
	Changshu Walsin Specialty Steel Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables US\$ 52,705	-	-	-	-	-
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	18.37% directly owned subsidiary	Other receivables US\$ 44,680	-	-	-	-	-
	Jiangyin Walsin Steel Cable Co., Ltd.	75% indirectly owned subsidiary	Other receivables US\$ 9,985 RMB 155,564	-	-	-	-	-
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	95.71% indirectly owned subsidiary	Other receivables US\$ 8,984	-	-	-	-	-
	Walsin (Nanjing) Development Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables RMB 398,005	-	-	-	-	-
	Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associate	Other receivables RMB 81,308	-	-	-	-	-
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables RMB 142,055	-	-	-	-	-
	XiAn Walsin Metal Product Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables RMB 169,036	-	-	-	-	-

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, 2018
(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		
Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Also a subsidiary of Concord Industries Limited	Trade receivables \$ 30,174	7.72	\$ -	-	\$ 23,277	\$ -
Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Also a subsidiary of Walsin Lihwa Corporation	Other receivables 1,221,650	-	-	-	-	-

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, 2018
(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 Limited	Walsin (Nanjing) Development Co., Ltd.	Subsidiary	Other receivables \$ 181,813	-	\$ -	-	\$ -	\$ -

TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEs OVER WHICH THE GROUP EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2018

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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	\$ 12,062,611	\$ 12,062,611	391,147,848	100.00	\$ 20,433,169	\$ 295,431	\$ 296,925	
	Concord Industries Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	18,726,095	16,193,663	487,903,187	100.00	10,516,206	376,091	376,091	
	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	9,283	56	56	
	Ace Result Global Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	1,587,416	1,587,416	44,739,988	100.00	361,575	(208,611)	(208,611)	
	Energy Pilot Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	809,173	39,632	39,632	
	Market Pilot Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	3,799,884	3,799,884	127,000,000	100.00	64,056	(26)	(26)	
	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	26,565,000	100.00	323,733	33,823	33,669	
	Waltuo Green Resources Corporation	No. 47, Bade Rd., Yanshui District, Tainan City 73743, Taiwan, R.O.C.	Waste disposal, resource recovery and cement products	10,000	-	1,000,000	100.00	9,996	(4)	(4)	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction	611,687	611,687	343,799,633	99.22	6,025,254	1,992,942	1,977,397	
	Walsin Info-Electric Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	66,406	9,491,461	98.87	144,890	10,740	10,618	
	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	729,211	164,213	117,666	
	PT. Walsin Lippo Kabel	Jl. Jati 3 Blok J7/5, Newton Techno Park, Serang, Cikarang Selatan, Bekasi, Jawa Barat	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	789	4,039	2,827	
	Joint Success Enterprises Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	1,164,273	1,164,273	36,058,184	49.05	4,917,029	3,887,381	1,925,735	
	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	3,418,941	607,288	224,696	
	Walsin Color Co., Ltd.	24F., 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	772,206	67,884	22,657	
	Concord II Venture Capital Co., Ltd.	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Venture capital and consulting affairs	257,860	257,860	26,670,699	26.67	187,535	(18,336)	(4,890)	
	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	7,429,920	883,848,423	22.21	13,915,961	7,446,496	1,653,867	
	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	2,270,771	408,562	84,737	
	Walsin Technology Corp.	24F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Production and sale of ceramic capacitors	1,649,039	1,649,039	88,902,325	18.30	6,400,352	19,704,564	3,614,658	
	Powertec Energy Corp.'s	13 F, No. 337, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan, R.O.C.	Basic industrial chemical manufacturing and energy technical services	2,706,622	2,422,628 (Note)	270,662,160	20.53	2,444,065	(1,565,744)	(251,743)	

Note: Shares of Powertec Energy Corp. held by WLC have been recognized as "financial assets at fair value through other comprehensive income - non-current".

(Continued)

2. Information of investees that Walsin Lihwa Holdings Limited and its subsidiaries have the ability to control or exert significant influence over is as follows (in thousands of US dollars/Hong Kong dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	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	\$ 914,705	\$ (110,248)	\$ (110,248)	
	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	(18,482)	(897)	(897)	
	Renowned International Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110, BVI	Investments	US\$ 16,937	US\$ 16,937	16,937,020	83.97	772,005	41,076	34,491	
	Walcom Chemicals Industrial Limited	Unit 714,7/F, Miramat Tower, 1-23 Kimberley Road, Tsimshatsui, Kowloon, Hong Kong	Commerce	US\$ 0.030	US\$ 0.030	325,000	65.00	0.191	HK\$ (6)	-	
	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	75.97	316,564	84,980	64,725	
	Nanjing Walsin Expo Exhibition Ltd.	No. 199 Yanshan Road, Nanjing	Exhibition and conference organizing services	US\$ 265	US\$ 265	N/A	60.00	(91)	(239)	(144)	
	Nanjing Taiwan Trade Mart Management Co., Ltd.	No. 230, Hexi Avenue, Nanjing	Business and asset management, consulting and advertising services	US\$ 1,000	US\$ 1,000	N/A	100.00	(115,568)	25,688	25,688	
	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	2,071	150	30	
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	918,419	46,849	43,237	
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	71,292	(187,012)	(26,948)	Carrying amount included an investment premium amounting to RMB24,143 thousand
	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	233,166	16,906	16,181	
	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	143,008	(708)	(531)	
	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	338,763	23,574	23,574	
	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ 2,151	US\$ 2,151	N/A	2.01	20,002	46,849	942	
	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	59,668	(31,829)	(5,847)	

(Continued)

3. Information of investees that Concord Industries Limited and its subsidiaries have the ability to control or exert significant influence over is as follows (in thousands of US dollars/Renminbi):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Concord Industries Limited	Walsin Specialty Steel Corp.	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Commerce and investments	US\$ 101,400 (Note 1)	US\$ 101,400 (Note 1)	101,400,000	100.00	\$ (1,620)	\$ (54,269)	\$ (54,269)	
	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	144,240	11,027	11,027	
	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	265,145	(31,829)	(25,982)	
	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	(151,565)	66,493	66,493	(Note 2)
	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\$ 114,927	US\$ 32,927	N/A	50.94	283,791	7,038	1,445	
	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	78,708	20,774	6,232	
	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	339,486	9,666	9,666	
	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	(29,530)	(223)	(223)	
	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	153,143	(5,347)	(5,347)	
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	49.06	273,318	7,038	5,593	(Note 2)
Walsin Specialty Steel Corp.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	No. 2402, Waigingsong Road, Baihe Town, Qing Pu Zone, Shanghai	Manufacture and sale of stainless steel	US\$ 39,000	US\$ 39,000	N/A	100.00	(136,234)	19,563	19,563	
	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	115,299	(73,840)	(73,840)	

Note 1: The amount included capitalization of retained earnings of US\$4,500 thousand.

Note 2: Yantai Walsin Stainless Steel Co., Ltd. merged the Yantai Huanguai Iron & Steel Co., Ltd. and Yantai.

(Continued)

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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	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	\$ 1,265,603	\$ 1,265,603	37,461,816	50.95	\$ 4,994,369	\$ 3,887,381	\$ 1,980,620	
	Dingshin 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	41,582	2,659	939	
	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	1,212	(18,336)	(83)	
	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	63,637	607,288	4,069	
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	RM2,026,702	RMB 846,052	RMB 846,052	
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 (1,025)	RMB 129	RMB 129	
	Walsin Nanjing Culture and Arts CO., LTD.	Room 3, 1st basement, No. 236, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	RMB 900	-	N/A	100.00	RMB 885	RMB (15)	RMB (15)	
	Walsin Nanjing Commercial Management CO., LTD.	Room 3, 1st basement, No. 236, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu.	Business management, food marketing, catering services and sale of groceries	RMB 1,000	-	N/A	100.00	RMB 903	RMB (97)	RMB (97)	

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 US dollars):

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Energy Pilot Limited	Green Lake Capital, LLC.	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833, USA	Solar power business	\$ 20,670	\$ 20,670	N/A	100.00	\$ 26,344	\$ 1,315	\$ 1,315	
Green Lake Capital, LLC.	Green Lake Exchange, LLC.	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833, USA	Solar power related business	11,355	11,355	N/A	100.00	25,744	1,838	1,838	

(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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	1/F, Building A, No. 29, Jinye First Road, Gaoxin District, XiAn, Shannxi	Electronic devices and modules	\$ 642,719	\$ 642,719	N/A	100.00	\$ 11,013	\$ (169)	\$ (169)	

(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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	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	\$ 80,231	\$ (187,012)	\$ (45,857)	

(Concluded)

TABLE 8

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

A. Walsin Lihwa Corporation

1. The names of investee companies in mainland China and their main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investments, investment gain or loss, carrying amount, accumulated inward remittance of earnings and upper limit on investments in mainland China are 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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 614,300 (US\$ 20,000)	b	\$ 460,725 (US\$ 15,000) (Note 2)	\$ - -	\$ - -	\$ 460,725 (US\$ 15,000) (Note 2)	\$ (3,223)	75.00	\$ (2,417)	\$ 639,987	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	479,983 (US\$ 15,627)	b	459,374 (US\$ 14,956) (Note 3)	- -	- -	459,374 (US\$ 14,956) (Note 3)	76,954	95.71	73,654	1,043,460	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,978,287 (US\$ 162,080)	b	3,041,092 (US\$ 99,010) (Note 4)	- -	- -	3,041,092 (US\$ 99,010) (Note 4)	(851,260)	38.93	(331,406)	678,090	-
Walsin (China) Investment Co., Ltd.	Investments	2,414,199 (US\$ 78,600)	b	2,414,199 (US\$ 78,600) (Note 5)	- -	- -	2,414,199 (US\$ 78,600) (Note 5)	(501,838)	100.00	(501,838)	4,093,470	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,979,355 (US\$ 97,000)	b	2,979,355 (US\$ 97,000) (Note 6)	- -	- -	2,979,355 (US\$ 97,000) (Note 6)	(336,113)	100.00	(336,113)	515,984	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	522,155 (US\$ 17,000) (Note 7)	b	1,197,885 (US\$ 39,000) (Note 8)	- -	- -	1,197,885 (US\$ 39,000) (Note 8)	89,049	100.00	89,049	(609,674)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	798,590 (US\$ 26,000)	b	798,590 (US\$ 26,000) (Note 9)	- -	- -	798,590 (US\$ 26,000) (Note 9)	107,306	100.00	107,306	1,516,025	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,494,058 (US\$ 81,200) (Note 10)	b	1,923,035 (US\$ 62,609) (Note 11)	- -	- -	1,923,035 (US\$ 62,609) (Note 11)	213,252	79.51	169,549	3,540,758	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,505,035 (US\$ 49,000)	b	1,505,035 (US\$ 49,000) (Note 12)	- -	- -	1,505,035 (US\$ 49,000) (Note 12)	(144,884)	100.00	(144,884)	1,453,599	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	307,150 (US\$ 10,000)	b	307,150 (US\$ 10,000)	- -	- -	307,150 (US\$ 10,000)	302,671	100.00	302,671	(678,282)	-

(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	\$ 7,281,461 (US\$ 237,065) (Note 13)	b	\$ 1,011,342 (US\$ 32,927)	\$ 2,518,630 (US\$ 82,000)	\$ - -	\$ 3,529,972 (US\$ 114,927)	\$ 32,036	100.00	\$ 32,036	\$ 2,493,163	\$ -
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	1,505,035 (US\$ 49,000)	b	1,505,035 (US\$ 49,000)	- -	- -	1,505,035 (US\$ 49,000)	44,000	100.00	44,000	1,519,259	-
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,339,174 (US\$ 43,600)	b	401,752 (US\$ 13,080)	- -	- -	401,752 (US\$ 13,080)	94,561	30.00	28,368	352,233	937,422
XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	3,068,429 (US\$ 99,900)	b	3,070,210 (US\$ 99,958)	- -	- -	3,070,210 (US\$ 99,958)	(769)	100.00	(769)	49,285	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing services	13,484 (US\$ 439)	b	8,139 (US\$ 265)	- -	- -	8,139 (US\$ 265)	(1,088)	60.00	(655)	(407)	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	30,715 (US\$ 1,000)	b	30,715 (US\$ 1,000)	- -	- -	30,715 (US\$ 1,000)	116,929	100.00	116,929	(517,188)	-
XiAn Lvjing Technology Co., Ltd.	Solar module assembly	1,388,318 (US\$ 45,200)	c	614,300 (US\$ 20,000)	- -	- -	614,300 (US\$ 20,000)	(24,340)	100.00	(24,340)	685,340	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon production	5,370,216 (RMB 1,200,000)	b	- (US\$ -)	- -	- -	- (US\$ -)	(353,812)	19.00	-	633,028 (Note 14)	-
XiAn Walsin Opto-electronic Limited	LED, micro projector, and solar cell assembly	4,607 (US\$ 150)	b	4,607 (US\$ 150)	- -	- -	4,607 (US\$ 150)	(1,016)	100.00	(1,016)	(132,154)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	44,752 (RMB 10,000)	b	9,337 (US\$ 304)	- -	- -	9,337 (US\$ 304)	683	20.00	137	9,268	-
Shaanxi Electronic Group Optoelectronics Technology Co., Ltd.	Communications equipment and electronic components	696,329 (RMB 155,598)	b	- (RMB -)	- -	- -	- (RMB -)	16,828	6.02	-	48,954	-
Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	1,680,618 (RMB 375,542)	b	1,680,618 (RMB 375,542) (Note 15)	- -	- -	1,680,618 (RMB 375,542) (Note 15)	3,851,144	99.60	3,835,841	9,033,809	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	4,475 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	587	99.60	583	(4,569)	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	4,028 (RMB 900)	b	- (RMB -)	- -	- -	- (RMB -)	(68)	99.60	(64)	4,015	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	4,475 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	(442)	99.60	(442)	4,092	-

(Continued)

2. The upper limit on investments of WLC in mainland China is as follows:

Accumulated Investment in Mainland China as of December 31, 2018 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
NT\$25,368,317 (US\$ 825,926)	NT\$25,168,977 (US\$ 819,436)	N/A (Note 18)

Notes

- Investments can be classified into three categories as follows:
 - Direct investments in mainland China.
 - Reinvestments in mainland China through companies located in a third country.
 - Others.
- Inclusive of US\$4,500 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Inclusive of US\$7,929 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Inclusive of US\$2,800 thousand in investments made through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand in 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.
- Inclusive of the capital investment of US\$28,600 thousand which was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.
- Inclusive of US\$8,000 thousand in investments made through Walsin Specialty Steel Corp. and US\$42,000 thousand worth of dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
- Inclusive of capital reduction for cover accumulated deficits US\$22,000.
- Inclusive of US\$4,800 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Investment made through Walsin (China) Investment Co., Ltd.
- Inclusive of an increment of US\$3,500 thousand from the revaluation of assets.
- Inclusive of dividends in the amount of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited, and dividends in the amount of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
- Inclusive of investments made through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and private capital investment in the amount of US\$4,500 thousand of Walsin (China) Investment Co., Ltd.
- Inclusive of private capital investments of RMB578,796 thousand from Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd., and RMB3,750 thousand in investments made through Changzhou Wujin NSL Co., Ltd. Also inclusive of US\$32,927 thousand in investments from the merger of Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd.
- The private capital amount of RMB228,000 thousand of XiAn Lv Jing Technology Co., Ltd., adjusted by its fair value.
- The amount includes investments through subsidiary Joint Success Enterprises Limited which were approved in the previous years.
- WLC was named as Shaanxi Optoelectronics Technology Co., Ltd. before.
- Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi or US dollars.

18. The currency exchange rates as of December 31, 2018 are as follows: US\$ to NT\$ = 1:30.715, RMB to NT\$ = 1:4.47518. The average exchange rates as of December 31, 2018 are as follows: US\$ to NT\$ = 1:30.149, RMB to NT\$ = 1:4.5519.

19. Amount was recognized based on the reviewed financial statements.

20. Upper limit on investments:

WLC was approved as the operational headquarters by the Industrial Development Bureau, Ministry of Economic Affairs and is thus exempted from the related regulations of the “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, their main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investments, investment gain or loss, carrying amount, accumulated inward remittance of earnings and upper limit on investments in mainland China are 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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Walsin (Nanjing) Construction Limited	Construction, rental and sale of buildings and industrial factories	\$ 375,542	Note 1	\$ 375,542	\$ -	\$ -	\$ 375,542	\$ 846,052	50.95	\$ 431,064	\$ 1,032,605	\$ -
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	1,000	Note 1	-	-	-	-	129	50.95	66	(522)	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	900	Note 1	-	-	-	-	(15)	50.95	(7)	451	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	1,000	Note 1	-	-	-	-	(97)	50.95	(49)	460	-

2. The upper limit on investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2018 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
RMB375,542	RMB375,542	NT\$3,643,575 (Note 3)

Note 1: Investment in companies in China through the companies already established and existing in areas other than Taiwan and China.

Note 2: Amount was recognized based on the reviewed financial statements.

Note 3: The upper limit on investments in mainland China is as follows:

NT\$6,072,625 thousand \times 60% = NT\$3,643,575 thousand.

(Concluded)

TABLE 9

WALSIN LIHWA CORPORATION AND INVESTEEES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, US Dollars and 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	Walsin Lihwa Corporation	2018					
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Trade receivables	\$ 190,945	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	133,703	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	13,085	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	49,945	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	5,155,081	The terms are set by quotations on the local market and are similar to those of general customers	3
		Nanjing Walsin Metal Co., Ltd.	Transactions between parent company and subsidiaries	Sales	1,391,213	The terms are set by quotations on the local market and are similar to those of general customers	1
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	142,303	The terms are set by quotations on the local market and are similar to those of general customers	-
1	Walsin Lihwa Holdings Limited	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries	Sales	153,702	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 2,086,225	Based on capital demand	7
		Walsin Lihwa Corporation	Transactions between parent company and subsidiaries	Other receivables	RMB 458,085	Based on capital demand	2
		Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 46,326	The terms are set by quotations on the local market and are similar to those of general customers	-
2	Nanjing Walsin Metal Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries	Sales	RMB 8	The terms are set by quotations on the local market and are similar to those of general customers	-
		Hangzhou Walsin Power Cable & Wire Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 66	The terms are set by quotations on the local market and are similar to those of general customers	-
		Hangzhou Walsin Power Cable & Wire Co., Ltd.	Transactions between subsidiaries	Sales	RMB 784	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 597,250	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 246,625	The terms are set by quotations on the local market and are similar to those of general customers	1

(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 (%)
3	Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 1,221,650	Based on capital demand	4
4	Joint Success Enterprise Limited	Walsin (Nanjing) Development Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 181,813	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	-
		Yantai Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 74,552	Based on capital demand	2
		Jiangyin Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 44,680	Based on capital demand	1
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,985	Based on capital demand	1
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 155,564	Based on capital demand	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 52,705	Based on capital demand	1
		Walsin (Nanjing) Development Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables	RMB 398,005	Based on capital demand	1
		Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associates	Other receivables	RMB 81,308	Based on capital demand	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables	RMB 142,055	Based on capital demand	-
		XiAn Walsin Metal Product Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables	RMB 169,036	Based on capital demand	1
6	Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 30,174	The terms are set by quotations on the local market and are similar to those of general customers	-
		Jiangyin Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 11,620	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 39,149	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 223,552	The terms are set by quotations on the local market and are similar to those of general customers	1
		Jiangyin Walsin Stainless Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 80,856	The terms are set by quotations on the local market and are similar to those of general customers	-
7	Jiangyin Walsin Stainless Steel Co., Ltd.	Yantai Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 2,047	The terms are set by quotations on the local market and are similar to those of general customers	-
		Yantai Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Sales	RMB 14,318	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 288	The terms are set by quotations on the local market and are similar to those of general customers	-
8	Walsin Specialty Steel Corp.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 8,453	Based on capital demand	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 553	Based on capital demand	-


(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 (%)
9	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Sales	RMB 960	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 subsidiaries	Sales	RMB 222	The terms are set by quotations on the local market and are similar to those of general customers	-
10	Changshu Walsin Specialty Steel Co., Ltd.	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 36	The terms are set by quotations on the local market and are similar to those of general customers	-
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Sales	RMB 1,294	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 subsidiaries	Trade receivables	RMB 9,022	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 subsidiaries	Sales	RMB 7,914	The terms are set by quotations on the local market and are similar to those of general customers	-
0	<u>2017</u> 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

(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 (%)
		Dongguan Walsin Wire & Cable Co., Ltd. Nanjing Walsin Metal Co., Ltd. Yantai Walsin Stainless Steel Co., Ltd.	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Sales Sales Sales	RMB 846,926 RMB 397,529 RMB 101,408	The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers	2 1 -
2	Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries Transactions between subsidiaries	Sales Sales	RMB 516,440 RMB 455,886	The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers	1 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 Walsin (Nanjing) Development Co., Ltd. Yantai Walsin Specialty Steel Co., Ltd. Jiangyin Walsin Stainless Steel Co., Ltd. Jiangyin Walsin Steel Cable Co., Ltd. Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries and parent company Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries Transactions between subsidiaries	Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables Other receivables	US\$ 4,900 RMB 1,008 US\$ 74,548 US\$ 44,678 US\$ 9,984 US\$ 8,984 US\$ 50,648	Based on capital demand Based on capital demand Based on capital demand Based on capital demand Based on capital demand Based on capital demand Based on capital demand	- - 2 1 - - 1
6	Yantai Walsin Stainless Steel Co., Ltd.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jianyin Walsin Specialty Alloy Materials Co., Ltd. Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries	Trade receivables Trade receivables Trade receivables Sales Sales Sales	RMB 22,753 RMB 27,721 RMB 36,530 RMB 56,456 RMB 246,083 RMB 43,800	The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers The terms are set by quotations on the local market and are similar to those of general customers	- - - - 1 -
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	-

(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, 2018 and 2017, 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis 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

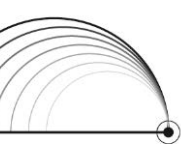
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements as of and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our 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, 2018:

Sales Revenue Recognition

The sales revenue of stainless steel business unit had grown significantly in 2018. The business unit's main products include stainless steel bars and stainless steel cold-and-hot rolled coils. Aside from Taiwan, there are many customers in China, America, Southeast Asia and Europe and the sales are terms vary for different customers. Thus, we consider the reality of export sales revenue of stainless steel business unit as key audit matter. Refer to Notes 4 and 20 for related accounting policies of revenue recognition and disclosure information of the revenue recognition.

We performed the following audit procedures in respect of the above key audit matter:



1. We verified and tested the internal control process of the export sales of stainless steel business unit.
2. We sampled and inspected the transactions of export sales revenue of stainless steel business unit to confirm its existence.

Inventory Valuation

As of December 31, 2018, the inventory of the Company amounted to NT\$11,285,237 thousand which constituted 9.46% of the total assets, and the amount is material. Refer to Notes 4, 5 and 9 for related accounting policies of 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, 2018 and 2017 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\$3,443,078 thousand and NT\$2,878,841 thousand, which constituted 2.89% and 2.73% of the total assets as of December 31, 2018 and 2017, respectively, and the investment gains amounted to NT\$502,129 thousand and NT\$502,051 thousand for the years ended December 31, 2018 and 2017, 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.

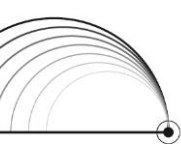
As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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,



2018 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 Kenny Hong and Ming-Yu Chiu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 22, 2019

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.



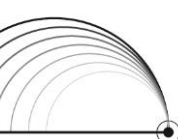
WALSIN LIHWA CORPORATION

BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 949,956	1	\$ 2,192,403	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	142,111	-	-	-
Contract assets - current	44,338	-	-	-
Notes receivable (Notes 4 and 8)	56,624	-	27,353	-
Trade receivables (Notes 4 and 8)	2,696,765	2	2,585,153	2
Trade receivables from related parties (Notes 4, 8 and 27)	361,083	-	481,485	1
Other receivables	536,860	-	328,742	-
Inventories (Notes 4 and 9)	11,285,237	10	9,174,197	9
Other current assets	736,932	1	399,270	-
Total current assets	16,809,906	14	15,188,603	14
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 10)	3,305,238	3	-	-
Available-for-sale financial assets - non-current (Notes 4 and 11)	-	-	3,702,495	4
Financial assets measured at cost - non-current (Notes 4 and 12)	-	-	1,810,187	2
Investments accounted for using equity method (Notes 4 and 13)	73,754,195	62	61,595,898	58
Property, plant and equipment (Notes 4 and 14)	16,432,206	14	14,356,176	14
Investment properties (Notes 4 and 15)	8,551,796	7	8,603,604	8
Deferred tax assets - non-current (Notes 4 and 22)	394,000	-	319,919	-
Refundable deposits	58,292	-	58,764	-
Other non-current assets	1	-	1	-
Total non-current assets	102,495,728	86	90,447,044	86
TOTAL	<u>\$ 119,305,634</u>	<u>100</u>	<u>\$ 105,635,647</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ 8,095,612	7	\$ 4,083,492	4
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,079	-	68,780	-
Derivative financial liabilities hedging - current (Notes 4 and 17)	3,244	-	13,964	-
Trade payables	3,845,788	3	4,146,066	4
Current tax liabilities (Notes 4 and 22)	478,299	-	351,234	-
Other payables (Note 27)	4,466,854	4	3,658,528	4
Current portion of long-term borrowings (Note 16)	4,500,000	4	-	-
Other current liabilities	167,762	-	175,626	-
Total current liabilities	21,561,638	18	12,497,690	12
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	19,500,000	16	21,500,000	20
Deferred tax liabilities - non-current (Notes 4 and 22)	131,132	-	131,132	-
Net defined benefit liabilities (Notes 4 and 18)	584,078	1	805,033	1
Other non-current liabilities (Note 24)	200,774	-	178,329	-
Total non-current liabilities	20,415,984	17	22,614,494	21
Total liabilities	41,977,622	35	35,112,184	33
EQUITY (Note 19)				
Share capital	33,260,002	28	33,660,002	32
Capital surplus	15,966,420	13	15,854,392	15
Retained earnings				
Legal reserve	3,937,554	3	3,281,556	3
Special reserve	2,712,250	2	2,712,250	3
Unappropriated earnings	25,494,923	22	13,240,574	12
Total retained earnings	32,144,727	27	19,234,380	18
Other equity				
Exchange differences on translating foreign operations	(3,567,540)	(3)	(2,944,758)	(3)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(474,446)	-	-	-
Unrealized gain on available-for-sale financial assets	-	-	5,042,894	5
Cash flow hedges	(1,151)	-	(7,529)	-
Total other equity	(4,043,137)	(3)	2,090,607	2
Treasury shares (Notes 4 and 19)	-	-	(315,918)	-
Total equity	77,328,012	65	70,523,463	67
TOTAL	<u>\$ 119,305,634</u>	<u>100</u>	<u>\$ 105,635,647</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

**WALSIN LIHWA CORPORATION**
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)	\$ 85,099,970	100	\$ 76,123,074	100
OPERATING COSTS (Note 9)	(81,254,264)	(96)	(70,808,645)	(93)
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(5,456)</u>	<u>-</u>	<u>3,635</u>	<u>-</u>
GROSS PROFIT	<u>3,840,250</u>	<u>4</u>	<u>5,318,064</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	808,264	1	707,416	1
General and administrative expenses	777,885	1	710,297	1
Research and development expenses	<u>131,591</u>	<u>-</u>	<u>63,816</u>	<u>-</u>
Total operating expenses	<u>1,717,740</u>	<u>2</u>	<u>1,481,529</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>2,122,510</u>	<u>2</u>	<u>3,836,535</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	6,135	-	6,764	-
Dividend income	177,873	-	167,584	-
Other income	121,897	-	41,282	-
Gain on disposal of property, plant and equipment	4,212	-	1,380	-
Gain (loss) on disposal of investments (Note 21)	488,267	1	(369,204)	-
Foreign exchange gain, net	251,457	-	35,426	-
Gain (loss) on valuation of financial assets and liabilities	206,812	-	(86,508)	-
Impairment loss (Note 21)	(4,636)	-	-	-
Other expenses	(60,040)	-	(75,913)	-
Interest expense	(479,707)	-	(434,314)	(1)
Share of gain of subsidiaries and associates under equity method	<u>9,411,252</u>	<u>11</u>	<u>4,004,420</u>	<u>5</u>
Total non-operating income and expenses	<u>10,123,522</u>	<u>12</u>	<u>3,290,917</u>	<u>4</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	12,246,032	14	7,127,452	9
INCOME TAX EXPENSE (Notes 4 and 22)	<u>(489,251)</u>	<u>-</u>	<u>(567,468)</u>	<u>(1)</u>
NET INCOME FOR THE YEAR	<u>11,756,781</u>	<u>14</u>	<u>6,559,984</u>	<u>8</u>

(Continued)



WALSIN LIHWA CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	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 18)	\$ (372)	-	\$ (150,736)	-
Unrealized loss on financial assets at fair value through other comprehensive income	(719,216)	(1)	-	-
Share of the other comprehensive loss of associates accounted for using the equity method	(1,808,004)	(2)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(571,733)	(1)	(742,010)	(1)
Unrealized gain on available-for-sale financial assets	-	-	724,447	1
Cash flow hedges gain	6,378	-	6,142	-
Share of other comprehensive income of subsidiaries and associates under equity method	<u>(51,049)</u>	<u>-</u>	<u>2,964,567</u>	<u>4</u>
Other comprehensive (loss) income for the year	<u>(3,143,996)</u>	<u>(4)</u>	<u>2,802,410</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,612,785</u>	<u>10</u>	<u>\$ 9,362,394</u>	<u>12</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 3.53</u>		<u>\$ 1.97</u>	
Diluted	<u>\$ 3.53</u>		<u>\$ 1.97</u>	

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

(Concluded)

WALSIN LIHWA CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings		Exchange Differences on Translating Foreign Operations	Other Equity			Treasury Shares	Total Equity
				Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges		
BALANCE AT JANUARY 1, 2017	\$ 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 (Note 19)											
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
Effect of retrospective application of IFRS 9 (Note 3)	-	-	-	-	4,651,666	-	(5,042,894)	1,875,068	-	-	1,483,840
Effect of retrospective application of IFRS 15	-	-	-	-	5,978	-	-	-	-	-	5,978
BALANCE AT JANUARY 1, 2018, AS RESTATED	33,660,002	15,854,392	3,281,556	2,712,250	17,898,218	(2,944,758)	-	1,875,068	(7,529)	(315,918)	72,013,281
Appropriation of 2017 earnings (Note 19)											
Legal reserve	-	-	655,998	-	(655,998)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,326,000)	-	-	-	-	-	(3,326,000)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	615	-	-	-	-	-	-	-	-	615
Change in capital surplus from investments in subsidiaries and associates under equity method	-	27,333	-	-	97,100	-	-	(97,100)	-	-	27,333
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 10)	-	-	-	-	(252,951)	-	-	252,951	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	11,756,781	-	-	-	-	-	11,756,781
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(22,227)	(622,782)	-	(2,505,365)	6,378	-	(3,143,996)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	11,734,554	(622,782)	-	(2,505,365)	6,378	-	8,612,785
Cancellation of treasury shares	(400,000)	84,082	-	-	-	-	-	-	-	315,918	-
Others	-	(2)	-	-	-	-	-	-	-	-	(2)
BALANCE, DECEMBER 31, 2018	<u>\$ 33,260,002</u>	<u>\$ 15,966,420</u>	<u>\$ 3,937,554</u>	<u>\$ 2,712,250</u>	<u>\$ 25,494,923</u>	<u>\$ (3,567,540)</u>	<u>\$ -</u>	<u>\$ (474,446)</u>	<u>\$ (1,151)</u>	<u>\$ -</u>	<u>\$ 77,328,012</u>

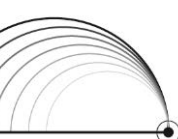
The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' report dated February 22, 2019)

WALSIN LIHWA CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 12,246,032	\$ 7,127,452
Adjustments for:		
Depreciation expenses	1,072,926	1,026,334
Amortization expenses	5,000	2,380
Reversed on trade receivables	-	(799)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(206,812)	86,508
Interest expense	479,707	434,314
Interest income	(6,135)	(6,764)
Dividend income	(177,873)	(167,584)
Share of gain of subsidiaries and associates under equity method	(9,411,252)	(4,004,420)
Gain on disposal of property, plant and equipment	(4,212)	(1,380)
(Gain) loss on disposal of investments	(488,267)	369,204
Impairment loss recognized on non-financial assets	4,636	-
Unrealized (realized) gain on the transaction with associates	5,456	(3,635)
Net (gain) loss on foreign currency exchange	(2,457)	14,131
Changes in operating assets and liabilities		
Increase in financial assets held for trading	-	(479,073)
Decrease in financial assets mandatorily classified as at fair value through profit or loss	192,333	-
Increase in contract assets	(34,789)	-
(Increase) decrease in notes receivable	(29,271)	357
Decrease (increase) in trade receivables	8,790	(664,334)
Decrease in other receivables	10,060	24,763
Increase in inventories	(2,120,589)	(1,094,218)
Increase in other current assets	(337,662)	(99,754)
(Increase) decrease in other operating assets	(5,000)	93
(Increase) decrease in trade payables	(300,278)	971,394
Increase in other payables	594,110	341,426
Decrease in net defined benefit liabilities	(221,327)	(111,865)
Decrease in other current liabilities	(13,321)	(71,522)
Increase in other operating liabilities	24,581	8,485
Cash generated from operations	1,284,386	3,701,493
Interest paid	(478,391)	(446,622)
Interest received	7,136	6,317
Dividends received	1,570,303	949,548
Income tax paid	(436,268)	(504,278)
Net cash generated from operating activities	1,947,166	3,706,458

(Continued)

**WALSIN LIHWA CORPORATION**
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (750)	\$ -
Proceeds from the disposal of financial assets at fair value through other comprehensive income	73,158	-
Share buybacks due to capital reduction from financial assets at fair value through other comprehensive income	915	-
Purchase of financial assets measured at cost	-	(692,576)
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
Proceeds from capital return of investments in financial assets measured at cost	-	15,944
Derivative instruments not held for trading	-	1,701
Purchase of associates under equity method	(3,135,019)	(1,595,460)
Purchase of property, plant and equipment	(3,031,545)	(1,492,691)
Proceeds from disposal of property, plant and equipment	8,796	1,441
Decrease in refundable deposits	472	4,143
Proceeds from sale of available-for-sale financial assets	-	48,769
Other investing activities	<u>(504,706)</u>	<u>(422,369)</u>
Net cash used in investing activities	<u>(6,588,679)</u>	<u>(3,787,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	4,010,239	1,572,064
Increase in long-term borrowings	6,000,000	6,500,000
Decrease in long-term borrowings	(3,500,000)	(6,630,000)
Increase in other payables to related parties	214,572	1,784,112
Dividends paid	(3,325,743)	(2,328,020)
Other financing activities	<u>(2)</u>	<u>(5)</u>
Net cash generated from financing activities	<u>3,399,066</u>	<u>898,151</u>
NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,242,447)	817,358
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,192,403</u>	<u>1,375,045</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 949,956</u>	<u>\$ 2,192,403</u>

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

(With Deloitte & Touche auditors' report dated February 22, 2019)

(Concluded)





WALSIN LIHWA CORPORATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (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 depository 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 22, 2019.

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

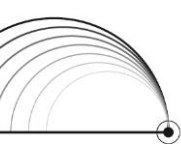
- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively,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

Except for the following, whenever applied, 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 would not have any material impact on the Company’s accounting policies:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively starting from January 1, 2018, and the requirements for hedge



accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized as of December 31, 2017.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

Financial Assets	Measurement Category		Carrying Amount		Remark		
	IAS 39	IFRS 9	IAS 39	IFRS 9			
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 2,192,403	\$ 2,192,403	b)		
Equity securities	Available- for sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	5,512,682	6,211,812	a)		
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	3,422,733	3,422,733	b)		
Refundable deposits	Loans and receivables	Amortized cost	58,764	58,764	b)		
	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark	
<u>FVTOCI</u>							
Equity instruments							
Add: From available-for-sale (IAS 39)	\$ -	\$ 5,512,682	\$ 699,130	\$ 6,211,812	\$ 3,757,543	\$ (3,058,413)	a)
	-	5,512,682	699,130	6,211,812	3,757,543	(3,058,413)	
<u>Amortized cost</u>	-						
Add: From loans and receivables (IAS 39)	-	5,674,900	-	5,674,900	-	-	b)
	-	5,674,900	-	5,674,900	-	-	
	<u>\$ -</u>	<u>\$ 11,187,582</u>	<u>\$ 699,130</u>	<u>\$ 11,886,712</u>	<u>\$ 3,757,543</u>	<u>\$ (3,058,413)</u>	
Investments accounted for using equity method	<u>\$ 61,595,898</u>	<u>\$ -</u>	<u>\$ 784,710</u>	<u>\$ 62,380,608</u>	<u>\$ 894,123</u>	<u>\$ (109,413)</u>	c)

- a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of \$1,122,923 thousand was reclassified to other equity - unrealized gain (loss) on financial assets at FVTOCI.

Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$699,130 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain (loss) on financial assets at FVTOCI on January 1, 2018.

The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as available-for-sale and measured at cost, and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of \$3,757,543 thousand in other



equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of \$3,757,543 thousand in retained earnings on January 1, 2018.

- b) Cash and cash equivalents, notes receivable, trade receivables, other receivables and finance lease receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- c) As a result of retrospective application under IFRS 9, the related adjustments of investments in associates and subsidiaries accounted for using the equity method comprised an increase in investments accounted for using the equity method of \$784,710 thousand, an increase in other equity - unrealized gain (loss) on financial assets at fair value through other comprehensive income of \$3,810,558 thousand, a decrease in other equity - unrealized gain (loss) on available-for-sale financial assets of \$3,919,971 thousand and an increase in retained earnings of \$894,123 thousand on January 1, 2018.

Classification and measurement of financial liabilities

On the basis of the facts and circumstances that existed at January 1, 2018, the Company has performed an assessment of the classification of recognized financial liabilities and has elected not to restate prior reporting periods.

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

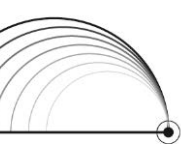
Financial Liabilities	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Derivatives	Held- for- trading	Mandatorily at FVTPL	<u>\$ 68,780</u>	<u>\$ 68,780</u>

Hedge accounting

Under the Company's previous hedge accounting policy of IAS 39, the spot element of forward contracts was designated as a fair value hedging instrument for the foreign-currency denominated liabilities, the forward element of forward contracts was excluded from the designated hedging relationships, and the related changes are recognized directly in profit or loss. On adoption of IFRS 9, the Company elected not to apply the treatment of hedging costs for forward contracts retrospectively. Furthermore, due to the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, all derivative and non-derivative financial assets and financial liabilities which are designated as hedging instruments are presented as financial assets and financial liabilities for hedging starting from January 1, 2018.

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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.



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

The amendments clarify that the difference between the carrying amount of the 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 Company 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 deferred tax assets, there is no anticipated material impact of retrospective application of the above amendments to the financial statements starting from 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, the 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 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 Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

- b. 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 by the FSC for application starting from 2019





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)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
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 for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

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

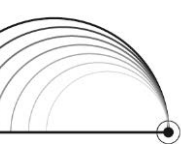
Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. The Company may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases.

On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows.



Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amount of the leased assets and finance lease payables as of December 31, 2018.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other current assets	\$ 736,932	\$ (1,294)	\$ 735,638
Right-of-use assets	<u>-</u>	<u>56,026</u>	<u>56,026</u>
Total effect on assets	<u>\$ 736,932</u>	<u>\$ 54,732</u>	<u>\$ 791,664</u>
Lease liabilities - current	\$ -	\$ 18,246	\$ 18,246
Lease liabilities - non-current	<u>-</u>	<u>36,486</u>	<u>36,486</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 54,732</u>	<u>\$ 54,732</u>

2) 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 Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, there are no significant influence over the Company.

3) 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, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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

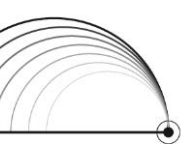
The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets).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

Except for the above impact, as of the date the financial statements were authorized for issue, the Company continues to assess other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company’s financial position and financial performance, and there are no significant influence over the Company in the current period.

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)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date falls on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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 the Company 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 the Company 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 the Company 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 Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated. Also, when the Company 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 Company’s interest as an unrelated investor in the associate or joint venture, i.e. the Company’s share of the gain or loss is eliminated.

2) Amendments to IFRS 3 “Definition of a Business”


The amendments clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process applied to the input that together significantly contribute to the ability to create outputs. The amendments narrow the definitions of outputs by focusing on goods and services provided to customers, and the reference to an ability to reduce costs is removed. Moreover, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company’s financial position and financial performance and will disclose these other impacts 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 financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and 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.

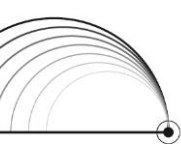
c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within 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. 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.

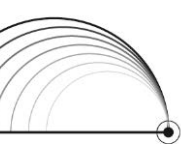
2) Investment in associates

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 measured 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.

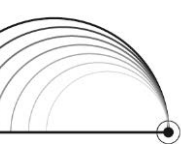
j. Impairment of tangible and intangible assets other than goodwill

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, cash-generating unit or assets related to contract costs 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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.


Financial assets at FVTPL are subsequently measured 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. Fair value is determined in the manner described in Note 26.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding





Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition or time deposits with original maturities within 3-12 months from the date of acquisition and the interest paid to deposits which are terminated before maturity are higher than demand deposits, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in debt instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

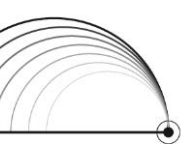
2017

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

Financial assets at FVTPL 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. Fair value is determined in the manner described in Note 26.

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 FVTPL.

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 measured 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

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, finance lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and finance lease receivables. For all other financial instruments, the





Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

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 measured 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.

For financial assets measured 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.

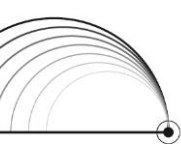
For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss 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.

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 measured 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.

Before 2018, 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 which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.


Equity instruments

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

Equity instruments issued by a company entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.





Financial liabilities

1) Subsequent measurement

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

a) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or are designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 26.

b) Financial guarantee contracts

2018

Financial guarantee contracts issued by the Company, if not designated as at FVTPL, are subsequently measured at the higher of:

- i. The amount of the loss allowance reflecting expected credit losses; and
- ii. The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the revenue recognition policies.

2017

Financial guarantee contracts issued by the Company are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of the best estimate of the obligation under the contract or the amount initially recognized less cumulative amortization recognized.

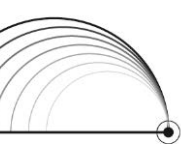
2) Derecognition of financial liabilities

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 at the date on which 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.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

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

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Before 2018, hedge accounting was discontinued prospectively when the Company revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. 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 included in the initial cost of the non-financial asset or non-financial liability.





Before 2018, hedge accounting was discontinued prospectively when the Company revoked the designated hedging relationship; when the hedging instrument expired or was sold, terminated, or exercised; or when the hedging instrument no longer met the criteria for hedge accounting. From 2018, the Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. 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. Levies

Levies imposed by a government are accrued as other liabilities when the transactions or activities that trigger the payment of such levies occur. 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.

n. 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.

o. Revenue recognition

2018

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods and real estate

Revenue from the sale of goods and real estate comes from sales of wires, cables, stainless steel and real estate. Sales of wires, cables and stainless steel are recognized as revenue when the customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence.

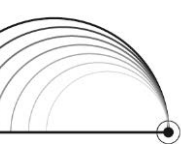
The Company does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

Regarding contracts relating to the sale of real estate in the course of ordinary activities, a fixed transaction price is received in instalments and recognized as a contract liability. The transaction price, after adjusting for the effect of the significant financing component, is recognized as revenue when the construction is completed and the real estate is transferred to the buyer.

2) Revenue from the rendering of services

Service income is recognized when services are rendered. Revenue should be recognized over time by measuring the progress toward complete satisfaction of the performance





obligation.

2017

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) Sale of goods

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

2) 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.

3) 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.

p. 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.

1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.





Operating lease payments are recognized as expenses on a effective interest rate over the lease term.

q. 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.

r. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

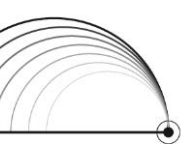
According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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.

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

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 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	
	2018	2017
Cash on hand	\$ 4,030	\$ 1,130
Checking accounts and cash in bank	<u>945,926</u>	<u>2,191,273</u>
	<u>\$ 949,956</u>	<u>\$ 2,192,403</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	
	2018	2017
Bank balance	0.05%-0.40%	0.05%-0.40%

Cash in bank in the total of EUR326 thousand and EUR2,400 thousand at December 31, 2018 and 2017, 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.

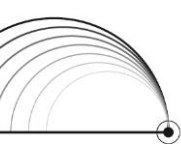
Certain time deposits as of December 31, 2018 and 2017 were classified and pledged as follows:

Purpose		December 31	
		2018	2017
Non-current assets			
Refundable deposits	To meet required security deposit	\$ 600	\$ 600
	To meet contract requirements for completing contractions	<u>32,800</u>	<u>32,800</u>
		<u>\$ 33,400</u>	<u>\$ 33,400</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	<u>\$ 142,111</u>	<u>\$ -</u>
Financial assets at FVTPL	<u>\$ 142,111</u>	<u>\$ -</u>

(Continued)



		December 31	
		2018	2017
Current		\$ 142,111	\$ -
Non-current		-	-
		<u>\$ 142,111</u>	<u>\$ -</u>
<u>Financial liabilities held for trading</u>			
Derivative financial liabilities (not under hedge accounting)			
Commodity futures contracts		\$ -	\$ 33,467
Foreign exchange forward contracts		4,079	32,826
Exchange rate swap contracts		-	2,487
Financial liabilities at FVTPL		<u>\$ 4,079</u>	<u>\$ 68,780</u>
Current		\$ 4,079	\$ 68,780
Non-current		-	-
		<u>\$ 4,079</u>	<u>\$ 68,780</u>
		(Concluded)	

As of December 31, 2018 and 2017, 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, 2018</u>							
Commodity futures							
Copper	Buy	3,075	2018.06.20-2018.12.31	2019.02.20-2019.07.17	US\$ 18,815	US\$ 18,142	US\$ (673)
Copper	Sell	8,400	2018.10.30-2018.12.31	2019.01.16-2019.03.12	US\$ 51,350	US\$ 49,694	US\$ 1,656
Nickel	Sell	6,894	2018.11.01-2018.12.21	2019.02.01-2019.04.17	US\$ 76,935	US\$ 73,292	US\$ 3,643
<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)



As of December 31, 2018 and 2017, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2018</u>			
Sell forward exchange contracts	EUR to USD	2019.01.29-2019.03.08	EUR15,000/USD17,149
Buy forward exchange contracts	USD to NTD	2019.01.03	USD20,000/NTD615,100
	USD to JPY	2019.02.13-2019.03.29	USD7,064/JPY780,620
	EUR to USD	2019.01.29	EUR5,000/USD5,079

December 31, 2017

Buy forward exchange contracts	USD to NTD	2018.01.31-2018.03.24	USD110,000/NTD3,279,950
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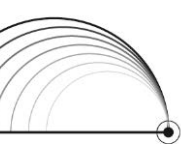
As of December 31, 2017, outstanding exchange rate swap contracts not under hedge accounting were as follows:

	Currencies	Contract Expiration Date	Contract Amount (In Thousands)
December 31, 2017	USD to NTD	2018.01.19	USD20,000/NTD598,800

For the years ended December 31, 2018 and 2017, 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. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2018	2017
<u>Notes receivable</u>		
Notes receivable	\$ 55,972	\$ 26,676
Notes receivable from related parties	<u>652</u>	<u>677</u>
	<u>\$ 56,624</u>	<u>\$ 27,353</u>
<u>Trade receivables</u>		
Trade receivables	\$ 2,698,097	\$ 2,586,485
Less: Allowance for impairment loss	<u>(1,332)</u>	<u>(1,332)</u>
	2,696,765	2,585,153
Trade receivables from related parties	<u>361,083</u>	<u>481,485</u>
	<u>\$ 3,057,848</u>	<u>\$ 3,066,638</u>

2018

- At amortized cost

The average credit period on the 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. When the Company dealt with new entities, the Company reviewed the credit ratings of the entities and obtained sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. In this regard, the management believes the Company's credit risk is significantly reduced.

The Company applies the simplified approach to allowances for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss allowance for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status of receivables is not further distinguished according to different segments of the Company's customer base.

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, they are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	Not Past Due	Up to 90 Days	91 to 180 Days	181 to 365 Days	More than 365 Days	Total
Expected credit loss rate	0%	0%	7.5%	10%	100%	
Gross carrying amount	\$ 2,903,553	\$ 154,295	\$ -	\$ -	\$ 1,332	\$ 3,059,180
Loss allowance (lifetime ECLs)	-	-	-	-	(1,332)	(1,332)
Amortized cost	<u>\$ 2,903,553</u>	<u>\$ 154,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,057,848</u>



The movements of the loss allowance of trade receivables are as follows:

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	\$ 1,332
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	<u>1,332</u>
Balance at December 31, 2018	<u>\$ 1,332</u>

2017

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 consists mainly of unrelated customers.

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.

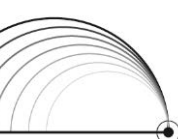
The aging of receivables was as follows:

	December 31, 2017
Not overdue	\$ 3,049,977
Less than 90 days	16,661
Overdue more than one year	<u>1,332</u>
	<u>\$ 3,067,970</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, 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>

**9. INVENTORIES**

	December 31	
	2018	2017
Raw materials	\$ 2,767,145	\$ 2,265,970
Raw materials in transit	2,049,088	1,266,640
Supplies	1,359,789	1,024,927
Work-in-process	1,075,194	1,169,227
Finished goods and merchandise	4,034,021	3,437,884
Contracts in progress	<u>-</u>	<u>9,549</u>
	<u>\$ 11,285,237</u>	<u>\$ 9,174,197</u>

The cost of inventories recognized as cost of goods sold in the years ended December 31, 2018 and 2017 was NT\$80,936,972 thousand and NT\$70,468,115 thousand, respectively.

The cost of inventories recognized as cost of goods sold in for the year ended December 31, 2018 included the inventory write-downs of NT\$453,345 thousand.

The cost of inventories recognized as cost of goods sold for the year ended December 31, 2017 included reversal of inventory write-downs of NT\$134,843 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. As of December 31, 2018, the Company recognized NT\$44,338 thousand in contract assets under IFRS 15.

10. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Domestic listed ordinary shares	
HannStar Display Corp.	\$ 1,670,537
HannStar Board Corp.	1,347,136
Domestic unlisted ordinary shares	<u>287,565</u>
	<u>\$ 3,305,238</u>
Current	\$ -
Non-current	<u>3,305,238</u>
	<u>\$ 3,305,238</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in



equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 11 and 12 for information relating to their reclassification and comparative information for 2018.

WLC participated in Powertec Energy Corp's capital increase by cash on April 20, 2018 and gained significant influence over the investee; thus, the relevant financial assets have been reclassified as "investments accounted for using the equity method" and were recognized at fair value on April 20, 2018. This transaction was deemed as a disposal of financial assets at fair value through other comprehensive income - non-current. The difference between the fair value and the carrying amount is NT\$255,298 thousand, which was recognized as a deduction of unappropriated earnings for the year ended December 31, 2018.

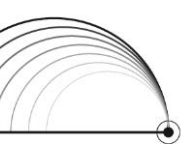
The Company disposed of 2,869 thousand shares of Taiwan High Speed Rail Corp. in the stock market at market price in 2018, resulting in proceeds of NT\$2,347 thousand from the disposal of financial assets at fair value through other comprehensive income, which was recognized as an additional item under unappropriated earnings for the year ended December 31, 2018.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
<u>Domestic investments</u>	
Listed shares and emerging market stocks	
HannStar Display Corp.	\$ 2,358,684
Hannstar Board Corp.	1,276,389
Taiwan High Speed Rail Corp.	<u>67,422</u>
	<u>\$ 3,702,495</u>
Current	\$ -
Non-current	<u>3,702,495</u>
	<u>\$ 3,702,495</u>

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Domestic unlisted ordinary shares	
Kuong Tai Welding Ind. Co., Ltd.	\$ 114,355
Powertec Energy Corp.	1,631,334
Others	<u>64,498</u>
	<u>\$ 1,810,187</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	<u>\$ 1,810,187</u>



The Company participated in Powertec Energy Corp.'s capital increase by cash on May 26, 2017. The investments amounted to NT\$692,576 thousand. The respective number of shares held by the Company at those dates were 611,026 thousand shares, and the post subscription ownership percentages were 18.90%.

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.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 44,344,364	\$ 37,867,300
Investments in associates	<u>29,409,831</u>	<u>23,728,598</u>
	<u>\$ 73,754,195</u>	<u>\$ 61,595,898</u>

a. Investments in subsidiaries

Name of Associate	December 31			
	2018		2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies:				
Walsin Lihwa Holdings Ltd.	\$ 20,433,169	100.00	\$ 20,208,719	100.00
Concord Industries Ltd.	10,516,206	100.00	7,930,626	100.00
Energy Pilot Ltd.	809,173	100.00	744,020	100.00
Market Pilot Ltd.	64,056	100.00	101,931	100.00
Ace Result Ltd.	361,575	100.00	575,608	100.00
Chin-Cherng Construction Co., Ltd.	6,025,254	99.22	4,189,651	99.22
P.T Walsin Lippo Industries	729,211	70.00	585,466	70.00
Joint Success Enterprises Ltd.	4,917,029	49.05	3,077,331	49.05
Others	<u>488,691</u>		<u>453,948</u>	
	<u>\$ 44,344,364</u>		<u>\$ 37,867,300</u>	



b. Investments in associates

Name of Associate	December 31			
	2018		2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,915,961	22.21	\$ 13,420,078	22.21
Walton Advanced Engineering, Inc.	2,270,771	20.83	2,131,792	20.83
Walsin Technology Corp.	6,400,352	18.30	3,133,527	18.30
<u>Associates that are not individually materials</u>				
Others	6,822,747		5,043,201	
	<u>\$ 29,409,831</u>		<u>\$ 23,728,598</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 2018, the Company decided to increase its investment in Concord Industries Limited for the amount of US\$100,000 thousand that was approved by the board of directors. For the year ended December 31, 2018, the Company has subscribed for US\$82,000 thousand (NT\$2,542,342 thousand).

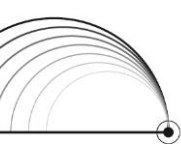
On November 2, 2017, the Company subscribed for \$72,521 thousand shares of Winbond Electronics Corporation through the issuance of ordinary shares for cash of NT\$1,595,460 thousand which was approved by the board of directors; after the subscription, the Company’s percentage of ownership in Winbond Electronics Corporation was 22.21%.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2018	2017
Winbond Electronics Corp.	<u>\$ 11,976,146</u>	<u>\$ 20,726,246</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,183,986</u>	<u>\$ 1,765,017</u>
Walsin Technology Corp.	<u>\$ 13,690,958</u>	<u>\$ 9,334,744</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, 2018

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 37,528,246	\$ 5,223,270	\$ 36,573,150
Non-current assets	58,514,218	12,072,517	26,895,352
Current liabilities	(16,469,744)	(4,031,868)	(21,234,642)
Non-current liabilities	<u>(15,681,623)</u>	<u>(2,483,077)</u>	<u>(4,919,217)</u>
Equity	63,891,097	10,780,842	37,314,643
Non-controlling interests	<u>(1,446,726)</u>	<u>-</u>	<u>(2,620,235)</u>
	<u>\$ 62,444,371</u>	<u>\$ 10,780,842</u>	<u>\$ 34,694,408</u>
Proportion of the Company's ownership	22.21%	20.83%	18.30%
Equity attributable to the Company	\$ 13,868,895	\$ 2,245,649	\$ 6,349,077
Other adjustments	<u>47,066</u>	<u>25,122</u>	<u>51,275</u>
Carrying amount	<u>\$ 13,915,961</u>	<u>\$ 2,270,771</u>	<u>\$ 6,400,352</u>
Operating revenue	<u>\$ 51,190,323</u>	<u>\$ 8,552,749</u>	<u>\$ 47,755,334</u>
Net profit for the year	\$ 7,727,658	\$ 529,075	\$ 20,529,452
Other comprehensive income (loss)	<u>(1,738,471)</u>	<u>658,179</u>	<u>(449,643)</u>
Total comprehensive income for the year	<u>\$ 5,989,187</u>	<u>\$ 1,187,254</u>	<u>\$ 20,079,809</u>

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%

(Continued)





	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
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> (Concluded)

2) Associates that are not individually material

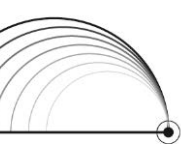
	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Profit (loss) from continuing operations	\$ 242,866	\$ 185,394
Other comprehensive income	<u>(1,031,038)</u>	<u>1,729,574</u>
Total comprehensive income for the year	<u>\$ (788,172)</u>	<u>\$ 1,914,968</u>

The Company's share of profit and other comprehensive income of associates for the years ended December 31, 2018 and 2017 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\$3,443,078 thousand and NT\$2,878,841 thousand as of December 31, 2018 and 2017; investment gain amounted to NT\$502,129 thousand and NT\$502,051 thousand for the years ended December 31, 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<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>

(Continued)



	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<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>
<u>Cost</u>						
Balance at January 1, 2018	\$ 2,153,376	\$ 6,420,310	\$ 17,355,627	\$ 3,669,300	\$ 1,454,895	\$ 31,053,508
Additions	100,477	212,056	1,480,153	333,711	979,973	3,106,370
Disposals	-	(26,190)	(282,740)	(614,993)	(2,685)	(926,609)
Transfer to investment properties	-	(302,428)	-	-	-	(302,428)
Reclassified	129,297	162,335	605,498	143,564	(1,040,695)	-
Balance at December 31, 2018	<u>\$ 2,383,150</u>	<u>\$ 6,466,083</u>	<u>\$ 19,158,538</u>	<u>\$ 3,531,582</u>	<u>\$ 1,391,488</u>	<u>\$ 32,930,841</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ 8,067	\$ 3,986,716	\$ 9,905,400	\$ 2,797,149	\$ -	\$ 16,697,332
Disposals	-	(26,190)	(281,427)	(614,406)	-	(922,023)
Depreciation expense	-	129,900	649,093	171,064	-	950,057
Impairment losses recognized in profit or loss	-	-	4,636	-	-	4,636
Transfer to investment properties reclassified	-	(231,367)	-	-	-	(231,367)
Reclassified	-	-	(7,707)	7,707	-	-
Balance at December 31, 2018	<u>\$ 8,067</u>	<u>\$ 3,859,059</u>	<u>\$ 10,269,995</u>	<u>\$ 2,361,514</u>	<u>\$ -</u>	<u>\$ 16,498,635</u>
Carrying amounts at December 31, 2018	<u>\$ 2,375,083</u>	<u>\$ 2,607,024</u>	<u>\$ 8,888,543</u>	<u>\$ 1,170,068</u>	<u>\$ 1,391,488</u>	<u>\$ 16,432,206</u>

(Concluded)

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, 2018 and 2017, the recorded total carrying value of such parcels of land amounted to NT\$427,697 thousand and NT\$418,425 thousand, respectively.

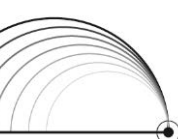
After appropriate evaluation, the Company recognized impairment loss on property, plant and equipment of NT\$4,636 thousand for the year ended December 31, 2018, which were recorded as impairment loss.

15. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Completed investment property	<u>\$ 8,551,796</u>	<u>\$ 8,603,604</u>
		Completed Investment Property
<u>Cost</u>		
Balance at January 1, 2017		<u>\$ 9,772,725</u>
Balance at December 31, 2017		<u>\$ 9,772,725</u>
Balance at January 1, 2018		\$ 9,772,725
Transferred from property, plant and equipment		<u>302,428</u>
Balance at December 31, 2018		<u>\$ 10,075,153</u>
<u>Accumulated depreciation and impairment</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>
Balance at January 1, 2018		\$ 1,169,121
Depreciation expense		122,869
Transferred from property, plant and equipment		<u>231,367</u>
Balance at December 31, 2018		<u>\$ 1,523,357</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, 2018 and 2017, the completed investment properties' real estate value was NT\$29,186,244 thousand and NT\$29,032,022 thousand, respectively.



16. BORROWINGS

	December 31	
	2018	2017
Short-term borrowings	\$ 8,095,612	\$ 4,083,492
Current portion of long-term borrowings	\$ 4,500,000	\$ -
Long-term borrowings	\$ 19,500,000	\$ 21,500,000

a. Short-term borrowings as of December 31, 2018 and 2017 were as follows:

	December 31			
	2018		2017	
	Interest Rate		Interest Rate	
	%	Amount	%	Amount
Materials procurement loans	1.15-1.374	\$ 938,612	1.15-2.495	\$ 323,492
Bank lines of credit	0.7-1.2	7,157,000	0.8-1.2	3,760,000
		\$ 8,095,612		\$ 4,083,492

b. Long-term borrowings as of December 31, 2018 and 2017 were as follows:

		December 31	
		2018	2017
	Significant Covenant	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)	\$ 11,500,000	\$ 15,000,000
Bank of Taiwan	Credit loan; principal repayments until maturity from August 7, 2017 to May 9, 2020	1,000,000	1,000,000
Taishin International Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	2,000,000	2,000,000
Taipei Fubon Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1,000,000	1,000,000
Chang Hwa Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1,500,000	1,500,000
First Commercial Bank	Credit loan; principal repayments until maturity from September 22, 2017 to September 22, 2020	1,000,000	1,000,000
First Commercial Bank	Credit loan; principal repayments until maturity from December 28, 2018 to December 28, 2021	1,000,000	-
Hua Nan Commercial Bank	Credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,500,000	-
Hua Nan Commercial Bank	Credit loan; principal repayments until maturity from December 28, 2018 to December 28, 2021	1,500,000	-
Chinatrust Commercial Bank	Credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,000,000	-
Mega International Commercial Bank Co., Ltd.	Credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,000,000	-
		24,000,000	21,500,000
Less current portion of long-term borrowings		(4,500,000)	-
		\$ 19,500,000	\$ 21,500,000

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.
- 5) As of December 31, 2018 and 2017, the effective interest rate range of the credit borrowings was 1.25%-1.80% per annum.

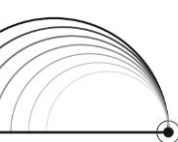
As of December 31, 2018, the Company's current portion of long-term borrowings was NT\$4,500,000 thousand under the loan agreement. The Company's financial reports for the years ended December 31, 2018 and 2017 showed that the Company was in compliance with these ratio requirements.

17. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2018	2017
<u>Derivative financial liabilities for hedge - current</u>		
Fair value hedges - exchange rate swap contracts	<u>\$ 3,244</u>	<u>\$ 13,964</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, 2018</u>			
Exchange rate swap contracts	USD to NTD	2019.03.26	USD45,000/NTD1,376,380
<u>December 31, 2017</u>			
Exchange rate swap contracts	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	
	2018	2017
Losses on the hedging instruments	\$ (3,244)	\$ (13,964)
Gains on the hedged items	\$ 7,325	\$ 12,447

18. 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, 2018 and 2017 was NT\$83,553 thousand and NT\$74,417 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.

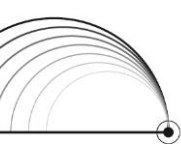
The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 1,457,483	\$ 1,494,988
Fair value of plan assets	<u>(872,070)</u>	<u>(688,475)</u>
Net defined benefit liabilities	<u>\$ 585,413</u>	<u>\$ 806,513</u>



As of December 31, 2018 and 2017, net defined benefit liabilities of NT\$1,213 thousand and NT\$1,357 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, 2017	<u>\$ 1,379,967</u>	<u>\$ (612,759)</u>	<u>\$ 767,208</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 loss - changes in financial assumptions	59,985	-	59,985
Actuarial 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>1,494,988</u>	<u>(688,475)</u>	<u>806,513</u>
Service cost			
Current service cost	15,288	-	15,288
Net interest expense (income)	<u>20,391</u>	<u>(9,179)</u>	<u>11,212</u>
Recognized in profit or loss	<u>35,679</u>	<u>(9,179)</u>	<u>26,500</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (19,648)	\$ (19,648)
Actual (gain) loss - change in demographic assumptions	17,269	-	17,269
Actuarial loss - changes in financial assumptions	54,543	-	54,543
Actuarial (gain) loss - experience adjustments	<u>(51,792)</u>	<u>-</u>	<u>(51,792)</u>
Recognized in other comprehensive income (loss)	<u>20,020</u>	<u>(19,648)</u>	<u>372</u>
Contributions from the employer	-	(229,820)	(229,820)
Benefits paid	<u>(75,052)</u>	<u>75,052</u>	<u>-</u>
Account paid	<u>(18,152)</u>	<u>-</u>	<u>(18,152)</u>
Balance at December 31, 2018	<u>\$ 1,457,483</u>	<u>\$ (872,070)</u>	<u>\$ 585,413</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	
	2018	2017
Operating costs	\$ 16,247	\$ 16,704
Selling and marketing expenses	2,145	2,405
General and administrative expenses	7,793	7,165
Research and development expenses	<u>315</u>	<u>403</u>
	<u>\$ 26,500</u>	<u>\$ 26,677</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	
	2018	2017
Discount rate(s)	1.00%	1.40%
Expected rate(s) of salary increase	2.25%	2.25%

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	
	2018	2017
Discount rates		
0.5% increase	<u>\$ (68,045)</u>	<u>\$ (66,555)</u>
0.5% decrease	<u>\$ 73,072</u>	<u>\$ 71,358</u>

(Continued)





	December 31	
	2018	2017
Expected rates of salary increase		
0.5% increase	<u>\$ 70,646</u>	<u>\$ 70,406</u>
0.5% decrease	<u>\$ (66,487)</u>	<u>\$ (66,348)</u>
		(Concluded)

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.

19. EQUITY

	December 31	
	2018	2017
Share capital		
Ordinary shares	\$ 33,260,002	\$ 33,660,002
Capital surplus	15,966,420	15,854,392
Retained earnings	32,144,727	19,234,380
Others	(4,043,137)	2,090,607
Treasury shares	<u>-</u>	<u>(315,918)</u>
	<u>\$ 77,328,012</u>	<u>\$ 70,523,463</u>

a. Share capital

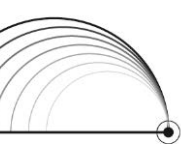
Ordinary shares

	December 31	
	2018	2017
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>3,326,001</u>	<u>3,366,001</u>
Amount of issued shares	<u>\$ 33,260,002</u>	<u>\$ 33,660,002</u>

As of January 1, 2017, the balance of the Company's share capital account was NT\$33,960,002 thousand, divided into 3,396,001 thousand shares at a NT\$10.00 par value.

The Company cancelled 40,000 thousand and 30,000 thousand shares of treasury shares in August 2018 and May 2017. As of December 31, 2018 and 2017, the balance of the Company's share capital account was NT\$33,260,002 thousand and NT\$33,660,002 thousand, divided into 3,326,001 thousand and 3,366,001 thousand shares at par values of NT\$10, respectively.





b. Capital surplus

	December 31	
	2018	2017
Premium from issuance of ordinary shares	\$ 10,173,533	\$ 10,295,885
Arising from the excess of the consideration receivable over the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	615	-
Arising from share of changes in capital surplus from investments in associates under equity method	242,323	214,990
Arising from treasury share transactions	2,448,303	2,241,869
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,415</u>	<u>1,027,417</u>
	<u>\$ 15,966,420</u>	<u>\$ 15,854,392</u>

The premium from shares issued in excess of par (share premium from issuance of ordinary 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. Refer to Note 21 for WLC's amended Articles of Incorporation that stipulate the distribution of employees' compensation and remuneration to directors and supervisors.

In 2018, the shareholders held their regular meetings and amended the Articles of Incorporation. Based on WLC's amended Articles of Incorporation, 10% of WLC's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals WLC's paid-in capital. Also, WLC 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 WLC and will be distributed to shareholders. WLC shall reserve no lesser than 40% of the balance amount as shareholder's profit after offsetting its loss and tax payments 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.

Appropriation of earnings to the legal reserve shall be made until the legal reserve equals WLC's paid-in capital. Legal reserve may be used to offset deficit. 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 their special reserve in accordance with Order No. 1010012865, Order No. 1010047490 and Order No. 1030006415 issued by the FSC and the directive entitled “Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs”.

The appropriations of earnings for 2017 and 2016 are subject to the resolution of the shareholders’ meeting to be held on May 25, 2018 and May 26, 2017.

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 655,998	\$ 456,813	\$ -	\$ -
Cash dividends	<u>3,326,000</u>	<u>2,328,200</u>	1.0	0.7
	<u>\$ 3,981,998</u>	<u>\$ 2,785,013</u>		

The appropriation of earnings for 2018 had been resolved by the Company’s board of directors on February 22, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 1,175,678	\$ -
Special reserve	1,330,888	-
Cash dividends	<u>3,991,200</u>	1.2
	<u>\$ 6,497,766</u>	

The appropriation of earnings for 2017 are subject to the resolution of the shareholders’ meeting to be held on May 24, 2019.

d. Special reserve

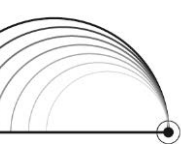
Special reserve remained unchanged for the years ended December 31, 2018 and 2017.

e. Other equity items

1) Foreign currency translation reserve

	2018	2017
Balance at January 1	\$ (2,944,758)	\$ (2,110,122)
Share of exchange difference of associates for using the equity method	<u>(622,782)</u>	<u>(834,636)</u>
Balance at December 31	<u>\$ (3,567,540)</u>	<u>\$ (2,944,758)</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

	2018	2017
Balance at January 1	\$ 5,042,894	\$ 1,225,921
Effect of retrospective application of IFRS 9	(5,042,894)	-
Unrealized loss arising on revaluation of available-for-sale financial assets	-	760,541
Share of unrealized gain (loss) on revaluation of available-for-sale financial assets of associates under equity method	-	3,092,526
Disposal of available-for-sale financial assets	<u>-</u>	<u>(36,094)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 5,042,894</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) Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	For the Year Ended December 31, 2018
Beginning balance (IAS 39)	\$ -
Effect of retrospective application of IFRS 9	<u>1,875,068</u>
Beginning balance (IFRS 9)	1,875,068
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal (Note 10)	252,951
Unrealized loss on financial assets at fair value through other comprehensive income	(719,216)
Share of other comprehensive income of associates accounted for using the equity method	<u>(1,883,249)</u>
Ending balance	<u>\$ (474,446)</u>

4) Cash flow hedging reserve

	2018	2017
Balance at January 1	\$ (7,529)	\$ (13,671)
Gain (loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges		
Transferred to carrying amount of hedged items	6,499	2,133
Others	<u>(121)</u>	<u>4,009</u>
Balance at December 31	<u>\$ (1,151)</u>	<u>\$ (7,529)</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, 2018 were summarized as follows:

Purpose for Reacquisition of Ordinary Shares	Number of Treasury Shares as of January 1, 2018	Treasury Share Increase During the Year	Treasury Share Decrease During the Year	Number of Treasury Shares as of December 31, 2018
Ordinary shares held by the Company as reserve for employee incentives	<u>40,000,000</u>	<u>-</u>	<u>40,000,000</u>	<u>-</u>

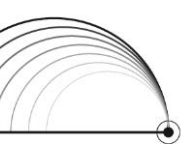
Treasury shares transactions for the year ended December 31, 2017 were summarized as follows:

Purpose for Reacquisition of Ordinary 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
Ordinary 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>

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.

20. REVENUE

	For the Year Ended December 31	
	2018	2017
Sales revenue	\$ 83,608,615	\$ 75,241,334
Revenue from the rendering of services	97,764	98,219
Construction contract revenue	609,382	17,180
Rental income	709,924	703,244
Other revenue	<u>74,285</u>	<u>63,097</u>
	<u>\$ 85,099,970</u>	<u>\$ 76,123,074</u>

**21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS****Non-operating Income and Expenses - Gain (Loss) on Disposal of Investments**

	For the Year Ended December 31	
	2018	2017
Gain on disposal of investments - forward exchange contracts settled	\$ 56,015	\$ 39,500
Gain on disposal of available-for-sale financial assets - non-current	-	35,871
Gain on disposal of financial assets measured at cost - non-current	-	546
Gain (loss) on disposal of investment - commodity futures settled	440,312	(374,086)
Loss on disposal of investment - exchange rate swap contracts settled	<u>(8,060)</u>	<u>(71,035)</u>
	<u>\$ 488,267</u>	<u>\$ (369,204)</u>

Non-operating Income and Expenses - Impairment Loss

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	<u>\$ 4,636</u>	<u>\$ -</u>

Employee Benefits Expense, Depreciation and Amortization

	For the Year Ended December 31, 2018			
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits				
Salary	\$ 1,668,725	\$ 1,097,370	\$ -	\$ 2,766,095
Labor health insurance	135,111	57,366	-	192,477
Post-employment benefits	71,445	38,608	-	110,053
Remuneration of directors	<u>-</u>	<u>71,265</u>	<u>-</u>	<u>71,265</u>
	<u>\$ 1,875,281</u>	<u>\$ 1,264,609</u>	<u>\$ -</u>	<u>\$ 3,139,890</u>
Depreciation				
Property, plant and equipment	\$ 882,370	\$ 67,687	\$ -	\$ 950,057
Investment property	<u>113,542</u>	<u>9,327</u>	<u>-</u>	<u>122,869</u>
	<u>\$ 995,912</u>	<u>\$ 77,014</u>	<u>\$ -</u>	<u>\$ 1,072,926</u>
Amortization	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>



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	\$ 805,804	\$ -	\$ 2,317,875
Labor health insurance	129,507	46,267	-	175,774
Post-employment benefits	69,149	31,945	-	101,094
Remuneration of directors	-	59,197	-	59,197
	<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>

As of December 31, 2018 and 2017, the Company had 2,622 and 2,468 employees, respectively. There were 8 non-employee directors for both years.

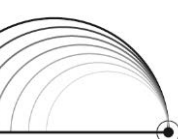
In compliance with the Company Act amended in May 2015, the Company's shareholders held their meeting on May 2016 and resolved amendments to the Company's Articles; the amendments stipulate distribution of employees' compensation and remuneration to directors and supervisors at the rates no less than 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, 2018 and 2017, the employees' compensation amounted to NT\$125,000 thousand and NT\$73,000 thousand, and the remuneration to directors and supervisors amounted to NT\$63,000 thousand and NT\$51,000 thousand, representing 0.5% 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, 2018 and 2017 were approved by the Company's board of directors on February 22, 2019, and February 23, 2018, 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 2017 and 2016 were not any different from the amounts recognized in the financial statements for 2017 and 2016.

Information on the employees' compensation and remuneration to directors and supervisors for 2018 resolved by the Company's board of directors and approved by the shareholders of WLC is available on the Market Observation Post System website of the Taiwan Stock Exchange.



**22. INCOME TAXES RELATING TO CONTINUING OPERATIONS**

- a. The major components of tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 317,000	\$ 329,000
Income tax expense of unappropriated earnings	239,192	174,428
In respect of prior periods	<u>7,140</u>	<u>10,040</u>
	<u>563,332</u>	<u>513,468</u>
Deferred tax		
In respect of the current year	(17,625)	54,000
In respect of prior periods	<u>(56,456)</u>	<u>-</u>
	<u>(74,081)</u>	<u>54,000</u>
Income tax expense recognized in profit or loss	<u>\$ 489,251</u>	<u>\$ 567,468</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	
	2018	2017
Income before tax from continuing operations	<u>\$ 12,246,032</u>	<u>\$ 7,127,452</u>
Income tax expense calculated at the statutory rate	\$ 2,449,000	\$ 1,211,667
Net gain on disposal of investments	-	(6,191)
Equity in investees' net (gain) loss	(1,983,000)	(752,553)
Dividend income	(36,000)	(26,852)
Loss on investees' capital reduction to complement accumulated deficits	(104,000)	(112,387)
Effect of tax rate changes	(56,456)	-
Income tax on unappropriated earnings	(26,625)	69,316
Adjustments for prior years' tax	239,192	174,428
Others	<u>7,140</u>	<u>10,040</u>
Income tax expense recognized in profit or loss	<u>\$ 489,251</u>	<u>\$ 567,468</u>

In 2017, the applicable corporate income tax rate used by the Company entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.



b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	\$ -	\$ -
Current tax liabilities		
Income tax payable	\$ 478,299	\$ 351,234

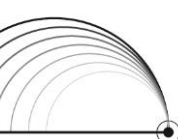
c. Deferred tax assets and liabilities

	December 31	
	2018	2017
Deferred tax assets (liabilities)		
Pension expense not currently deductible	\$ 87,000	\$ 111,000
Provision for permanent devaluation loss on long-term investments	52,000	46,000
Provision for devaluation loss on obsolete and slow-moving inventories	111,000	17,000
Provision for impairment loss on idle assets	19,000	18,000
Others	125,000	127,919
Deferred income tax liabilities		
Reserve for land revaluation increment tax	(131,132)	(131,132)
	<u>\$ 262,868</u>	<u>\$ 188,787</u>
Deferred income tax assets - non-current	\$ 394,000	\$ 319,919
Deferred income tax liabilities - non-current	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 262,868</u>	<u>\$ 188,787</u>

- d. The Company's income tax returns through 2016 had been examined and cleared by the tax authorities, but not for 2015.

23. EARNINGS PER SHARE

	For the Year Ended December 31					
	2018			2017		
	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars)	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars)
Basic earnings per share						
Net income	\$ 11,756,781	3,326,000	<u>\$ 3.53</u>	\$ 6,559,984	3,326,000	<u>\$ 1.97</u>
Effect of dilutive potential ordinary shares	-	8,113		-	4,638	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 11,756,781</u>	<u>3,334,113</u>	<u>\$ 3.53</u>	<u>\$ 6,559,984</u>	<u>3,330,638</u>	<u>\$ 1.97</u>



24. 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 are as follows:

Years of 2019	\$ 25,354
2020-2023	36,242
After 2024	<u>5,477</u>
	<u>\$ 67,073</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, 2018 and 2017, deposits received under operating leases amounted to NT\$163,202 thousand and NT\$160,310 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2018, the Company's future minimum lease receivables on non-cancelable operating lease commitments are as follows:

Years of 2019	\$ 534,646
2020-2023	709,900
After 2024	<u>296</u>
	<u>\$ 1,244,842</u>

25. 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.



26. 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

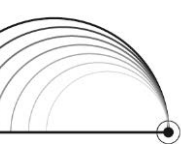
1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income				
Equity securities				
Securities listed in the ROC	\$ 3,017,673	\$ -	\$ -	\$ 3,017,673
Unlisted securities - ROC	-	-	287,565	287,565
	<u>\$ 3,017,673</u>	<u>\$ -</u>	<u>\$ 287,565</u>	<u>\$ 3,305,238</u>
Financial assets at FVTPL				
Derivatives not designed as hedging instruments	<u>\$ 142,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,111</u>
Financial liabilities at FVTPL				
Derivatives not designated as hedging instruments	\$ -	\$ 4,079	\$ -	\$ 4,079
Derivative financial liabilities for hedging	-	3,244	-	3,244
	<u>\$ -</u>	<u>\$ 7,323</u>	<u>\$ -</u>	<u>\$ 7,323</u>

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>
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>



There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

- 2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.
- 3) Financial assets which belong to Level 3 recognized in other comprehensive income - change in fair value and there are no other adjustment.
- 4) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
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.

- 5) Valuation techniques and inputs applied for Level 3 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Unlisted equity securities	Market approach. Fair values are determined based on observable and comparable companies' fair values at the end of the reporting period, adjusted by price-earnings ratio and price-to-book ratio of the investees.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 949,956	\$ -
Notes receivable and trade receivables (including related parties)	3,114,472	-
Other receivables	536,860	-
Refundable deposits	58,292	-

(Continued)





	December 31	
	2018	2017
Loans and receivables		
Cash and cash equivalents	-	2,192,403
Notes receivable and trade receivables (including related parties)	-	3,093,991
Other receivables	-	328,741
Refundable deposits	-	58,764
Financial assets at FVTPL (current and non-current)	142,111	-
Financial assets at fair value through other comprehensive income (current and non-current)	3,305,238	-
Available-for-sale financial assets (current and non-current)	-	3,702,495
Financial assets measured at cost - non-current	-	1,810,187
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	\$ 4,079	\$ 68,780
Derivative financial liabilities for hedging	3,244	13,964
Financial liabilities at amortized cost		
Short-term borrowings	8,095,612	4,083,492
Notes payable and trade payables	3,845,788	4,146,066
Other payables	4,466,854	3,658,528
Long-term borrowings (including current portion)	24,000,000	21,500,000
Deposits received (accounted for as other non-current liabilities)	199,437	174,857

(Concluded)

d. Financial risk management objectives and policies

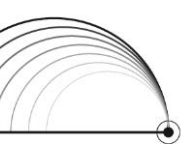
The Company's major financial instruments included equity and investments, trade receivable, and trade payables. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks 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 denominated 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	
	2018	2017
<u>Assets</u>		
US dollars	\$ 2,393,169	\$ 2,864,653
Japanese yen	132,123	66,520
Euro	460,912	864,686
Singapore dollars	15,524	4,679
Hong Kong dollars	8,665	18,424
<u>Liabilities</u>		
US dollars	2,998,804	3,111,525
Euro	42,746	31,190
Swiss Franc	530	531
Japanese yen	260	1,311

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	
	2018	2017
<u>Assets</u>		
US dollars	\$ 2,213,438	\$ 5,077,165
Euro	176,000	-
<u>Liabilities</u>		
Euro	528,000	-

The Company was mainly exposed to the US 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.

	US Dollar Impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	\$ 16,078	\$ 48,303

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	
	2018	2017
Cash flow interest rate risk		
Financial liabilities	\$ 32,095,612	\$ 25,583,492

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.

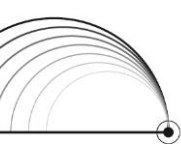
If interest rates at the end of the reporting period increased by 1% and all other variables were held constant, the Company's pre-tax income for the years ended December 31, 2018 and 2017 would have been decreased by NT\$320,956 thousand and NT\$255,835 thousand, respectively.

Hedge accounting

For the year ended December 31, 2018

The Company's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure on 100% of the fair value of its foreign currency denominated receipts and payments and to manage exchange rate exposure. Those transactions are designated as fair value hedges. Adjustments are recognized directly in profit or loss and are presented as hedged items on the statements of comprehensive income.

Hedging Instruments	Currency	Notional Amount	Maturity Date	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Effectiveness
						Assets	Liabilities	
Fair value hedges								
Exchange rate swap contracts	USD to NTD	USD45,000/ NTD1,376,380	2019/3/26	\$ 1,373,136	Deduction on financial assets for hedging	\$ -	\$ 3,244	\$ -



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, 2018

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 12,595,612	\$ 2,433,333	\$ 17,066,667	\$ -	\$ 32,095,612
Non-interest bearing	<u>8,312,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,312,642</u>
	<u>\$ 20,908,254</u>	<u>\$ 2,433,333</u>	<u>\$ 17,066,667</u>	<u>\$ -</u>	<u>\$ 40,408,254</u>



December 31, 2017

	1 Year	1-2 Years	2-5 Years	5+ Years	Total
<u>Non-derivative 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>

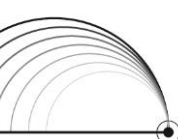
b) The Company's derivative financial instruments with agreed settlement date were as follows:

December 31, 2018

	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	\$ 16,560	\$ 120,738	\$ 4,814	\$ -	\$ 142,111
Forward exchange contracts	(1,075)	(3,004)	-	-	(4,079)
Foreign exchange rate swap contracts	<u>-</u>	<u>(3,244)</u>	<u>-</u>	<u>-</u>	<u>(3,244)</u>
	<u>\$ 15,485</u>	<u>\$ 114,490</u>	<u>\$ 4,814</u>	<u>\$ -</u>	<u>\$ 134,788</u>

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)
Foreign exchange rate 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>



e. Transfers of financial assets

Factored trade receivables for the nine months ended December 31, 2018 and 2017 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Period-end	Interest Rates on Advances Received (%)	Credit Line (In Thousands)
<u>2018</u>					
CTBC bank	\$ <u>171,014</u>	\$ <u>181,460</u>	\$ <u>-</u>	-	US\$ 3,000
<u>2017</u>					
CTBC bank	\$ <u>128,351</u>	\$ <u>148,757</u>	\$ <u>-</u>	-	US\$ 3,000

The above credit lines may be used on a revolving basis.

27. 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
Changshu Walsin Specialty Steel Co., Ltd.	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
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

(Continued)





<u>Related Party</u>	<u>Nature of Relationship</u>
Powertec Energy Corp.	Actual related party, associate since April 20, 2018
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
VVG Inc.	Actual related party
Nuvoton Technology Corporation	Actual related party
	(Concluded)

b. Sales

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	\$ 6,842,298	\$ 4,943,293
Associates	1,380	-
Other related parties	<u>999,664</u>	<u>812,293</u>
	<u>\$ 7,843,342</u>	<u>\$ 5,755,586</u>

c. Rental income

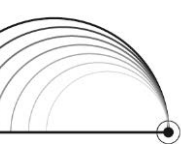
	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	\$ 240	\$ 240
Associates	38,712	27,488
Other related parties	<u>2,823</u>	<u>9,380</u>
	<u>\$ 41,775</u>	<u>\$ 37,108</u>

d. Purchases

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	\$ -	\$ 59,915
Other related parties	<u>2,803</u>	<u>848</u>
	<u>\$ 2,803</u>	<u>\$ 60,763</u>

e. Construction contract

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	<u>\$ 47,694</u>	<u>\$ 57,559</u>



f. Administrative expenses

	For the Year Ended December 31	
	2018	2017
Subsidiaries	\$ 300	\$ 300
Associates	10,476	9,722
Other related parties	<u>11,786</u>	<u>11,254</u>
	<u>\$ 22,562</u>	<u>\$ 21,276</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. Dividend income

	For the Year Ended December 31	
	2018	2017
HannStar Display Corp.	\$ 118,646	\$ 118,646
HannStar Board Corp.	47,165	35,373
Other related parties	<u>4,816</u>	<u>9,632</u>
	<u>\$ 170,627</u>	<u>\$ 163,651</u>

h. Notes receivable

	December 31	
	2018	2017
Associates	\$ 547	\$ 594
Other related parties	<u>105</u>	<u>83</u>
	<u>\$ 652</u>	<u>\$ 677</u>

i. Trade receivable

	December 31	
	2018	2017
Associates	\$ 338,256	\$ 469,721
Other related parties	<u>22,827</u>	<u>11,764</u>
	<u>\$ 361,083</u>	<u>\$ 481,485</u>

j. Trade payables

	December 31	
	2018	2017
Subsidiaries	\$ 482	\$ 55,394
Other related parties	<u>171</u>	<u>-</u>
	<u>\$ 653</u>	<u>\$ 55,394</u>

k. Other receivables

	December 31	
	2018	2017
Subsidiaries	\$ 167	\$ 2,307
Associates	14,169	6,966
Other related parties	<u>2,595</u>	<u>2,469</u>
	<u>\$ 16,931</u>	<u>\$ 11,742</u>

l. Loans from related parties

	December 31	
Related Party Category/Name	2018	2017
Walsin Lihwa Holding Ltd.	<u>\$ 2,000,657</u>	<u>\$ 1,784,112</u>

	For the Year Ended December 31	
Related Party Category/Name	2018	2017
<u>Interest expense</u>		
Subsidiary	<u>\$ 37,248</u>	<u>\$ 12,230</u>

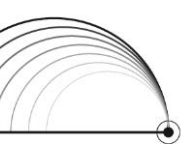
The Company obtained loans at rates comparable to market interest rates for the loans from related parties.

m. Other payables

	December 31	
	2018	2017
Subsidiary	<u>\$ -</u>	<u>\$ 1,972</u>

n. Property, plant and equipment acquired

	Price	
	For the Year Ended December 31	
	2018	2017
Subsidiaries	<u>\$ -</u>	<u>\$ 3</u>



o. Property, plant and equipment disposed

Related Parties Types	For the Year Ended December 31			
	2018		2017	
	Price	Gain on Disposal	Price	Gain on Disposal
Associates	\$ 5,500	\$ 5,500	\$ -	\$ -

p. Loan guarantees

	December 31	
	2018	2017
Subsidiaries	US\$ 36,500	US\$ 36,500

q. Guarantee deposits

	December 31	
	2018	2017
Associates	\$ 8,916	\$ 6,193
Other related parties	417	2,201
	<u>\$ 9,333</u>	<u>\$ 8,394</u>

r. 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	
	2018	2017
Short-term benefits	\$ 221,741	\$ 190,937
Post-employment benefits	2,867	2,355
	<u>\$ 224,608</u>	<u>\$ 193,292</u>

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

28. 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	
	2018	2017
Other non-current assets - refundable deposits	<u>\$ 33,400</u>	<u>\$ 33,400</u>



29. 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, 2018 and 2017 were as follows:

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2018 and 2017 were as follows (in thousands):

	December 31	
	2018	2017
US dollars	US\$ 48,781	US\$ 43,533
Japanese yen	JPY 187,216	JPY 92,480
Euro	EUR 3,212	EUR 1,206
New Taiwan dollars	NT\$ 48,486	NT\$ 24,009

- b. As of December 31, 2018, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$467,314 thousand and US\$10 thousand and 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. Tariff letters of credit amounted to approximately NT\$587,000 thousand and NT\$657,000 thousand as of December 31, 2018 and 2017; guarantees for the borrowings of its affiliates amounted to US\$43,500 thousand and US\$36,500 thousand as of December 31, 2018 and 2017.
- c. Non-cancelable copper and nickel procurement contracts with total contract value of US\$36,885 thousand US\$45,383 thousand were in effect as of December 31, 2018 and 2017.

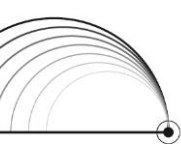
30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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:

December 31, 2018

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
US dollars	\$ 77,915	30.7150	\$ 2,393,169
Japanese yen	474,920	0.2782	132,123
Euros	13,094	35.2000	460,912
Hong Kong dollars	2,210	3.9210	8,665
Singapore dollars	691	22.4800	15,524

(Continued)



	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for using equity method			
US dollars	49,861	30.7200	1,531,472
Renminbi	8,163,773	4.4752	36,534,353
Indonesia rupiah	370,523	0.0021	789
Financial liabilities			
Monetary items			
US dollars	97,633	30.7150	2,998,804
Euros	1,214	35.2000	42,746
Swiss francs	17	31.1850	530
Japanese yen	936	0.2782	260
			(Concluded)

December 31, 2017

	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
US 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			
US dollars	44,674	29.7600	1,329,487
Renminbi	7,002,838	4.55447	31,894,214
Financial liabilities			
Monetary items			
US 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

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gain (loss) amounts were gain of NT\$251,457 thousand and gain of NT\$35,426 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.





31. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Lending funds to others: None;
- b. Providing endorsements or guarantees for others: See Table 1 attached;
- c. Holding of securities at the end of the period: See Table 2 attached;
- d. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 % of paid-in capital or more: See Table 3 attached;
- e. Acquisition of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- f. Disposal of real estate reaching NT\$300 million or 20 % of paid-in capital or more: None;
- g. 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.

32. OPERATION SEGMENT FINANCIAL INFORMATION

The Company has provided the financial information of the operating segments in the financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WALSIN LIHWA CORPORATION

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018**
(In Thousands of New Taiwan Dollars and US 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\$ 3,148,134 (US\$ 102,495)	NT\$ 1,021,515 (US\$ 33,000)	NT\$ 1,013,595 (US\$ 33,000)	NT\$ 879,678 (US\$ 28,640)	\$ -	1	NT\$ 77,328,012	Yes	No	No
		Green Lake Exchange, LLC.	c	NT\$ 1,976,817 (US\$ 64,360)	NT\$ 325,028 (US\$ 10,500)	NT\$ 322,508 (US\$ 10,500)	NT\$ - (US\$ -)	-	-		Yes	No	No
				NT\$ 5,124,951	NT\$ 1,346,543	NT\$ 1,336,103	NT\$ 879,678		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 seven categories.
 - A company with which Walsin Lihwa Corporation does business.
 - A company in which Walsin Lihwa Corporation directly and indirectly holds more than 50% of the voting shares.
 - A company that directly and indirectly holds more than 50% of the voting shares in Walsin Lihwa Corporation.
 - A company in which Walsin Lihwa Corporation directly or indirectly holds 90% or more of the voting shares.
 - A company that fulfills Walsin Lihwa Corporation's contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
 - A company in which all capital contributing shareholders make endorsements/guarantees for it and Walsin Lihwa Corporation's joint-investment company in proportion to their shareholding percentages.
 - A company in the same industry as Walsin Lihwa Corporation whereby either provides among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.
- According to the Endorsements/Guarantees and Financing provided by 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 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 ordinary 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:
 $\text{NT\$}77,328,012 \times 100\% = \text{NT\$}77,328,012.$
 - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:
 Borrego Solar Systems, Inc.: $\text{US\$}53,966 \times 250\% \times 75.97\% = \text{US\$}102,495.$
 Green Lake Exchange, LLC.: $\text{US\$}25,744 \times 250\% \times 100\% = \text{US\$}64,360.$
- The currency exchange rate as of December 31, 2018 was as follows: US\$ to NT\$ = 1:30.715.

TABLE 2

WALSIN LIHWA CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(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, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Walsin Lihwa Corporation	Share							
	HannStar Display Corp.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	237,292,180	\$ 1,670,537	7.34	\$ 1,670,537	
	HannStar Board Corp.	-	Financial assets at fair value through other comprehensive income - non-current	58,955,639	1,347,136	13.09	1,347,136	
	Kuang Tai Metal Industrial Co., Ltd.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	9,631,802	224,778	9.39	224,778	
	One-Seven Trading Co., Ltd.	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	30,000	266	6.67	266	
	Global Investment Holdings	The holding company is a director of the issuing company	Financial assets at fair value through other comprehensive income - non-current	5,562,000	44,608	2.93	44,608	
	WK Technology Fund	-	Financial assets at fair value through other comprehensive income - non-current	380,477	5,069	1.91	5,069	
	Universal Venture Capital Investment	-	Financial assets at fair value through other comprehensive income - non-current	1,400,000	12,121	1.16	12,121	
	Hwa Bao Botanic Conservation Corp.	The holding company is a supervisor of the issuing company	Financial assets at fair value through other comprehensive income - non-current	75,000	723	15.00	723	

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, 2018
(In Thousands of New Taiwan Dollars)**

Company Name	Marketable Securities Type and Name	Financial Statement Account	Purpose of Transaction	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount (Note 2)	Shares/Units	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares/Units	Amount (Note 3)
Walsin Lihwa Corporation	Share Powertec Energy Corp.	Investments accounted for using the equity method	Capital investment	Related parties	611,025,882 (Note 1)	\$ 2,273,016	59,258,643	\$ 592,586	399,622,365 (Note 1)	\$ -	\$ 421,537	\$ (255,298) (Note 4)	270,662,160	\$ 2,444,065
	Concord Industries Limited	Investments accounted for using the equity method	Capital investment	Subsidiaries	405,903,187	8,456,321 (Note 5)	82,000,000	2,532,432	-	-	472,547	-	487,903,187	10,516,206

Notes:

1. Powertec Energy Corp. reduced its capital to cover accumulated deficits on January 19, 2018. After its capital reduction, the number of shares held by WLC reduced to 211,403,517, which were recognized as “financial assets at fair value through other comprehensive income”.
2. On April 20, 2018, WLC subscribed for 59,258 thousand shares of Powertec Energy Corp. through the issuance of ordinary shares for cash.
3. The amount included investment income or loss and the share of the change in capital surplus from investments in associates accounted for using the equity method.
4. The relevant financial assets were transferred to “investments accounted for using the equity method” and were recognized at fair value on April 20, 2018, and the transaction was deemed as a disposal of financial assets at fair value through other comprehensive income - non-current. The difference between the fair value and the carrying amount is NT\$255,298 thousand which was recorded as a deduction of unappropriated earnings for the year ended December 31, 2018.
5. The beginning balance including the effect of retrospective application of retrospective application of IFRS 9.

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, 2018
(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	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Sales	\$ (1,391,213)	(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	\$ 133,703	1	
	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(5,155,081)	(3)	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	190,945	1	
	Koung Tai Metal Industrial Co., Ltd.	Director of the related party	Sales	(982,705)	(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	22,827	-	
	Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(142,303)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	13,085	-	
	Jianyin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(153,702)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	49,945	-	

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, 2018
(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 \$ 190,945	17.08	\$ -	-	\$ 157,139	\$ -
	Nanjing Walsin Metal Co., Ltd.	79.51% indirectly owned subsidiary	Trade receivables 133,703	20.42	-	-	98,605	-

TABLE 6

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE GROUP EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2018

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, 2018			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	\$ 12,062,611	\$ 12,062,611	391,147,848	100.00	\$ 20,433,169	\$ 295,431	\$ 296,925	
	Concord Industries Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	18,726,095	16,193,663	487,903,187	100.00	10,516,206	376,091	376,091	
	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	9,283	56	56	
	Ace Result Global Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	1,587,416	1,587,416	44,739,988	100.00	361,575	(208,611)	(208,611)	
	Energy Pilot Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	562,829	562,829	20,670,001	100.00	809,173	39,632	39,632	
	Market Pilot Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	3,799,884	3,799,884	127,000,000	100.00	64,056	(26)	(26)	
	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	26,565,000	100.00	323,733	33,823	33,669	
	Waltuo Green Resources Corporation	No. 47, Bade Rd., Yanshui District, Tainan City 73743, Taiwan, R.O.C.	Waste disposal, resource recovery and cement products	10,000	-	1,000,000	100.00	9,996	(4)	(4)	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction	611,687	611,687	343,799,633	99.22	6,025,254	1,992,942	1,977,397	
	Walsin Info-Electric Corp.	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Mechanical and electrical, communications, and power systems	66,406	66,406	9,491,461	98.87	144,890	10,740	10,618	
	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	729,211	164,213	117,666	
	PT. Walsin Lippo Kabel	Jl. Jati 3 Blok J7/5, Newton Techno Park, Serang, Cikarang Selatan, Bekasi, Jawa Barat	Production and sale of cables and wires	11,656	11,656	1,050,000	70.00	789	4,039	2,827	
	Joint Success Enterprises Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	1,164,273	1,164,273	36,058,184	49.05	4,917,029	3,887,381	1,925,735	
	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	3,418,941	607,288	224,696	
	Walsin Color Co., Ltd.	24F., 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	772,206	67,884	22,657	
	Concord II Venture Capital Co., Ltd.	4F., No. 76, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Venture capital and consulting affairs	257,860	257,860	26,670,699	26.67	187,535	(18,336)	(4,890)	
	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	7,429,920	883,848,423	22.21	13,915,961	7,446,496	1,653,867	
	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	2,270,771	408,562	84,737	
	Walsin Technology Corp.	24F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Production and sale of ceramic capacitors	1,649,039	1,649,039	88,902,325	18.30	6,400,352	19,704,564	3,614,658	
	Powertec Energy Corp.'s	13 F, No. 337, Fuxing N. Rd., Songshan Dist., Taipei City 105, Taiwan, R.O.C.	Basic industrial chemical manufacturing and energy technical services	2,706,622	2,422,628 (Note)	270,662,160	20.53	2,444,065	(1,565,744)	(251,743)	

Note: Shares of Powertec Energy Corp. held by WLC have been recognized as "financial assets at fair value through other comprehensive income - non-current".

TABLE 7

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, US Dollars and Renminbi)

Walsin Lihwa Corporation

- A. The names of investee companies in mainland China and their main businesses and products, total amount of paid-in capital, investment type, investment flows, percentage of ownership in investments, investment gain or loss, carrying amount, accumulated inward remittance of earnings and upper limit on investments in mainland China are 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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 614,300 (US\$ 20,000)	b	\$ 460,725 (US\$ 15,000) (Note 2)	\$ - -	\$ - -	\$ 460,725 (US\$ 15,000) (Note 2)	\$ (3,223)	75.00	\$ (2,417)	\$ 639,987	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	479,983 (US\$ 15,627)	b	459,374 (US\$ 14,956) (Note 3)	- -	- -	459,374 (US\$ 14,956) (Note 3)	76,954	95.71	73,654	1,043,460	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,978,287 (US\$ 162,080)	b	3,041,092 (US\$ 99,010) (Note 4)	- -	- -	3,041,092 (US\$ 99,010) (Note 4)	(851,260)	38.93	(331,406)	678,090	-
Walsin (China) Investment Co., Ltd.	Investments	2,414,199 (US\$ 78,600)	b	2,414,199 (US\$ 78,600) (Note 5)	- -	- -	2,414,199 (US\$ 78,600) (Note 5)	(501,838)	100.00	(501,838)	4,093,470	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,979,355 (US\$ 97,000)	b	2,979,355 (US\$ 97,000) (Note 6)	- -	- -	2,979,355 (US\$ 97,000) (Note 6)	(336,113)	100.00	(336,113)	515,984	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	522,155 (US\$ 17,000) (Note 7)	b	1,197,885 (US\$ 39,000) (Note 8)	- -	- -	1,197,885 (US\$ 39,000) (Note 8)	89,049	100.00	89,049	(609,674)	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	798,590 (US\$ 26,000)	b	798,590 (US\$ 26,000) (Note 9)	- -	- -	798,590 (US\$ 26,000) (Note 9)	107,306	100.00	107,306	1,516,025	-
Nanjing Walsin Metal Co., Ltd.	New copper metal material	2,494,058 (US\$ 81,200) (Note 10)	b	1,923,035 (US\$ 62,609) (Note 11)	- -	- -	1,923,035 (US\$ 62,609) (Note 11)	213,252	79.51	169,549	3,540,758	-
Jiangyin Walsin Precision Metal Technology Co., Ltd.	Precision alloy wire	1,505,035 (US\$ 49,000)	b	1,505,035 (US\$ 49,000) (Note 12)	- -	- -	1,505,035 (US\$ 49,000) (Note 12)	(144,884)	100.00	(144,884)	1,453,599	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	307,150 (US\$ 10,000)	b	307,150 (US\$ 10,000)	- -	- -	307,150 (US\$ 10,000)	302,671	100.00	302,671	(678,282)	-

(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 17)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	\$ 7,281,461 (US\$ 237,065) (Note 13)	b	\$ 1,011,342 (US\$ 32,927)	\$ 2,518,630 (US\$ 82,000)	\$ - -	\$ 3,529,972 (US\$ 114,927)	\$ 32,036	100.00	\$ 32,036	\$ 2,493,163	\$ -
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	1,505,035 (US\$ 49,000)	b	1,505,035 (US\$ 49,000)	- -	- -	1,505,035 (US\$ 49,000)	44,000	100.00	44,000	1,519,259	-
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,339,174 (US\$ 43,600)	b	401,752 (US\$ 13,080)	- -	- -	401,752 (US\$ 13,080)	94,561	30.00	28,368	352,233	937,422
XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	3,068,429 (US\$ 99,900)	b	3,070,210 (US\$ 99,958)	- -	- -	3,070,210 (US\$ 99,958)	(769)	100.00	(769)	49,285	-
Nanjing Walsin Expo Exhibition Ltd.	Exhibition and conference organizing services	13,484 (US\$ 439)	b	8,139 (US\$ 265)	- -	- -	8,139 (US\$ 265)	(1,088)	60.00	(655)	(407)	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	30,715 (US\$ 1,000)	b	30,715 (US\$ 1,000)	- -	- -	30,715 (US\$ 1,000)	116,929	100.00	116,929	(517,188)	-
XiAn Lvjing Technology Co., Ltd.	Solar module assembly	1,388,318 (US\$ 45,200)	c	614,300 (US\$ 20,000)	- -	- -	614,300 (US\$ 20,000)	(24,340)	100.00	(24,340)	685,340	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon production	5,370,216 (RMB 1,200,000)	b	- (US\$ -)	- -	- -	- (US\$ -)	(353,812)	19.00	-	633,028 (Note 14)	-
XiAn Walsin Opto-electronic Limited	LED, micro projector, and solar cell assembly	4,607 (US\$ 150)	b	4,607 (US\$ 150)	- -	- -	4,607 (US\$ 150)	(1,016)	100.00	(1,016)	(132,154)	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	44,752 (RMB 10,000)	b	9,337 (US\$ 304)	- -	- -	9,337 (US\$ 304)	683	20.00	137	9,268	-
Shaanxi Electronic Group Optoelectronics Technology Co., Ltd.	Communications equipment and electronic components	696,329 (RMB 155,598)	b	- (RMB -)	- -	- -	- (RMB -)	16,828	6.02	-	48,954	-
Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	1,680,618 (RMB 375,542)	b	1,680,618 (RMB 375,542) (Note 15)	- -	- -	1,680,618 (RMB 375,542) (Note 15)	3,851,144	99.60	3,835,841	9,033,809	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	4,475 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	587	99.60	583	(4,569)	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	4,028 (RMB 900)	b	- (RMB -)	- -	- -	- (RMB -)	(68)	99.60	(64)	4,015	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	4,475 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	(442)	99.60	(442)	4,092	-

(Continued)

B. The upper limit on investments of WLC in mainland China is as follows:

Accumulated Investment in Mainland China as of December 31, 2018 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
NT\$25,368,317 (US\$ 825,926)	NT\$25,168,977 (US\$ 819,436)	N/A (Note 18)

Notes

- Investments can be classified into three categories as follows:
 - Direct investments in mainland China.
 - Reinvestments in mainland China through companies located in a third country.
 - Others.
- Inclusive of US\$4,500 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Inclusive of US\$7,929 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Inclusive of US\$2,800 thousand in investments made through Walsin (China) Investment Co., Ltd., and US\$22,730 thousand in 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.
- Inclusive of the capital investment of US\$28,600 thousand which was contributed from the accounts payable of Walsin (China) Investment Co., Ltd. to Walsin Lihwa Holdings Limited.
- Inclusive of US\$8,000 thousand in investments made through Walsin Specialty Steel Corp. and US\$42,000 thousand worth of dividends appropriated from Changshu Walsin Specialty Steel Co., Ltd. and Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.
- Inclusive of capital reduction for cover accumulated deficits US\$22,000.
- Inclusive of US\$4,800 thousand in investments made through Walsin (China) Investment Co., Ltd.
- Investment made through Walsin (China) Investment Co., Ltd.
- Inclusive of an increment of US\$3,500 thousand from the revaluation of assets.
- Inclusive of dividends in the amount of US\$43,521 thousand appropriated from Nanjing Walsin Photoelectric Co., Ltd. to Renowned International Limited, and dividends in the amount of US\$300 thousand appropriated from Jiangyin Walsin Steel Cable Co., Ltd. to Walsin (China) Investment Co., Ltd.
- Inclusive of investments made through Walsin (China) Investment Co., Ltd. of US\$4,500 thousand and private capital investment in the amount of US\$4,500 thousand of Walsin (China) Investment Co., Ltd.
- Inclusive of private capital investments of RMB578,796 thousand from Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd., Changzhou Wujin NSL Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd., and RMB3,750 thousand in investments made through Changzhou Wujin NSL Co., Ltd. Also inclusive of US\$32,927 thousand in investments from the merger of Yantai Huanghai Iron and Steel Co., Ltd. and Yantai Dazhong Recycling Resource Co., Ltd.
- The private capital amount of RMB228,000 thousand of XiAn Lv Jing Technology Co., Ltd., adjusted by its fair value.
- The amount includes investments through subsidiary Joint Success Enterprises Limited which were approved in the previous years.
- The Company named as Shaanxi Optoelectronics Technology Co., Ltd. before.
- Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi or US dollars.
- The currency exchange rates as of December 31, 2018 are as follows: US\$ to NT\$ = 1:30.715, RMB to NT\$ = 1:4.47518. The average exchange rates as of December 31, 2018 are as follows: US\$ to NT\$ = 1:30.149, RMB to NT\$ = 1:4.5519.
- Amount was recognized based on the reviewed financial statements.
- Upper limit on investments:
WLC was approved as the operational headquarters by the Industrial Development Bureau, Ministry of Economic Affairs and is thus exempted from the related regulations of the "Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China".

C. Significant direct or indirect transactions between the Company and investees in mainland China

Related Party	Nature of Relationship	Transaction Type	Amount	% to Total	(In Thousands of New Taiwan Dollars)			Notes/Accounts Payable or Receivable		
					Transaction terms			Ending Balance	% to Total	Unrealized Loss
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	(1,391,213)	2	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	133,703	4	-
Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(5,155,081)	6	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	190,945	6	-
Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(142,303)	-	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	13,085	-	(8,488)
Jiangyin Walsin Steel Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(153,702)	-	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	49,945	2	(3,447)

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. Financial Status - Consolidated (Based on IFRSs)

Unit: NT\$ Thousands

Items \ Year	2017	2018	Difference	
			Amount	%
Current Assets	63,652,434	58,726,913	(4,925,521)	(7.74)
Property, Plant and Equipment	20,984,890	25,083,436	4,098,546	19.53
Intangible Assets	169,726	164,451	(5,275)	(3.11)
Other Assets	45,443,695	48,679,310	3,235,615	7.12
Total Assets	130,250,745	132,654,110	2,403,365	1.85
Current Liabilities	34,618,169	32,146,970	(2,471,199)	(7.14)
Non-current Liabilities	23,352,320	21,242,797	(2,109,523)	(9.03)
Total Liabilities	57,970,489	53,389,767	(4,580,722)	(7.90)
Capital Stock	33,660,002	33,260,002	(400,000)	(1.19)
Capital Surplus	15,854,392	15,966,420	112,028	0.71
Retained Earnings	19,234,380	32,144,727	12,910,347	67.12

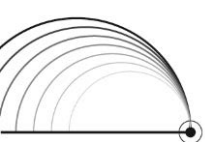
Note: The reasons, effects and future plans about that changes in assets, liabilities and equity which over 20% or NT\$10 million in last two years:

1. Reasons:

A. The increase of retained earnings in 2018 compared to 2017 was due to the increasing profit in 2018.

2. Effects: None.

3. Future plans: Keep working on managing working capital and asset and liability structure.



2. Financial Performance - Consolidated (Based on IFRSs)

Unit: NT\$ Thousands

Unit: NT\$ Thousands

Year Items	2017	2018	Difference													
			Amount	%												
Operating Revenue	167,792,585	190,915,137	23,122,552	13.78												
Operating Costs	155,787,754	174,979,772	19,192,018	12.32												
Gross Profit	12,004,831	15,935,365	3,930,534	32.74												
Operating Expense	4,109,186	4,909,156	799,970	19.47												
Profit from Operations	7,895,645	11,026,209	3,130,564	39.65												
Non-operating Revenue and Expense	1,498,803	5,644,765	4,145,962	276.62												
Profit before Taxes	9,394,448	16,670,974	7,276,526	77.46												
Tax Expense	2,700,435	4,711,687	2,011,252	74.48												
Net Income	6,694,013	11,959,287	5,265,274	78.66												
<p>I. The variance analysis in last two years:(Variable proportion over 20%)</p> <p>1. In 2018, Gross Profit increased NT\$3.9 billion was due to the selling the real estate.</p> <p>2. Compared to 2017, non-operating income increase noticeably due to the investees' earnings grow high in 2018, which cause share of gain of associates under equity method increased.</p> <p>3. Tax expense increased NT\$2 billion in 2018 compared to 2017 was due to the increasing of profit from operations in 2018.</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> <p>2019(Unit: ton)</p> <table><tr><td>Bare copper wire</td><td>554,000</td></tr><tr><td>Power line</td><td>44,411</td></tr><tr><td>Strand</td><td>109,115</td></tr><tr><td>Stainless steel</td><td>541,380</td></tr><tr><td>Hot rods</td><td>354,000</td></tr><tr><td>Seamless steel pipe</td><td>11,556</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>					Bare copper wire	554,000	Power line	44,411	Strand	109,115	Stainless steel	541,380	Hot rods	354,000	Seamless steel pipe	11,556
Bare copper wire	554,000															
Power line	44,411															
Strand	109,115															
Stainless steel	541,380															
Hot rods	354,000															
Seamless steel pipe	11,556															



3. Cash Flow - Consolidated (Based on IFRSs)

(1) Cash flow analysis for the current year:

Unit: NT\$ Thousands

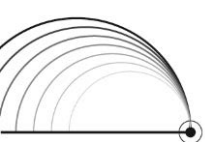
Cash and Cash Equivalents at the beginning of the year	Net Cash flow from Operating Activities	Net Cash flow from Investing Activities	Net Cash flow from Financing Activities	Effects of Exchange Rate Changes	Cash and Cash Equivalents at the ending of the year	Note
10,952,691	3,019,281	(6,669,725)	2,297,836	(193,929)	9,406,154	
<p>Analysis of change in cash flow in the current year:</p> <p>1.The inflows of net cash generated by operating activities was NT\$ 3,019,281 thousand due to the profit before taxes.</p> <p>2.The outflows of net cash used in investing activities was NT\$6,669,725 thousand due to the capital expenditure.</p> <p>3.The inflows of net cash generated by financing activities was NT\$2,297,836 thousand due to the increase of borrowings.</p> <p>4.The outflows of net cash in the year was NT\$ 1,546,537 thousand and the ending balance of cash was NT\$ 9,406,154 thousand.</p>						

(2) Remedy for cash Deficit and Liquidity Analysis: Not applicable.

(3) Cash flow Analysis for the coming year:

Unit: NT\$ Thousands

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
9,406,154	10,386,534	(8,648,935)	(5,448,865)	0	5,694,888	
<p>Analysis of change in cash flow for the coming year:</p> <p>1.The inflows of net cash generated by 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 strategic project investment, 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\$ Thousands

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	2,088	146	293	1,460	96	73	19
Pre-cold rolled Manufacturing Equipment	Working Capital	June 2018	1,326			95	311	793	127
Land purchase in Yanshui	Working Capital	April 2019	913						913

(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:**

- On a consolidated basis, the Company's current key reinvestment areas are DRAM, TFT LCD and passive components.
- On a consolidated basis, in 2018, the gains for affiliated enterprises recognized by equity method was NT\$5.05 billion, 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 2017.

(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:

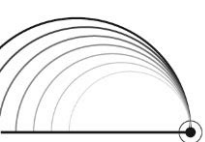
- (1) Impact of Interest Rate and Exchange Rate Changes and Inflation on the Company's Profit and Countermeasures.

Affected item	Impact	Response measures:
Interest Rate Change	Net interest expense (interest expense less interest income) in 2018 was approximately NT\$329 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 2018 were approximately NT\$331 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
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:

Risks in global information security are increasing. The World Economic Forum has listed "data scams or thefts" and "cyberattacks" among the top ten risks around the world for many consecutive years. In recent years, domestic industries have also experienced a number of major information security events. In addition to causing financial and capacity losses, such events have also impacted corporate reputation. How to effectively manage risks and avoid information leakage and network paralysis has become an unavoidable issue for corporations.

In view of this, in 2017, Walsin Lihwa established a special unit for information security responsible for planning, coordinating and implementing information security measures. Aside from improving the mechanism for information security management, introducing the security system, strengthening data protection and network monitoring, we participated in the information security detection and diagnosis service promoted by the Industrial Bureau of the Ministry of Economic Affairs in 2018, to evaluate and improve protection capacity of endpoints, servers and network devices. In addition, in the fourteenth meeting of the Audit Committee of the first term, we reported on the three-year implementation plan for information security, with the goal of improving network visibility, reducing risk exposure and establishing a rapid response to information security events. In the future, we will continue to strengthen the information protection capacity of Walsin Lihwa in order to meet the challenges brought by the comprehensive digitalization of Industry 4.0.

- (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 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

Ratio	Formula	Target KPI	2018	2017
Debt ratio	Net liabilities (Total liabilities - Cash and cash equivalents) / Tangible assets	$\leq 120\%$	55.61%	66.83%
Current ratio	Current assets / Current liabilities	$\geq 100\%$	182.68%	183.87%
Times interest earned	Net income before income tax, depreciation, amortization and interest expense / Current interest expense	$\geq 150\%$	2,795.11%	2,280.61%
Tangible assets	Shareholders' equity - Intangible assets	$\geq \text{NT\$}50 \text{ billion}$	NT\$79.1 billion	NT\$72.1 billion

(2) Performance indicators: Return on shareholder's equity and income before accrued interest, tax, depreciation and amortization

Ratio	Formula	2018	2017
Return on shareholder's equity	Net Income after tax / Average of total shareholders' equity	15.78%	9.73%
Return before accrued interest, tax, depreciation and amortization	Income before interest and tax + depreciation and amortization	NT\$19,123 million	NT\$11,699 million

7. Other Major Issues: None

VIII

(1) Affiliates

1. Affiliated Organization Chart of Walsin Lihwa Corporation (as of 2018/12/31)



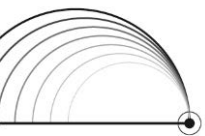
2. Affiliated Organization Chart of Walsin Lihwa Holdings Limited and Concord Industries Limited (as of 2018/12/31)



(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
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	Production and sale of cables and wires
Dongguan Walsin Wire & Cable Co., Ltd.	2000/01/26	Xiniu Industrial Zone District, Dalang Town, Dongguan, Guangdong	USD 26,000	Production and sale of 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	Manufacture and sale of steel cables and wires
Walsin International Investments Limited	1993/12/02	Unit 9-15, 22/F, Millennium City, 378Kwun Tong Road, Kwun Tong, Kooloon, Hong Kong	HKD 0.002	Investments
Borrego Solar Systems, Inc.	2002/03/01	6210 Lake Shore Drive San Diego, CA 92119, USA	USD 14,571	Specializes in commercial, residential, and public sector turnkey, grid-connected 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 and asset management, consulting and advertising services
Concord Industries Limited	1992/08/25	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 487,903	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, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	USD 17,000	Manufacture and sale of stainless steel
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	Manufacture and sale of specialized steel tubes
Yantai Huanghai Iron and Steel Co., Ltd.	2007/03/19	No. 2 Wuzhishan Road. ETDZ Yantai City, Shantung Province,	USD 237,065	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	Room 105, 1 floor, block A, long Qi science and Technology Park, No. 29 Jinye	USD 10,000	Production and sale of medium and heavy specialized stainless



Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
		Road, Xi'an new and high tech Zone, Shaanxi		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 3,464,878	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 Nanjing Culture and Arts CO., LTD.	2018/07/13	Room 3, 1st basement, No. 236, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu.	RMB 900	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency
Walsin Nanjing Commercial Management CO., LTD.	2018/07/13	Room 3, 1st basement, No. 236, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu.	RMB 1,000	Business management, food marketing, catering services and sale of groceries
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	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 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 265,650	Solar power systems management, design, and installation
Waltuo Green Resources Corporation (Note2)	2018/06/06	No. 47, Bade Rd., Yanshui Dist., Tainan City 737, Taiwan(Note2)	NTD 10,000	Production, sale, and testing of semiconductors
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	N/A

Note1: Merge into XiAn Walsin Metal Product Co., Ltd. In Process.

Note2: The change registration address was approved on January 3, 2018.



(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.

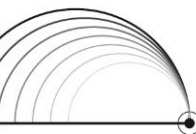
The division of work of affiliated companies:

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 (as of 2018.12.31)

Share: USD thousands or RMB thousands; per; %

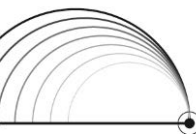
Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Walsin Lihwa Holdings Limited	Director	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao, Patricia Chiao, David Wen	391,147,848	100.00%
Renowned International Limited	Director	Representative of Walsin Lihwa Holdings Limited: Patricia 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: Hirofumi Yamaguchi	1,396,964	6.93%
Nanjing Walsin Metal Co., Ltd	Chairman	Witty Liao	RMB 0	0.00%
	Vice Chairman	Bao-Min Xiao	RMB 0	0.00%
	Vice Chairman	Ben Lin	RMB 0	0.00%
	General manager	Zhen- Zhong Hu	RMB 0	0.00%
	Director	Representative of Renowned International Limited: Witty Liao, Ben Lin, Sophi Pan, Zhen- Zhong Hu, Ren-Jan Huang, Hirofumi Yamaguchi Hiroshi Ichinose	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, Kiwi Lan	RMB 12,478	2.01%
	Supervisor	Representative of Renowned International Limited: Richard Wu	RMB 572,961	92.29%
	Supervisor	Representative of Nanjing Xingang High-Tech Co., Ltd.: Yang-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: Richard Wu	USD 78,600	100.00%
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Chairman	Jinu-Wu Jeng	USD 0	0.00%
	Vice Chairman	Cheng Hang	USD 0	0.00%
	General manager	Wei-Chih Hu	USD 0	0.00%
	Director	Representative of Shanghai Nanxiang Development Zone Industrial Co. Ltd. : Hang Cheng, Jian-Ming Zhang	USD 671	4.29%



Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
	Director	Representative of Walsin (China) Investment Co., Ltd.: Jinu-Wu Jeng, Witty Liao, Jin-Renn Leu, Wei-Chih Hu, Allen Yang	USD 14,956	95.71%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Richard Wu	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.: Richard Wu	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, Jui-Yuan Liu, Sophi Pan, Kiwi Lan	USD 15,000	75.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Richard Wu	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	75.97%
	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: Richard Wu	USD 1,000	100.00%
Concord Industries Limited	Director	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao, Patricia Chiao, David Wen	487,903,187	100.00%
Walsin Specialty Steel Corp.	Director	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao, Patricia Chiao, David Wen	101,400,000	100.00%
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, Tain-Rong Chan, 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	Hui-Min Lu	USD 0	0.00%
	General manager	Chung-Jr Wu	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp: Hui-Min Lu,	USD 97,000	100.00%



Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Yantai Walsin Stainless Steel Co., Ltd.		C.C. Chen, Sherry Ho		
	Supervisor	Representative of Walsin Specialty Steel Corp: Richard Wu	USD 97,000	100.00%
	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Hong-Sheng Sheu	USD 0	0.00%
	Director	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: C.C. Chen, Hong-Sheng Sheu	USD 116,313	49.06%
	Director	Representative of Concord Industries Limited: Allen Yang	USD 120,753	50.94%
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Supervisor	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: Richard Wu	USD 116,313	49.06%
	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%
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Supervisor	Representative of Concord Industries Limited: Richard Wu	USD 49,000	100.00%
	Chairman	C.C. Chen	USD 0	0.00%
	General manager	Hong-Sheng Sheu	USD 0	0.00%
	Director	Representative of director: C.C. Chen, Hong-Sheng Sheu, Allen Yang	USD 49,000	100.00%
Walsin Precision Technology Sdn. Bhd	Supervisor	Representative of supervisor: Richard Wu	USD 49,000	100.00%
	Chairman	Juei-Lung Chen	0	0.00%
	General manager	Pang Boon Wah	0	0.00%
XiAn Walsin Metal Product Co., Ltd.	Director	Representative of Concord Industries Limited: Juei-Lung Chen, Pang Boon Wah, Tay Seok Yin, Nora Lin	32,178,385	100.00%
	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%
XiAn Lyling Technology Co., Ltd.	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 10,000	100.00%
	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%
Xian Walsin Opto-electronic Limited	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 45,200	100.00%
	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%
Ace Result Global Limited	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 150	100.00%
Energy Pilot Limited	Director	Representative of Walsin Lihwa Corporation: Ji-Ming Tang, Nora Lin	44,739,988	100.00%
Green Lake Capital, LLC.	Director	Representative of Walsin Lihwa Corporation: Ji-Ming Tang, David Wen	20,670,001	100.00%
Green Lake Exchange, LLC	Co-Manager	Jason Tai, Sophi Pan	USD 20,670	100.00%
Touch Micro-System Technology Corp.		Corporate shareholders representative of Green Lake Capital, LLC.: Jason Tai	USD 11,355	100.00%
Chin-Cherng Construction Co.	Liquidator	Sophi Pan	0	0.00%
	Chairman	Wu-Shung Hong	261,842	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	343,799,633	99.22%
	Supervisor	Richard Wu	0	0.00%



Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
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: Richard Wu	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, Kiwi Lan	RMB 1,000	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited: Richard Wu	RMB 1,000	100.00%
Walsin Nanjing Culture and Arts CO., LTD.	Chairman	Wei-Hsiung Wang	RMB 0	0.00%
	General manager	Chin-Hui Wang	RMB 0	0.00%
	Director	Representative of Walsin (Nanjing) Construction Limited: Wei-Hsiung Wang, Chin-Hui Wang, Kiwi Lan	RMB 900	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited: Sophi Pan	RMB 900	100.00%
Walsin Nanjing Commercial Management CO., LTD.	Chairman	Tzu-Yi Chiao	RMB 0	0.00%
	General manager	Chin-Hui Wang	RMB 0	0.00%
	Director	Representative of Walsin (Nanjing) Construction Limited: Tzu-Yi Chiao, Chin-Hui Wang, Kiwi Lan	RMB 1,000	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited: Sophi Pan	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	26,565,000	100.00%
	Supervisor	Representative of Walsin Lihwa Corporation: Nora Lin	26,565,000	100.00%
Walton Advanced Engineering, Inc.	Chairman	David Wen	0	0.00%
	General manager	Kuo-Hui Chen	0	0.00%
	Director	Representative of Walsin Lihwa Corporation: David Wen, Kuo-Hui Chen, Allen Yang	1,000,000	100.00%
	Supervisor	Representative of Walsin Lihwa Corporation: Sophi Pan	1,000,000	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 Commissioner	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao	10,500	70.00%
	President Director	Representative of Walsin Lihwa Corporation: Kai-Dai Ou Yang	10,500	70.00%
	Vice President	Representative of P.T. Multi Prima Sejahtera, Tbk,: Hery	4,500	30.00%

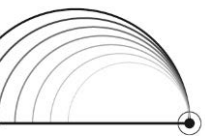


Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
P.T. Walsin Lippo Kabel	Director	Soegiarto		
	Director	Representative of Walsin Lihwa Corporation: Sophi Pan, David Karman, Ardinand Roynald P, Andre Kelsen, Foe	10,500	70.00%
	President Commissioner	Representative of P.T. Multi Prima Sejahtera, Tbk,: Rudy Nanggulangi	450,000	30.00%
	Vice President Commissioner	Representative of Walsin Lihwa Corporation: Yu-Lon Chiao	1,050,000	70.00%
	President Director	Representative of Walsin Lihwa Corporation: Kai-Dai Ou Yang	1,050,000	70.00%
	Vice President Director	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		33,260,002	119,305,634	41,977,622	77,328,012	85,099,970	2,122,510	11,756,781	3.53
Walsin Lihwa Holdings Limited (Note 1)		12,014,106	34,024,798	12,017,497	22,007,301	79,104,416	1,214,461	295,431	N/A
The Subsidiaries of Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	2,414,199	20,321,540	16,228,070	4,093,470	7,360	(71,377)	(501,838)	N/A
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	479,985	1,735,504	645,274	1,090,230	3,535,607	119,914	76,954	N/A
	Dongguan Walsin Wire & Cable Co., Ltd.	798,590	1,876,140	360,113	1,516,027	18,929,808	121,939	107,306	N/A
	Jiangyin Walsin Steel Cable Co., Limited	614,300	2,985,879	2,132,563	853,316	2,917,608	(1,954)	(3,223)	N/A
	Renowned International Limited	619,575	4,114,366	0	4,114,366	0	(78)	186,974	9.27
	Nanjing Walsin Metal Co., Ltd.	2,778,313	4,846,684	393,233	4,453,451	48,401,330	392,024	213,252	N/A
	Walsin International Investments Limited	0	6,831	89,541	(82,710)	0	(46)	(4,083)	N/A
	Nanjing Walsin Expo Exhibition Co., Ltd.	13,426	639	1,315	(676)	6	(1,087)	(1,088)	N/A
	Borrego Solar Systems, Inc.	447,537	4,849,106	3,191,594	1,657,512	8,966,077	585,022	386,820	201.22
	Nanjing Taiwan Trade Mart Management Co., Ltd.	30,715	43,598	560,788	(517,190)	191,311	118,679	116,929	N/A
	Walcom Chemicals Industrial Limited	1,961	1	68,701	(68,700)	0	(24)	(24)	N/A
Concord Industries Limited (Note 2)		14,985,946	22,118,170	11,334,618	10,783,551	17,916,227	159,262	376,091	N/A
The Subsidiaries of Concord Industries Limited	XiAn Walsin Metal Product Co., Ltd.	307,150	136,629	814,911	(678,282)	0	(2,372)	302,671	N/A
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	1,505,035	3,113,510	1,659,910	1,453,600	1,289,737	(126,196)	(144,884)	N/A
	Walsin Precision Technology Sdn. Bhd.	260,156	715,375	69,876	645,499	791,480	66,093	50,194	N/A
	Walsin Specialty Steel Corp	3,114,501	603,076	610,325	(7,249)	0	(42)	(247,027)	N/A
	Changshu Walsin Specialty Steel Co., Ltd.	2,979,355	2,836,228	2,320,244	515,984	2,673,561	(135,058)	(336,113)	N/A
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	522,155	92,335	702,009	(609,674)	179,548	(34,639)	89,049	N/A
	Yantai Walsin Stainless Steel Co., Ltd.	7,281,461	8,586,034	6,092,870	2,493,164	14,659,525	370,609	32,036	N/A
	XiAn Ly Jing Technology Co., Ltd.	1,388,318	690,042	4,702	685,340	0	(9)	(24,340)	N/A
	Xian Walsin Opto-electronic Limited	4,607	1,875	134,028	(132,153)	0	(11)	(1,016)	N/A
	Walsin Lihwa (Changzhou) Investment Co., Ltd.	1,505,035	1,525,680	6,421	1,519,259	0	(1,556)	44,000	N/A
Ace Result Global Limited		1,374,189	361,575	0	361,575	0	0	(208,611)	N/A
P.T. Walsin Lippo Kabel		46,073	22,372	21,245	1,127	0	3,111	4,039	2.69
Energy Pilot Limited		634,879	809,173	0	809,173	0	0	39,632	N/A
The Subsidiaries of Energy Pilot Limited	Green Lake Capital, LLC. (Note 3)	634,879	812,648	3,477	809,171	418,276	49,043	39,632	N/A
	Green Lake Exchange, LLC.	348,772	802,779	12,046	790,733	418,276	55,434	55,406	N/A
Touch Micro-System Technology Corp.		21,000	9,605	321	9,284	0	0	56	0.03
Walsin Info-Electric Corp.		96,000	182,069	35,524	146,545	51,249	12,523	10,740	1.12



Entity		Capital	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income (loss)	Net Income (loss)	EPS (NT\$)
Market Pilot Limited(Note 4)		3,900,805	79,510	15,453	64,057	0	(1,061)	(26)	N/A
The Subsidiaries of Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	3,068,429	64,739	15,453	49,286	0	(1,061)	(769)	N/A
P.T. Walsin Lippo Industries		460,725	1,582,205	540,476	1,041,729	1,837,894	265,164	164,213	10,947.53
Chin-Cherng Construction Co (Note 5)		3,464,878	17,602,661	6,721,914	10,880,747	13,334,275	7,614,499	1,992,942	5.75
The Subsidiaries of Chin-Cherng Construction Co.	Joint Success Enterprises Limited	2,258,167	9,911,453	108,963	9,802,490	0	(1,189)	3,887,381	N/A
	Walsin (Nanjing) Construction Limited	1,535,750	16,558,888	7,489,032	9,069,856	13,236,234	7,597,803	3,851,144	N/A
	Nanjing Walsin Property Management Co., Ltd.	4,475	40,441	45,028	(4,587)	104,609	(3,529)	587	N/A
	Walsin Nanjing Culture and Arts Co., Ltd.	4,028	4,305	342	3,963	1,868	(67)	(68)	N/A
	Walsin Nanjing Commercial Management Co., Ltd.	4,475	4,041	0	4,041	0	(443)	(442)	N/A
Min Maw Precision Industry Corp.		265,650	989,348	665,615	323,733	82,095	57,503	33,823	1.27
Waltuo Green Resources Corp.		10,000	9,996	0	9,996	0	(8)	(4)	(0.00)

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:

2018/12/31 US\$/NT\$=1: 30.715 (average rate : US\$/NT\$ =1: 30.149)

2018/12/31 RMB/NT\$=1: 4.47518 (average rate : RMB/NT\$=1: 4.55190)

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.

