

# Walsin Lihwa Corporation

## 2019 Annual Report

Printed on March 30, 2020

For related information, please visit:

<http://www.walsin.com>

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

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## 5. Independent Auditors

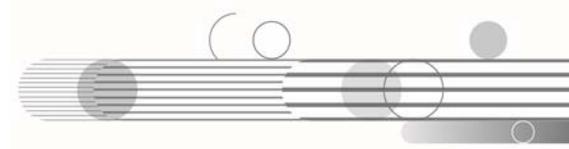
Company: Deloitte Touche Tohmatsu Limited  
Auditors: Wen-Yea, Shyu and Kwan-Chung, Lai  
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Tel: +886-2-2725-9988  
Website: <http://www.deloitte.com.tw>

## 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/>

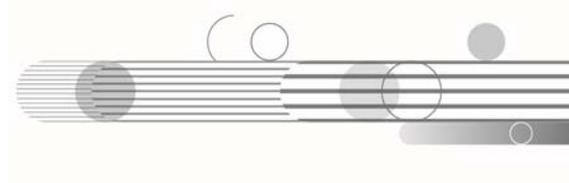


# Contents

<i>I Letter to Shareholders</i> .....	1
<i>II Company Profile</i>	
1. Date of establishment.....	5
2. Company History & Evolution.....	5
<i>III Corporate Governance Report</i>	
1. Organizational Chart .....	8
2. Profiles of Board Directors, President, Vice Presidents and Department Heads .....	10
3. Remunerations to Directors, President and Vice Presidents in the Most Recent Year.....	24
4. Corporate Governance Status .....	29
5. Information on CPAs' fees .....	94
6. Information on the replacement of CPAs .....	95
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 .....	95
8. Transfer and pledge of shares of the directors, managers and shareholders holding more than 10% of the company's shares .....	96
9. Information on relationships amongst the top ten shareholders and their relationships with spouses or relatives within the second degree of kinship.....	98
10. The number of shares of the same investee held by the Company, its directors, managers and which the Company controls directly or indirectly, with the aggregate shareholding percentages .....	104
<i>IV Fundraising Overview</i>	
1. The Company's Capital and Shares.....	105
2. Issuance of Corporate Bonds.....	109
3. Issuance of Preferred Shares.....	109
4. Issuance of Global Depositary Receipts (GDRs).....	110
5. Exercise of Employee Stock Option Plan (ESOP).....	110
6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies.....	110
7. Implementation of capital allocation plan.....	110
<i>V Business Overview</i>	
1. Business activities .....	111
2. Market Analysis and Sales Overview .....	119
3. Employee Data .....	127

○ Contents

4. Environmental Protection Expenditure Information .....	128
5. Employees-employer relations .....	139
6. Material Contracts .....	148
<i>VI Financial Information</i>	
1. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years .....	149
2. Financial Analysis of Recent Five Years.....	153
3. Audit Committee’s Review Report for the Recent Year .....	156
4. Financial report of the most recent year .....	157
5. Financial report of the parent company of the most recent year audited and certified by Supervisors.....	289
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 .....	373
<i>VII Review of Financial Conditions, Financial Performance, and Risk Management</i>	
1. Financial Status - Consolidated (Based on IFRSs) .....	374
2. Financial Performance - Consolidated (Based on IFRSs) .....	375
3. Cash Flow - Consolidated (Based on IFRSs) .....	376
4. Effect of Major Capital Expenditure on Financial Business Operations .....	377
5. Investment Policy of the Past Year, Profit/Loss Analysis, Improvement Plan and Investment Plan for the Coming Year .....	377
6. Risk Management and Assessment of the Following Items for the Past Year and the Year to Date .....	377
7. Other Major Issues: None .....	380
<i>VIII Special Disclosures .....</i>	<i>381</i>
1. Summary of Affiliates Companies.....	381
2. Progress of private placement of securities during the latest year and up to the date of annual report publication .....	389
3. The subsidiaries’ shareholding or disposal of the company’s shares during the latest year and up to the date of annual report publication .....	389
4. Other supplemental information.....	389
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. ....	389



# I Letter to Shareholders

Dear Shareholders,

The Company experienced a turning point in 2019, and the overall profitability of the Company decreased compared with the previous year, mainly due to the impact of trade war between China and the United States affecting the overall global economy, the massive supply of stainless steel products made from nickel pig iron and product prices deviated from global raw material prices. The Company actively adjusted its industrial strategy by selling its Nanjing copper bar business in the first half of 2019, expanding its sales of industrial cables in Taiwan, increasing stainless steel products for industrial applications and developing new steel grades. With the overall business strategy, the Company jointly build nickel pig iron plants with Shanghai Decent Group in Indonesia Morowali Industrial Park in 2020, extend stainless steel products value chain to upstream raw materials business, expects to improve competitiveness and expand its business in the near future.

## Accomplishments in 2019

As the trade war between China and the United States continued in 2019, the Company's profitability in the stainless steel market was affected by overcapacity and the deviation of product prices from international raw material prices, and its overall gain on investments was reduced by the global downturn in the industry. However, this was partly offset by the Company's recognition of the gain on the sale of the Nanjing Copper Bar Business and idle real estate. In 2019, the Company's consolidated revenue was NT\$134.8 billion; consolidated operating gross profit was NT\$9.4 billion; after-tax net income was NT\$3.15 billion; and earnings per share was NT\$0.95.

Wire and Cable Business:

The Cable and Wire BU showed steady profitability. The construction cable market has entered a mature stage with stable demand and profitability. The increase in cable sales in the renewable energy industry has benefited from the prosperous development of renewable energy industry in the Taiwanese markets, as a result of the global trend of energy conservation, carbon reduction and emphasis on environmental protection as well as government policies.

## ○ Letter to Shareholders

### Stainless Steel Business:

The sluggish growth of global stainless steel demand, coupled with the expansion of production capacity, increase in production capacity and cost reduction, resulted in intensified competition between mid- and low-end products. In addition, low-price competitions and changes in the supply chain of the industry led to changes in raw material hedging and the competition environment as product prices were decoupled from the international market prices for nickel raw materials, thereby affecting the operation and profitability of Stainless Steel Business.

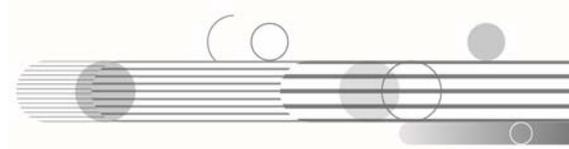
### Real Estate Business:

The Walsin shopping mall has been successfully opened in the middle of 2019 and is now growing steadily in terms of volume of customers and business. For the Real Estate BU, as the property market regulation imposed by the Nanjing City Government affected the timeline for opening for sale and handover of buildings in Phase III of Walsin Centro, only sales of parking spaces have been recognized as sales revenue for the residential and office projects in 2019. In addition, the revenue on Phase II for residential buildings and two office buildings on Lot D has already been recognized in 2018. As a result, the Company's overall revenue in 2019 decreased compared with the previous year.

## **Summary of 2020 Business Plan**

### Wire and Cable business:

The Copper Wire BU adopts a steady operating strategy, and the Company will continue to improve the quality of its products to maintain its product competitiveness. The Power Cable BU has been making steady profits in the existing market and products and actively expanding its sales of renewable energy products (such as solar energy and wind power) and port machinery products, while introducing related cable products to the international markets, with a view to expanding its market presence.



#### Stainless Steel Business:

The Stainless Steel BU continues to face challenges brought about by changes in the industrial value chains by enhancing product quality through capital expenditure, while maintaining product profitability by developing new steel grades, expanding product sizes, and increasing the proportion of high-value products. In addition, in order to increase the stability of raw materials supply and make strategic investments in upstream raw materials, the Company has invested in the construction of a nickel pig iron plant and a supporting power plant in Indonesia.

#### Resources Business:

The Company invested in the construction of a nickel pig iron plant and its ancillary power plants in Indonesia this year and has initiated the related capital expenditure and plant construction works. It is expected that the plant will be constructed and start its commercial operation. The Company will support its manufacturing BUs in stabilizing raw material costs and supply by extending the stainless steel value chain, optimizing sourcing strategies and improving risk management, thereby enhancing its product added value.

#### Real Estate Business:

The sale of Phase III of Lot D of Walsin Centro located in Nanjing has been completed after receipt of the sales permit issued by the Nanjing City Government in this March, and the gains on such sales will be recognized starting from the second quarter of this year. Lot A and Lot B of Walsin Centro adopt the phased development sales model. Building No. 6 is expected to be offered for leasing in the third quarter of 2020. Building No. 1 is now under construction and is expected to be completed by the end of 2021.

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

In 2020, the global macro-economy and business cycle were expected to gradually recover due to a temporary cessation of the trade disputes between China and the United States and global quantitative easing policies, but the global economy experienced a downturn due to the recent pandemic of the novel coronavirus (COVID-19), the biggest test in the wake of 2009 Financial Crisis. Whether the weakened economy will recover depends on the spread of the epidemic, the effectiveness of global epidemic preventive policies and progress in vaccine and medicine development. In addition, the Company's manufacturing businesses still have to pay close attention to

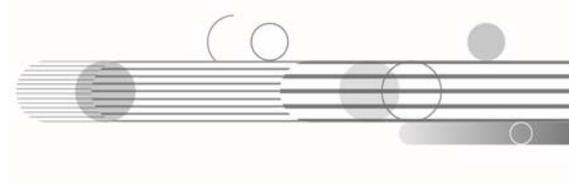
Letter to Shareholders

and overcome the long-term operational challenges facing it, such as volatile raw material prices and regulatory requirements for environmental protection and renewable energy. In spite of this, the Company continues to invest in technology applications in order to gradually transform itself into a manufacturing service provider in line with the expansion of the market for industrial application products; on the other hand, the Company has grasped the opportunity to increase its strategic investment in upstream raw materials and enhance its value chains by investing in the construction of nickel pig iron plant and power plant in Indonesia at the beginning of this year, with a view to maintaining its continued growth momentum.

Chairman

鍾佐倫





## 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 low-oxygen copper rods.

1982 Expanded SCR production facilities to increase annual manufacturing capacity to 100,000 metric tons of low-oxygen copper rods.

1987 Construction of the Yangmei plant completed.

Entered the semiconductor IC industry by investing in Winbond Electronics Corp. and Sumi-Pac Corp. In the following decade, the Company expanded into passive component, LCD panel, PCB thin board and other industries.

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.

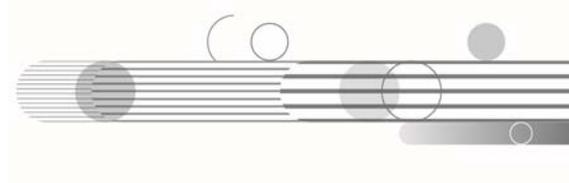
1995 Formed Walsin (China) Investment Co., Ltd. and set up four operating locations in China's major cities, including Hangzhou, Shanghai and Nanjing, for the production of power cables, bare copper wires and fiber optic cables.

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.

## ○ Company Profile

- 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.

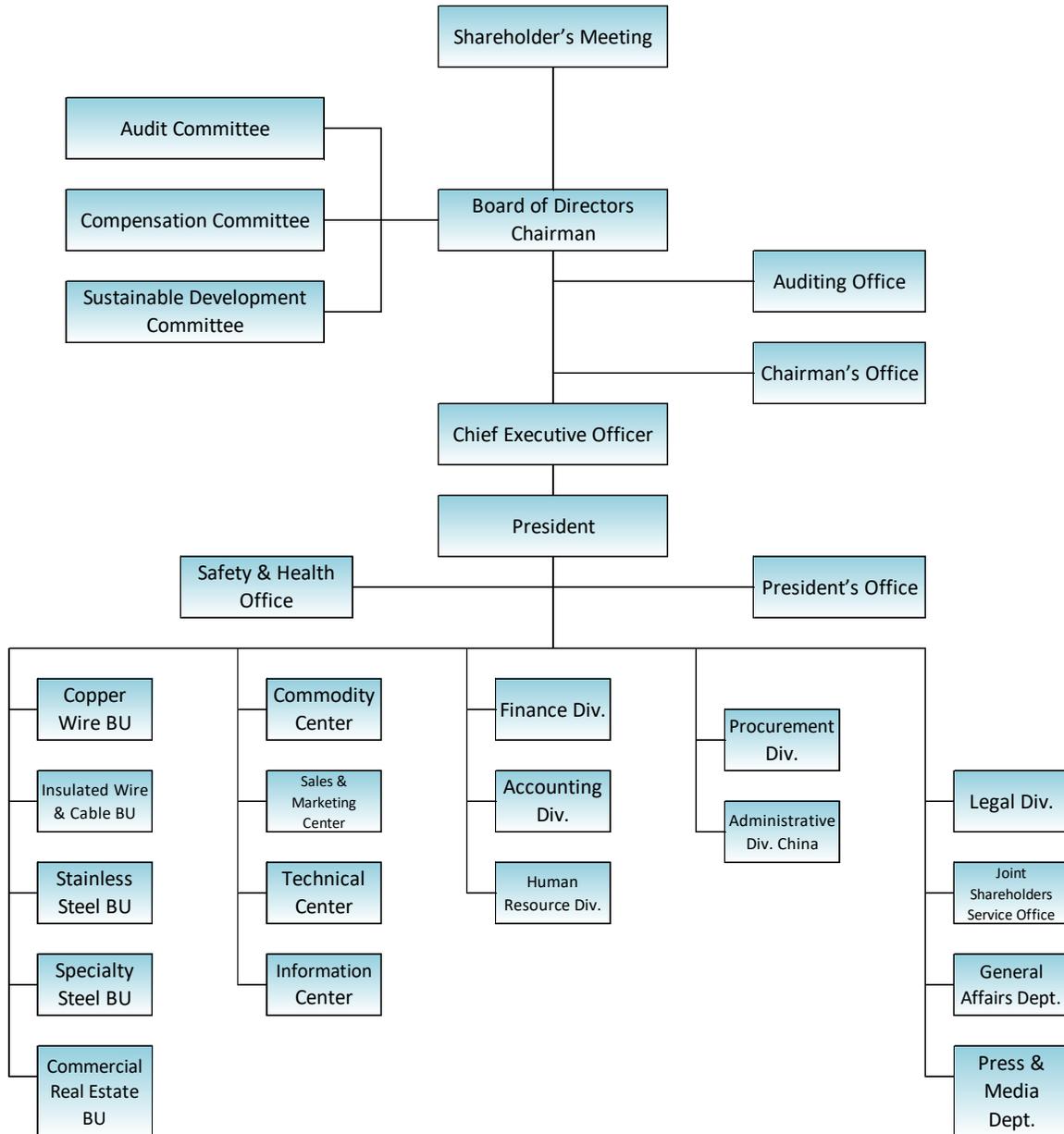


- 2012 Construction of two office buildings in C1 land plot of Nanjing Walsin Centro completed and transferred to the Jiangsu Branch of the China Development Bank and the Nanjing Branch of China Guangfa Bank.
- 2013 Cold rolled steel coil production officially commenced at the Taichung Harbor stainless 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.
- 2019 Walsin shopping mall in Nanjing was open for operation, serving as a representative landmark for Walsin's entrance to shopping mall industry.

# III Corporate Governance Report

## 1. Organizational Chart

(1) Company Organization Chart (March 30, 2020)



## (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.
Sustainable Development 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.
Auditing Office	Responsible for planning and auditing internal auditing systems.
Safety and Health Office	Responsible for managing matters relating to the Company's environmental and occupational safety and health as well as promoting and executing company-wide strategies and plans for the environmental and occupational safety and health.
Copper Wire BU	Product Types: Copper rods and wires that power cable and wire industries use as basic raw materials for conductors. The managers of this BU are responsible for the BU's profit/loss, improving long-term competitiveness and executing the Company's strategies.
Insulated Wire & Cable BU	Product Types: 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. The managers of this BU are responsible for the BU's profit/loss, improving long-term competitiveness and executing the Company's strategies.
Stainless Steel BU	Product Types: Stainless steel slabs (ingots), hot-rolled steel coils, cold-rolled steel coils, hot-rolled rods and cold drawn straight bars. The managers of this BU are responsible for the BU's profit/loss, improving long-term competitiveness and executing the Company's strategies.
Specialty Steel BU	Product Types: 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. The managers of this BU are responsible for the BU's profit/loss, improving long-term competitiveness and executing the Company's strategies.
Commerce & Real Estate BU	Business Items: Developing composite commercial properties, real estate management, etc. The managers of this BU are responsible for the BU's profit/loss, improving long-term competitiveness and executing the Company's strategies.
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 Division	Responsible for capital allocation and utilization, financial planning, investment management, risk management and other related matters.
Accounting Division	Accounting, asset management, credit management, operating analysis, etc.
Human Resources Division	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 Division	Procurement management and planning, raising procurement capabilities, promotion of procurement operations, etc.
Administration Division., China	Acting as the provider of financial, accounting, information and tax-related management and services to overseas BUs in accordance with Headquarters' policies.
Legal Division	Responsible for legal risk management and the preparation and management of various contracts, legal disputes, litigation or non-litigation cases.
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 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 (Note2)	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, 2019

	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			Note (Note 1)
	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	None
	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	None
	0	0.00%	University of Washington Masters of Electrical Engineer and Business Administration The Company's former chairman.	Chairman of Winbond Electronics Corporation and Chin-Xin Investment Co., Ltd; Director of Nuvoton Technology Corp, Walsin Technology Corporation, Jincheng Construction Co., Ltd., United Industrial Gases Co., Ltd., Songyong Investment Co., Ltd., MiTAC Holdings Corporation, Marketplace Management Limited, Peaceful River Corporation, Pigeon Creek Holding Co., Ltd., Winbond Electronics Corporation America, Winbond International Corporation, Landmark Group Holdings Ltd. and Nuvoton Investment Holding Ltd.; CEO of Winbond Electronics Corporation; Manager of Goldbond LLC; Independent Director, member of the Audit Committee and convener of the Compensation Committee at Taiwan Cement Corp.; Independent Director, member of the Audit Committee and convener 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	None
	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, An Xin e-Commerce and Career Technology Mfg. Co., Ltd.	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	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
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%	56,026,346	1.68%
Director	R.O.C.	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan	- Male	May 26, 2017	3 years	Legal Person: May 31, 2005 (Note3) Representative: May 26, 2017	178,002,000 0	5.24% 0.00%	210,011,000 0	6.31% 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, 2019

	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			Note (Note 1)
	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 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	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 and HannStar Display Corp.	Chairman of HannsTouch Solution Inc., Golden Apple Investment Company, White Stone Management Consultancy and Xinshi Yuema Investment Co., Ltd.; 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	None
	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, Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Peaceful River Corporation, Winbond International Corporation, Winbond Electronics Corporation America, Marketplace Management Limited, and Pigeon Creek Holding Co., Ltd.; CEO of Mobile Magic Design Corp.	None	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	None
	0	0.00%	Soochow University, Master in Accountancy; Bloomsburg University of Pennsylvania, Master of Business Administration; PwC Taiwan Director; Executive Director, Taiwan Corporate Governance Association; Adjunct Professor, EMBA, National Tsing Hua University	Independent Director of Yuanta Financial Holdings & Yuanta Commercial Bank, TTY Biopharm and Lite-On Technology Corporation.	None	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: Where the chairman and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness of, necessity of, and the measures adopted in response to, the above situation.

Note 2: Patricia Chiao served on the Company's Board between May 31, 2005 and June 10, 2014 and from May 25, 2016 until now.

Note 3: 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 4: The Audit Committee was established on May 26, 2017 to replace the supervisors.

Post-Period Note: 1. Director Tung-Yi Chan was originally President of Winbond Electronics Corp.; he was later adjusted to Vice Chief Executive Officer with effect from March 1, 2020.

2. Independent Director Chen, Steve Ruey-Long was discharged from Independent Director of China Petrochemical Development Corporation and was elected Chairman of China Petrochemical Development Corporation. His term of office as Director of Bank of Panhsin Co., Ltd. ended at the end of February 2020.

December 31, 2019

	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			Note (Note 1)
	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	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 Hipact Tech Inc., Nanjing Mercuries Development of Software Co., Ltd., Mercuries Insurance Agent Co., Ltd.; Director of Mercuries Holdings Corporation, Mercuries Data Systems Ltd., Shang-Ling Investment Inc., Shang-Hong Investment Inc., Yangzheng Investment Co., Ltd. and EASYCARD Investment Holding Company, Taiwan Masters Golf Promotion Foundation and Institute for National Policy Research Foundation; Supervisor of Digicentre Co., Ltd.; Independent Director of Teco Image Systems Inc.; Director of the Friends of the Police Association of the Republic of China Vice President of Criminal Investigation and Prevention Association of the Republic of China; Chiarman of the Security Police Third Corps Police Club of the Police Friendship Association of the Republic of China	None	None	None	None

1. Major shareholders of institutional shareholder

December 31, 2019

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Chin-Xin Investment Co., Ltd	Winbond Electronics Corp.	37.69%
	Walsin Lihwa Corporation	36.99%
	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%
	Walsin Technology Corporation.	1.86%
	HannStar Board Corporation	1.34%
	Prosperity Dielectrics Co., Ltd.	0.72%

Note: Top ten shareholders of institutional shareholder.

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

December 31, 2019

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Winbond Electronics Corporation	Walsin Lihwa Corporation	22.21%
	Chin-Xin Investment Co., Ltd	5.53%
	Yu-Cheng Chiao	1.59%
	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	1.23%
	Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JP Morgan Chase Bank N.A., Taipei Branch	1.16%
	Norges Bank Investment Fund under the custody of Citibank, Taipei Branch	1.13%
	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	1.04%
	Pai-Yung Hong	0.97%
	Dimension Emerging Markets Assessment Fund manage under the custody of Citibank Taiwan Limited	0.89%
	Yu-Heng Chiao	0.80%

Note: Top ten shareholders of the institutional shareholder.

March 30, 2020

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Walsin Lihwa Corporation	Winbond Electronics Corporation	6.55%
	Chin-Xin Investment Co., Ltd	6.31%
	LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch	5.87%
	Polaris Taiwan Dividend+ ETF	5.64%
	Patricia Chiao	2.77%
	Huali Investment Corp.	2.16%
	Yu-Heng Chiao	1.74%
	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	1.67%
	Rong Jiang Co., Ltd.	1.66%
	Yu-Chi Chiao	1.53%

Note: Top ten shareholders of the institutional shareholder.

December 31, 2019

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholders (Note)	Shareholding
Huali Investment Corp.	HannStar Color Co. Ltd.	100%
Walsin Technology Corporation	Walsin Lihwa Corporation HannStar Board Corporation Global Brands Manufacture Ltd. Walton Advanced Engineering, Inc. Kim Eng Securities Private Co., Ltd. investment account under the custody of Citibank Taiwan Ltd. Yu-Heng Chiao Winbond Electronics Corporation Yuanta Taiwan Dividend+ ETF 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 Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JP Morgan Chase Bank N.A., Taipei Branch	18.30% 7.45% 3.11% 2.74% 2.74% 2.59% 2.01% 1.81% 1.61% 1.50%
HannStar Board Corporation	Walsin Technology Corporation Walsin Lihwa Corporation Career Technology (Mfg.) Co., Ltd. Chin-Xin Investment Co., Ltd Pai-Yung Hong Yu-Heng Chiao Arcadia Emerging Market Small Capital Securities Fund under the custody of HSBC Special Account of BNP Paribas, Singapore Branch under the custody of HSBC Yeu-Hong Qiu Guo-Ming Wang	20.18% 12.23% 6.51% 3.59% 1.86% 1.69% 1.60% 1.51% 1.21% 0.99%
Prosperity Dielectrics Co., Ltd.	Walsin Technology Corporation Investment Account managed by Fuh Hwa Securities Investment Trust Co., Ltd. under the discretionary mandate of Fubon Life Insurance Co., Ltd. Fuh Hwa Digital Economy Securities Investment Trust Fund managed under the custody of Mega International Commercial Bank Co., Ltd. Walton Advanced Engineering, Inc. Yu-Heng Chiao Ta-Ho Maritime Corporation ABC Taiwan Electronics Corp Special Account of Morgan Stanley & Co. International Limited under the custody of HSBC Ming-Hwa Yang Ying-Ying Su	43.13% 1.96% 1.10% 0.75% 0.62% 0.55% 0.47% 0.26% 0.25% 0.24%

Note: Top ten shareholders of the institutional shareholders.

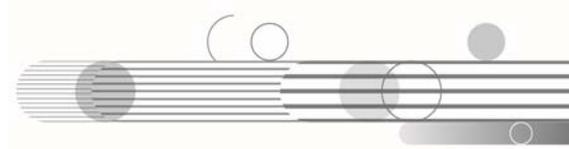
3. Work experience, Professional Knowledge and Independence of Directors

December 31, 2019

Qualification	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	11	12	
Name																
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-Yi 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 or its affiliates (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (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 managerial officer listed in (1), neither is a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in (2) and (3) above.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor,



or employee of that other company or institution (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (the same does not apply to any specified company or institution that holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company where independent directors are appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not having a marital relationship or a relative within the second degree of kinship to any other Director of the Company.
- (11) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.
- (12) 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 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 and Senior General Manager of Real Estate BU	R.O.C.	Fred Pan (Note 3)	Male	July 16, 2007	107,300	0.00%	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.	C.C. Chen (Note 4)	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%
Chief Information Officer	R.O.C.	David Liou	Male	May 15, 2017	1,000	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%

December 31, 2019

	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	Note (Note 2)
			Title	Name	Relationship		
	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, Chief of Staff and Vice President.	Vice Chairman of Nanjing Walsin Property Management Co., Ltd.; Director of Walsin (Nanjing) Development Co., Ltd., 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.	None	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	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 and Specialty Steel BU	Chairman of Shanghai Baihe Walsin Lihwa Specialty Steel Products Co., Ltd.; Director of Walsin International Investment, Walsin China Investment Co., Ltd.	None	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	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	Director of Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. and Chung Tai Technology Development Engineering Co., Ltd.	None	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	None
	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	None
	Ph.D., Carnegie Mellon University, Pittsburgh, USA; former Vice President of CTBC Bank Securities Dept. and KGI Group Derivatives Dept.	Chairman of Yantai Walsin Stainless Steel Co., Ltd. and Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	None	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 of Staff and Head of Human Resources Department	R.O.C.	Allen Hsu (Note 5)	Male	November 2, 2019	2,839	0.00%	0	0.00%	0	0.00%
Head of Legal Department and Head of Corporate Governance	R.O.C.	Sherry Ho (Note 5)	Female	June 13, 2019	0	0.00%	0	0.00%	0	0.00%
Head of Financial Dept.	R.O.C.	Josh Jia (Note 6)	Male	June 13, 2019	0	0.00%	1,559	0.00%	0	0.00%
Head of Accounting Dept.	R.O.C.	Richard Wu	Male	March 1, 2018	110,400	0.00%	0	0.00%	0	0.00%

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

Note 2: Where the chairman and the general manager or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness of, necessity of, and the measures adopted in response to, the above situation.

Note 3: Mr. Fred Pan served as President from June 13, 2019.

Note 4: Mr. C.C. Chen served as Vice President from August 2, 2019.

Note 5: Mr. Allen Hsu was newly appointed on November 2, 2019.

Note 6: Ms. Sherry Ho and Mr. Josh Jia were newly appointed on June 13, 2019.

December 31, 2019

	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	Note (Note 2)
			Title	Name	Relationship		
	Department of Law, National Cheng Chi University; Project Director, President Office of the Company.	None	None	None	None	None	None
	Bachelor of Law, Soochow University; Master of Laws, Case Western Reserve University; Researcher, Strategic Planning Research Department, General Research Institute, RITEK Corporation; Legal Specialist, Legal Administration Department, Solidlite Corporation; Manager, Legal Department, Legal Intellectual Property Division, Lite-On IT Corporation; Head of Legal Division of the Company.	Director Jiangyin Walsin Specialty Alloy Materials Co., Ltd. and Changshu Walsin Specialty Steel Co., Ltd.	None	None	None	None	None
	MPA in Finance, New York University; Bachelor of Accounting, National Taiwan University; MBA in Accounting, National Taiwan University; Project Director of the President Office of the Company; Vice President of Accounting Department of Fubon Bank (China) Co., Ltd.; Head of Accounting and Executive Vice President, Finance Division, Standard Chartered Bank; Head of Asset and Liability Management Department, Financial Division and Senior Vice President, Standard Chartered Bank; Head of Performance Management Department, Finance Division and Senior Vice President, Standard Chartered Bank; Head of Corporate Finance Department and Senior Vice President, Standard Chartered Bank; Vice President, Strategy and Business Planning, International Corporate Department, Corporate Finance Division, Standard Chartered Bank; Finance Manager of HSBC; Advisor of Global Risk Management Program, Pricewaterhousecoopers Management Consulting Company Ltd.	None	None	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, Yenshu 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., Walsin Info-Electric Corp., Min Maw Precision Industry Corp. Supervisor of Walsin China Investment Co., Ltd., Walsin Lihwa (Changzhou) Investment 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., Jianguying 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	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 10) (%)		
		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	
Director	Chairman	Yu-Lon Chiao										
	Vice Chairman	Patricia Chiao										
	Director	Yu-Cheng Chiao										
	Director	Hui-Ming Cheng										
	Director	Yu-Heng Chiao										
	Director	Wei-Shin Ma	26,006,667	26,006,667	0	0	15,400,000	15,400,000	4,313,880	4,331,880	1.4516	1.4522
Legal Person Director and Representative	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan											
Independent Director	Independent Director	Ming-Ling Hsueh										
	Independent Director	King-Ling Du	2,940,000	2,940,000	0	0	5,600,000	5,600,000	3,378,000	3,378,000	0.3784	0.3784
	Independent Director	Shiang-Chung Chen										
	Independent Director	Chen, Steve Ruey-Long										
<p>1. In order to facilitate the management of the remuneration of directors and functional committee members of the Company, the Company has established the "Rules for the Remuneration of Directors and Functional Committee Members", which clearly define the criteria for the remuneration payable to independent directors according to their individual professional input and performance, while taking into account the reasonableness of individual performance, the Company's operating performance and future risks.</p> <p>2. 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</p>												

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 8)	Included in Financial Statements All companies (Note 9)	The Company (Note 8)	All Companies in Consolidated Statements (Note 9)
<NT\$1,000,000				
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Yu-Heng Chiao; Yu-Cheng Chiao; Wei-Shin Ma; Chin-Xin Investment Co., Ltd	Yu-Cheng Chiao; 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	Yu-Cheng Chiao; Yu-Heng Chiao; Wei-Shin Ma; Chin-Xin Investment Co., Ltd
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Hui-Ming Cheng; Ming-Ling Hsueh; King-Ling Du; Shiang-Chung Chen; Chen, Steve Ruey-Long	Hui-Ming Cheng; 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\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ ~NT\$10,000,000 (exclusive)			Hui-Ming Cheng;	Hui-Ming Cheng;
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Yu-Lon Chiao; Patricia Chiao	Yu-Lon Chiao; Patricia Chiao	Yu-Lon Chiao; Patricia Chiao;	Yu-Lon Chiao; Patricia Chiao;
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) ~NT\$100,000,000 (exclusive)				
> NT\$100,000,000				
Total	11	11	11	11

Unit: NT\$

Salary, Bonus and Special Allowance (E) (Note 5)		Remuneration Received as Employee				Ratio of total (A), (B), (C), (D), (E), (F) and (G) to After-tax Income (Note 10) (%)		Remuneration from Re-investments other than Subsidiaries (Note 11)		
		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	
				Cash Bonus	Stock Bonus	Cash Bonus	Stock Bonus			
3,355,846	3,355,846	1,928,318	1,928,318	0	0	0	0	1.6194	1.6199	133,242,589
0	0	0	0	0	0	0	0	0.3784	0.3784	0

Note 1: This Table lists incumbent Directors in 2019 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 2019 approved by the Board of Directors have been listed.

Note 4: Refers to the expenses incurred by Directors in 2019 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 2019. In addition, the Company's remuneration to 2 chauffeurs totaled NT\$2,665,241/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 2019; employee bonus for 2019 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: 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 9: 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 10: After-tax net income refers to the after-tax net income of individual financial statement in 2019.

Note 11: a. This field shows the amount of related remunerations a Director of the Company receives from investees other than subsidiaries of the Company.  
b. The remuneration refers to remuneration, bonus (including bonuses to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Director of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

\* 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)
Former President	Hui-Ming Cheng (Note 10)	37,182,865	38,280,026	17,593,478	17,593,478	19,531,386	19,702,408
President and Head of Commercial Real Estate BU	Fred Pan (Note 11)						
Vice President	Ben Lin (Note 12)						
Vice President	Juei-Lung Chen						
Chief Information Officer of Information Center	David Liou						
Chief Technology Officer of Technology Center	Michael Wang (Note 13)						
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\$1,000,000		
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	Michael Wang	Michael Wang
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	Tain-Rong Chen	Tain-Rong Chen
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	Hui-Ming Cheng ; Juei-Lung Chen; C.C. Chen; Jin-Renn Leu; Witty Liao; David Liou; Kevin Niu	Hui-Ming Cheng ; Juei-Lung Chen; C.C. Chen; Jin-Renn Leu; Witty Liao; David Liou; Kevin Niu
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	Fred Pan	Fred Pan
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	Ben Lin	Ben Lin
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (exclusive)		
> 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 2019.
- 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 2019. In addition, the Company's remuneration to chauffeurs totaled NT\$978,790/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 in 2019.
- 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) or 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 2019.
- Note 10: Mr. Hui-Ming Cheng retired on June 12, 2019.
- Note 11: Mr. Fred Pan started to serve as President on June 13, 2019.
- Note 12: Mr. Ben Lin retired on August 3, 2019.
- Note 13: Mr. Michael Wang was discharged from Chief Technology Officer on August 31, 2019.

\* 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 or Parent Company 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			
	1,726,300	0	1,726,300	0	2.4140	2.4543	3,273,043

## (3) Distribution of Employee Bonus to Managers

March 5, 2020

	Title	Name	Stock bonus	Cash Bonus	Total	Percentage of the Total to After-tax Net Income (%)
Managers	President & Senior General Manager of Commercial Real Estate BU	Fred Pan (Note 1)				
	Vice President	C.C. Chen (Note 2)				
	Vice President	Juei-Lung Chen				
	Chief Information Officer of Information Center	David Liou				
	Chief Marketing Officer of Marketing Center	Kevin Niu				
	Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu				
	Senior General Manager of Copper Wire BU	Witty Liao	0	2,191,300	2,191,300	0.0696
	Senior General Manager of Stainless Steel BU	Tain-Rong Chen				
	Chief of Staff and Head of Human Resources Department	Allen Hsu (Note 3)				
	Head of Accounting Dept.	Richard Wu				
	Head of Financial Dept.	Josh Jia (Note 4)				
	Head of Legal Department and Head of Corporate Governance	Sherry Ho (Note 5)				

Note 1: Mr. Fred Pan served as President from June 13, 2019.

Note 2: Mr. C.C. Chen served as Vice President from August 2, 2019.

Note 3: Mr. Allen Hsu was newly appointed on November 2, 2019.

Note 4: Mr. Josh Jia served as Head of Financial Department from June 13, 2019.

Note 5: Ms. Sherry Ho concurrently served as Head of Corporate Governance from June 13, 2019.

※ This Table lists managers in active duty as of the end of 2019 and their summarized 2019 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 2019.

(4) Analysis of total remunerations to Directors, President, vice presidents etc. as a percentage of the stand-alone after-tax net income 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 total remunerations to Directors, President, vice presidents etc. as a percentage of the stand-alone after-tax net income in the last two years:

Title	Total Remunerations as Percentage (%) of After-tax Net Income (Losses)			
	2019		2018	
	Company	Companies in Consolidated Financial Statements	Company	Companies in Consolidated Financial Statements
Director	2.00	2.00	1.36	1.36
President and Vice President	2.41	2.45	0.85	0.86

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 Act and the Company's Articles of Incorporation. The remuneration of directors for the current year shall be limited to an amount not exceeding 1% of the current year's earnings and shall be paid in accordance with the Rules Governing the Compensation of Directors and Functional Members of the Company. 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 in accordance with the Company's Regulations for the Evaluation of Managerial Performance and Compensation and 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 8 meetings in 2019.

#### 1. The attendance records for Directors are as follows:

Title	Name	Attended in Person	Attended by Proxy	Attendance Percentage (%)	Remarks
Chairman	Yu-Lon Chiao	8	0	100%	
Vice Chairman	Patricia Chiao	6	2	75%	
Director	Yu-Cheng Chiao	8	0	100%	
Director	Yu-Heng Chiao	5	1	63%	
Director	Hui-Ming Cheng	8	0	100%	
Director	Wei-Shin Ma	6	2	75%	
Director	Chin-Xin Investment Co., Ltd Representative: Tung-Yi Chan	7	1	88%	
Independent Director	Chen, Steve Ruey-Long	6	2	75%	
Independent Director	Ming-Ling Hsueh	8	0	100%	
Independent Director	King-Ling Du	8	0	100%	
Independent Director	Shiang-Chung Chen	8	0	100%	

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

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

18 <sup>th</sup> Term	10 <sup>th</sup> Meeting January 21, 2019	11 <sup>th</sup> Meeting February 22, 2019	12 <sup>th</sup> Meeting April 9, 2019	13 <sup>th</sup> Meeting May 6, 2019	14 <sup>th</sup> Meeting May 24, 2019	15 <sup>th</sup> Meeting June 12, 2019	16 <sup>th</sup> Meeting August 2, 2019	17 <sup>th</sup> Meeting November 1, 2019
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, 2019

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 <sup>th</sup> Term 10 <sup>th</sup> Meeting January 21, 2019	Proposal: Proposal for the replacement of CPAs due to internal rotation mechanism of Deloitte Taiwan, and the annual remuneration payable to the CPA firm and the assessment of the independence and suitability of the CPAs. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to amend the Company's Regulations Governing Acquisition or Disposal of Assets. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve the loan of funds by Walsin Lihwa Holdings Limited to the Company, which is an one-time drawdown of line of credit in the amount of US\$50,000,000. Resolution: Proposal passed. (Only the borrowing period was amended)	None	None	None
	Proposal: Advice on Chairman's and Vice Chairman's 2018 performance bonus. Resolution: Proposal passed. Recusal: Yu-Lon Chiao, Patricia Chiao	None	None	None
	Proposal: Proposal to review manager's performance as well as 2018 bonuses and compensation. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting February 22, 2019	Proposal: Advice on Company's distributions for 2018 director and employee remunerations. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None
Proposal: Proposal to prepare the Company's management's reports on the internal control system for 2018. Resolution: Proposal passed.		None	None	None
Proposal: Proposal to amend the Company's Procedures for Financial Derivatives Transactions. Resolution: Proposal passed.		None	None	None

December 31, 2019

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 <sup>th</sup> Term 11 <sup>th</sup> Meeting February 22, 2019	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: Ming-Ling Hsueh	None	None	None
	Proposal: Proposal to approve the subsidiary's lending to the Company and its other subsidiaries in the amount of US\$428,480,000 and RMB 1.53 billion. Resolution: Proposal passed.	None	None	None
18 <sup>th</sup> Term 12 <sup>th</sup> Meeting April 9, 2019	Proposal: Proposal to acquire through Walsin (China) Investment Co., Ltd. a 25% shareholding in Jiangying Walsin Steel Cable Co., Ltd. from Fasten Group Co., Ltd. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to amend the Company's Procedures for Lending to Others. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to amend the Company's internal control system of financing cycle - internal control principles of stock services. Resolution: Proposal passed.	None	None	None
18 <sup>th</sup> Term 13 <sup>th</sup> Meeting May 6, 2018	Proposal: Proposal to amend Rules for the Remuneration of Directors and Functional Committee Members. Resolution: Proposal passed.	None	None	None
18 <sup>th</sup> Term 14 <sup>th</sup> Meeting May 24, 2019	Proposal: Proposal to sell a 94.3% shareholding in Nanjing Walsin Metal Co. Ltd. through the Company's 83.97% owned subsidiary, Huagui International Co., Ltd. and its wholly owned subsidiary, Walsin (China) Investment Co., Ltd. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to reduce the capital stock of Walsin Lihwa Holding Co., Ltd. by US\$70,917,455. Resolution: Proposal passed.	None	None	None

December 31, 2019

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 <sup>th</sup> Term 15 <sup>th</sup> Meeting June 12, 2019	Proposal: The Company intends to expand its hot rolling plant in Yantai, increase the land, factory and equipment for wire rod production lines and the straight bar plant, and expand the factory and equipment for the straight bar plant in Yenshui, in light of the strategic consideration of the steel business and the integration of the consistent development of steel plants across the Taiwan Strait to enhance the Company's competitiveness. Please review and approve the same. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve the the loan of funds from Walsin Lihwa Holding Co., Ltd. to the Company in the form of USD 300 million revolving facility. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to change the Company's financial manager. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to offer an remuneration to Director Hui-Ming Cheng for his business execution. Resolution: Proposal passed. Recusal: Hui-Ming Cheng	None	None	None
18 <sup>th</sup> Term 16 <sup>th</sup> Meeting August 2, 2019	Proposal: Proposal to carry out a capital injection into Yan Tai Walsin Stainless Steel Co., Ltd. in the amount of US\$80,000,000 through a captital injection into Walsin Specialty Steel Holding Co., Ltd. and through Walsin Lihwa (Changzhou) Investment Co., Ltd. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve the the loan of funds from Walsin (China) Investment Co., Ltd. to Nanjing Walsin Property Management Co., Ltd. in the form of RMB 500 million revolving facility. Resolution: Proposal passed.	None	None	None
	Proposal: Proposal to approve the the loan of funds from Walsin (China) Investment Co., Ltd. to Hangzhou Walsin Power Cable & Wire Co, Ltd. in the amount of RMB 80 million for a period of one year. Resolution: Proposal passed.	None	None	None

December 31, 2019

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 <sup>th</sup> Term 16 <sup>th</sup> Meeting August 2, 2019	Proposal: Proposal to liquidate the Company's US-based subsidiaries, Green Lake Exchange, LLC. And Green Lake Capital, LLC. Resolution: Proposal passed.	None	None	None
18 <sup>th</sup> Term 17 <sup>th</sup> Meeting November 1, 2019	Proposal: Proposal to dispose of the Research and Development Building in the Company's Yangmei Plant and the land on which it is located to a related party. Resolution: Proposal passed. Recusal: Yu-Lon Chiao and Yu-Cheng Chiao.	None	None	None
	Proposal: Nanjing Walsin Property Management Co., Ltd. intends to bid for a residential development site in the southwestern part of Ho-Xi, Nanjing. Please review and approve the same. Resolution: Proposal passed.	None	None	None
	Proposal: In connection with the transfer of the Funding Center from Walsin Lihwa Holding Co., Ltd. and Walsin Specialty Steel Holding Co., Ltd. to Walsin International Investment, a total of three capital increases/reductions are proposed. Please review and approve the same. 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, 2019

No.	Term/Meeting Date	Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not
1	18 <sup>th</sup> Term 10 <sup>th</sup> Meeting January 21, 2019	Yu-Lon Chiao, Patricia Chiao	Advice on Chairman's and Vice Chairman's 2018 performance bonus	Personally interested	Recused as provided by law
2	18 <sup>th</sup> Term 10 <sup>th</sup> Meeting January 21, 2019	Hui-Ming Cheng	Proposal to review manager's performance as well as 2018 bonuses and compensation	Personally interested	Recused as provided by law
3	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting February 22, 2019	Hui-Ming Cheng	Advice on Company's distributions for 2018 director and employee remunerations	Personally interested	Recused as provided by law
4	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting February 22, 2019	Ming-Ling Hsueh	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

No.	Term/Meeting Date	Name(s) of Directors	Proposal	Reason for Recusal	Participated in Vote or Not
5	18 <sup>th</sup> Term 15 <sup>th</sup> Meeting June 12, 2018	Hui-Ming Cheng	Proposal to offer an remuneration to Director Hui-Ming Cheng for his business execution.	Personally interested	Recused as provided by law
6	18 <sup>th</sup> Term 17 <sup>th</sup> Meeting November 1, 2019	Yu-Lon Chiao, Yu-Cheng Chiao	Proposal to dispose of the Research and Development Building in the Company's Yangmei Plant and the land on which it is located to a related party.	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. In addition, in accordance with the latest laws and regulations, the "Corporate Governance Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", "Rules for Suggestions and Complaints from Related Parties" and "Regulations for the Evaluation of the Board of Directors' Performance" were amended and approved by the Board of Directors in 2019.

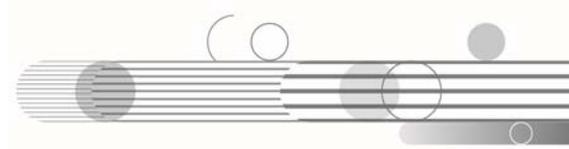
(2) Evaluation of the Performance of the Board of Directors: To implement corporate governance and enhance the Company's board functions, and to set forth performance objectives to improve the operation efficiency of the board of directors, the Rules of Performance Evaluation of the Board of Directors (these "Rules") were established pursuant to the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and shall apply to the Board of Directors, functional committee and individual directors. These Rules were established on October 28, 2015, and the most recent amendment to them was approved by the Board of Directors on May 6, 2019. Each agenda working group shall provide a questionnaire for the board members to complete in each December and provide the completed attachments and information related to performance evaluation for the board members' reference.

The overall performance self-evaluation of our Board of Directors should cover at least 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 (self-evaluation or peer evaluation) should cover at least the following six major aspects:

- I. The participation in the company's operation,
- II. The awareness of director's duties



- III. The participation in the Company's operation,
- IV. Internal relations building and communications education,
- V. Directors' professional expertise and continuing
- VI. Internal control

After the members have completed the questionnaire, the information will be collected and scored by each agenda working group, and the evaluation results will be submitted to the Compensation Committee and the Board of Directors for presentation. When electing or nominating members of the Board of Directors, the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance. These Rules and the evaluation results will be disclosed in the Company's website after the board meeting.

According to these Rules, the board should carry out its own internal board performance evaluation based on the evaluation indicators and procedures. The Company's board performance evaluation shall be conducted by an external independent professional institution or a panel of external experts and scholars at least once every three years. Internal and external board performance evaluations shall be completed before the end of the first quarter of the following year.

- I. In November 2018, the Company engaged the Taiwan Corporate Governance Association to conduct a board effectiveness evaluation for the period from August 1, 2017 to July 31, 2018. The organization and the executive members, who have no business dealings with the Company and therefore have independence, carry out such evaluation by on-site interview with relevant board members in from the aspects of the board's composition, guidance, authorization, supervision, communication, internal control and risk management, self-regulation and others by reference to the Company's implementation of the 38 indicators provided by the Company. The Taiwan Corporate Governance Association issued a report on the evaluation of the effectiveness of the Board of Directors on November 28<sup>th</sup>, 2018. The results of the evaluation were reported to the Board of Directors by the Company's dedicated unit on January 21, 2019 and their contents were disclosed on the Company's website.

The 2018 overall assessment by the external evaluation institution is as follows.

1. Recognized Influence of the Board of Directors: the operation of the Board of Directors shapes the corporate culture of the Company, so that employees at all levels can implement independent management and enhance the competitiveness of the Company because of the deep-rooted culture.
2. Highly Authorized Independent Directors: Due to the history of the corporate group, the number of family-member directors is relatively high, and the Board of Directors relies heavily on the function of Independent Directors. The Independent Directors shows diversity of professions, abilities and ages.
3. Respect for the Directors by the Chairman: The Chairman and the Directors and the Directors themselves communicate closely and effectively with each other through the Board meetings, operating meetings, strategy meetings, and other non-regular meetings. The Chairman respects the opinions and speeches of the Directors and therefore encourages them to boldly express different views.
4. Consensus (Succession Issues): The Company recognizes that the existing talents still lack the awareness of future changes in the business environment, such as the gap in technology level and the shortage of strategic personnel; therefore, the Board of Directors has a high degree of consensus on the source and diversity of successors and is working on such issues.
5. Emphasis on Sustainable Development: 40% of the Company's senior executive compensation is related to annual operating goals, and 60% thereof is related to corporate governance and long-term

development.

The implementations of the recommendations of the external evaluation institution in 2019 are as follows:

Recommendations of External Evaluation Institution	Implementations
1. Composition of the Board of Directors: Establishment of Corporate Governance and Nominating Committee	The Board of Directors resolved to establish the Sustainable Development Committee, which works on a range of items including corporate governance.
2. Internal Control and Risk Management: Designating a dedicated unit to track and manage and report on the Company's senior executive training and succession plans	In respect of the executive training and succession plans, ideas were communicated to and exchanged with the Directors from time to time, and succession plans were discussed with them.
3. Board Meeting Support System: Initial lecturing system designed for new Directors	Effective from the next term of the new directors.
4. Board Oversight: Periodic review of the developments of interested parties for the Board to keep abreast of and respond to	The developments of interested parties were regularly compiled and reported to the Board by the Sustainable Development Committee.

II. Annual internal evaluation:

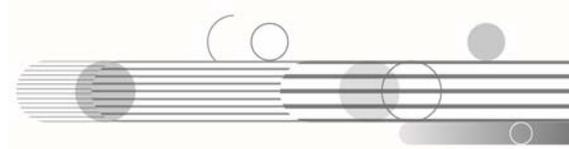
The 2019 Board of Directors' performance self-evaluation results go as follows:

1. Board of Directors' overall average score 4.74 points (full score 5 points)
2. 2Board members' overall average score 4.83points (full score 5 points).

The details of the foregoing performance evaluation and the follow-up improvements were reported to the Compensation Committed on January 8, 2020 and to the Board of Directors on January 10, 2020.

In December 2019, the Company conducted an internal annual board performance evaluation of the board of directors, individual board members and functional committees in accordance with the evaluation indicators and evaluation procedures specified in these Rules, and compiled and scored the data after the questionnaires were collected, and made recommendations for improvement in 2019. This year, the Company has made recommendations for improvement in the election of Directors and the level of participation in the Company's operations, as well as the implementation of the recommendations made by an external evaluation institution, both of which were consolidated and reported to the Compensation Committee on January 8, 2020 and the Board of Directors' meeting on January 10, 2020, the details of which were disclosed on the Company's website.

- (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. On November 1, 2019, the Company's Board of Directors resolved to establish the Sustainable Development Committee, with all Independent Directors serving as the members of such committee and overseeing the operational performance of each functional committee. The Sustainable Development Committee made its own



assessment in February 2020 based on the evaluation indicators and will report the same to the Board of Directors, which will be disclosed on the Company's website. The Company's Audit Committee and Compensation Committee conducted their own evaluation in accordance with the evaluation indicators in December 2019, and the Board of Directors reported the evaluation results on January 10, 2020 and disclosed them on the Company's website.

- (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. Walsin Lihwa was listed as the top 5% outstanding companies by three consecutive times of Corporate Governance Evaluation from 2017 to 2019. The Company will continue making efforts to maintain among the top 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. Subsequently, on November 1, 2019, the Board of Directors resolved to establish the Sustainable Development Committee. These three functional committees continue to assist the Board of Directors in its oversight responsibilities.
- (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 signed or chopped by the Chairman, manager and accounting officer.
- 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 9 times in 2019, and the attendance of the independent directors is as follows:

Title	Name	Personally Attended	Attended by Proxy	Attendance rate (%)	Remarks
Convener	Ming-Ling Hsueh	9	0	100%	
Member	Chen, Steve Ruey-Long	7	1	78%	
Member	King-Ling Du	9	0	100%	
Member	Shiang-Chung Chen	8	1	89%	

3. Other matters that need to be recorded in meeting minutes:

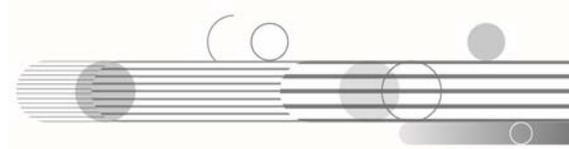
- (1) If any of the following circumstances occurs during the operation of the Audit Committee, the Board meeting date, meeting number, the proposal contents, the resolution of the Audit Committee and our company's handling of the Audit Committee's opinions shall be clearly described.

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

December 31, 2019

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 <sup>st</sup> Term 13 <sup>th</sup> Meeting 2019/1/9	18 <sup>th</sup> Term 10 <sup>th</sup> Meeting 2019/1/21	Proposal: Approval for the Company's 2019 annual business plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal for the replacement of CPAs due to internal rotation mechanism of Deloitte Taiwan, and the annual remuneration payable to the CPA firm and the assessment of the independence and suitability of the CPAs. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to amend the Company's Regulations Governing Acquisition or Disposal of Assets.	Directors approved the proposal unanimously.
		Proposal: Proposal to approve the loan of funds by Walsin Lihwa Holdings Limited to the Company, which is an one-time drawdown of line of credit in the amount of US\$50,000,000. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 14 <sup>th</sup> Meeting 2019/2/15	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting 2019/2/22	Proposal: Approval for the Company's 2018 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 2018 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' 2018 consolidated business report and financial statements. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's 2018 profit distribution plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Approval for the Company's 2018 declaration of internal control system. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		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: Ming-Ling Hsueh	Except Mr. Ming-Ling Hsueh recused because of personally interested, all the other directors approved the proposal unanimously.

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 <sup>st</sup> Term 14 <sup>th</sup> Meeting 2019/2/15	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting 2019/2/22	Proposal: Proposal to approve the subsidiary's lending to the Company and its other subsidiaries in the amount of US\$428,480,000 and RMB 1.53 billion. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to amend the Company's Procedures for Financial Derivatives Transactions. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 15 <sup>th</sup> Meeting 2019/4/9	18 <sup>th</sup> Term 12 <sup>th</sup> Meeting 2019/4/9	Proposal: Proposal to acquire through Walsin (China) Investment Co., Ltd. a 25% shareholding in Jiangying Walsin Steel Cable Co., Ltd. from Fasten Group Co., Ltd. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to amend the Company's Procedures for Lending to Others. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to amend the Company's internal control system of financing cycle - internal control principles of stock services. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 16 <sup>th</sup> Meeting 2019/4/19	18 <sup>th</sup> Term 13 <sup>th</sup> Meeting 2019/5/6	Proposal: Proposal to change the Company's financial manager. Resolution: Withdrew the proposal. The proposal division intended to re-plan the schedule.	Re-proposed on June 12, 2019.
1 <sup>st</sup> Term 17 <sup>th</sup> Meeting 2019/5/24	18 <sup>th</sup> Term 14 <sup>th</sup> Meeting 2019/5/24	Resolution: Proposal to sell a 94.3% shareholding in Nanjing Walsin Metal Co. Ltd. through the Company's 83.97% owned subsidiary, Huagui International Co., Ltd. and its wholly owned subsidiary, Walsin (China) Investment Co., Ltd. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to reduce the capital stock of Walsin Lihwa Holding Co., Ltd. by US\$70,917,455. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 18 <sup>th</sup> Meeting 2019/6/12	18 <sup>th</sup> Term 15 <sup>th</sup> Meeting 2019/6/12	Proposal: The Company intends to expand its hot rolling plant in Yantai, increase the land, factory and equipment for wire rod production lines and the straight bar plant, and expand the factory and equipment for the straight bar plant in Yenshui, in light of the strategic consideration of the steel business and the integration of the consistent development of steel plants across the Taiwan Strait to enhance the Company's competitiveness. Please review and approve the same. Resolution: Proposal passed.	Directors approved the proposal unanimously.



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 <sup>st</sup> Term 18 <sup>th</sup> Meeting 2019/6/12	18 <sup>th</sup> Term 15 <sup>th</sup> Meeting 2019/6/12	Proposal: Proposal to approve the the loan of funds from Walsin Lihwa Holding Co., Ltd. to the Company in the form of USD 300 million revolving facility. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to amend the Company's 2019 Annual Audit Plan. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to change the Company's financial manager. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 19 <sup>th</sup> Meeting 2019/7/24	18 <sup>th</sup> Term 16 <sup>th</sup> Meeting 2019/8/2	Proposal: Proposal to carry out a capital injection into Yan Tai Walsin Stainless Steel Co., Ltd. in the amount of US\$80,000,000 through a captital injection into Walsin Specialty Steel Holding Co., Ltd. and through Walsin Lihwa (Changzhou) Investment Co., Ltd. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to approve the the loan of funds from Walsin (China) Investment Co., Ltd. to Nanjing Walsin Property Management Co., Ltd. in the form of RMB 500 million revolving facility. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Proposal to approve the the loan of funds from Walsin (China) Investment Co., Ltd. to Hangzhou Walsin Power Cable & Wire Co, Ltd. in the amount of RMB 80 million for a period of one year. Resolution: Proposal passed.	Directors approved the proposal unanimously.
1 <sup>st</sup> Term 21 <sup>th</sup> Meeting 2019/10/23	18 <sup>th</sup> Term 17 <sup>th</sup> Meeting 2019/11/1	Proposal: Proposal to dispose of the Research and Development Building in the Company's Yangmei Plant and the land on which it is located to a related party. Resolution: Proposal passed.	Directors approved the proposal unanimously.
		Proposal: Nanjing Walsin Property Management Co., Ltd. intends to bid for a residential development site in the southwestern part of Ho-Xi, Nanjing. Please review and approve the same. Resolution: Proposal passed.	Directors approved the proposal unanimously.

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 <sup>st</sup> Term 21 <sup>th</sup> Meeting 2019/10/23	18 <sup>th</sup> Term 17 <sup>th</sup> Meeting 2019/11/1	Proposal:	In connection with the transfer of the Funding Center from Walsin Lihwa Holding Co., Ltd. and Walsin Specialty Steel Holding Co., Ltd. to Walsin International Investment, a total of three capital increases/reductions are proposed. Please review and approve the same. Proposal passed.	Directors approved the proposal unanimously.
		Resolution:		
		Proposal:	Proposal to amend the Company's 2019 Annual Audit Plan.	Directors approved the proposal unanimously.
		Resolution:	Proposal passed.	

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:

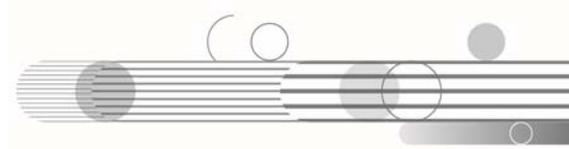
December 31, 2019

No.	Term/Meeting Date	Name	Proposal	Reason for Recusal	Participated in Vote or Not
1	1 <sup>st</sup> Term 14 <sup>th</sup> Meeting 2019/2/15	Ming-Ling Hsueh	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 2019:

Independent directors have good communication with CPAs.

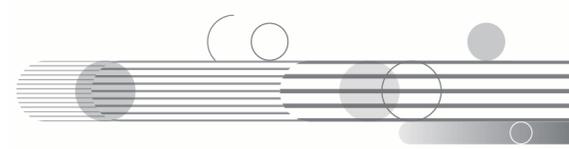
Date	Communication Highlights	Directors' Recommendation	Execution Result
Audit Committee Meeting 2019/2/15	The CPAs have provided a description of the key audits of the stand-alone and consolidated financial statements for the year 2018 and the results of the audit.	None.	The stand-alone and consolidated financial statements for the year 2018 were approved by the Audit Committee and submitted to the Board of Directors for discussion.
Audit Committee Meeting 2018/8/2	The accountants provide an explanation of the audit results of the consolidated financial statements for the second quarter of 2019.	None.	The consolidated financial statements for the second quarter of 2019 were reported to the Audit Committee and then to the Board of Directors.
Communication Meeting 2019/11/27	<ol style="list-style-type: none"> <li>The CPAs explained the scope, method and discovery of the annual audit for 2019 and discussed with the Audit Committee members on the key audit matters.</li> <li>The independent directors assessed and discussed the independence and competency of the CPAs.</li> </ol>	The CPAs were asked to discuss with the Company on any issues found during the audit.	<ol style="list-style-type: none"> <li>Key audit matters for the 2019 financial statements were confirmed.</li> <li>The engagement and assessment of the CPAs was submitted to the most recent Audit Committee meeting for discussion.</li> </ol>

C. Summary of previous communications between independent directors and the chief internal auditor for 2019:

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 2019/1/9	<ol style="list-style-type: none"> <li>The implementation of the resolutions of the Audit Committee meeting dated October 24, 2018 was reported.</li> <li>The chief audit reported to the independent directors on "communication between the Independent Directors and the chief internal auditor for 2018".</li> </ol>	<ol style="list-style-type: none"> <li>For each type of safety and environmental incidents, please list the responsible unit and the person in charge, review the improvement measures on a level-by-level basis, and specify them in the operating rules.</li> <li>The reward and punishment system should be clearly communicated to the entry-level staff and appraisals should be implemented to prevent such incidents from happening.</li> </ol>	Safety and environmental issues have been included in the criteria for rewards and punishments and advocacy of such issues has been initiated.

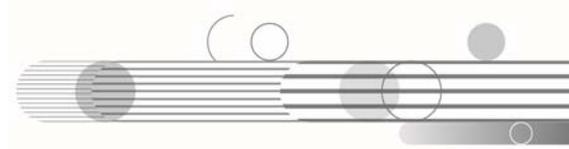
Date	Communication Highlights	Directors' Recommendation	Execution Result
<p>Audit Committee Meeting 2019/2/15</p>	<p>The implementation of the audit for the fourth quarter of 2018 was reported.</p>	<p>1. A demarcation of duties between the fines and general expenses should be made. 2. For safety and environmental fines, the reasons need to be understood, and countermeasures should be developed and included in the KPI. 3. The auditor should understand the process of entering into material contracts and processes to ensure that the operations are in compliance with the required procedures.</p>	<p>1. Revised schedule of demarcation of duties and criteria for the submission of penalty cases. 2. The safety and environmental fines have been included in the performance appraisal standards for managers. 3. The establishment of material contracts and processes should be notified to the Audit Office.</p>
<p>Audit Committee Meeting 2019/4/19</p>	<p>1. The implementation of the audit for the first quarter of 2019 was reported. 2. Rules for Suggestions and Complaints from Related Parties were amended.</p>	<p>1. The audit unit shall make an on-site audit of the implementation of the improvement plan. 2. The improvement plan for penalties or complaints shall include specific improvement measures, responsible unit, supervisors and timelines, and shall include the progress of implementation.</p>	<p>1. This has been included in the annual audit plan. 2. The contents of the improvement plan proposed by each unit according to the instructions should be reviewed, and the dedicated staff should track the improvement situation.</p>
<p>Audit Committee Meeting 2019/10/23</p>	<p>The implementation of the audit for the third quarter of 2019 was reported.</p>	<p>The business units should control the quality of the contractors and understand their compliance with the construction safety conditions in order to implement the terms of construction safety.</p>	<p>The Environmental Safety and Health Committee has set out the contractor's management guidelines and requires the business units to implement them. With occasional advisory checks being conducted with respect to the business units, various management procedures are also implemented through the electronic system.</p>



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

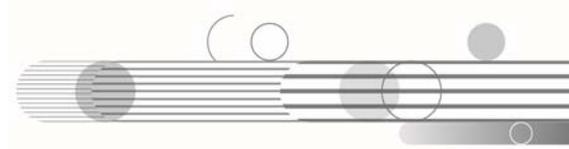
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
1. Has the company set and disclosed the principles for practicing corporate governance according to the Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies?	Yes		The Company has formulated the Corporate Governance Principles and Practice according to the "Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies", which were amended as approved by the Board of Directors in 2019 and were disclosed on the Company's website. <a href="https://www.walsin.com/walsin/userfiles/file/rule09_2019v1.pdf">https://www.walsin.com/walsin/userfiles/file/rule09_2019v1.pdf</a>	In line with the Corporate Governance Best-Practice Principles for 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	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	

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>advantage of information that has not been disclosed to the public to purchase or sell securities?</p>			<p>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 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.</p> <p>In November 2019, the Company conducted educational training and awareness-raising for directors and managers (and other managers above such levels) on "insider trading related laws and regulations and case analysis", which strengthened directors' and managers' compliance with the regulations prohibiting insider trading; in addition, some educational and awareness-raising articles on compliance with the regulations prohibiting insider trading were published on the Company's internal education and training platform "Walsin Liwha College", so that all managers may read and understand information related to ethical management. Such information has been disclosed on the Company's website.</p>	
<p>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?</p>	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</p>	<p>In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.</p>



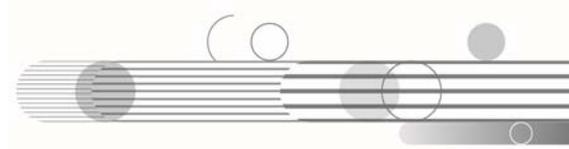
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
			<p>the composition of the Board of Directors, we also have women on our Board of Directors. Diversification of the Board 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.</p> <p>In terms of the Company's board member list, there are two female members; besides, Wei-Shin Ma specializes in technological leadership, operational judgment and operational management; Patricia Chiao specializes in operational management, investment judgment and human resources. Furthermore, all of the Independent Directors have industry knowledge and international market perspectives; among them, Chen, Steve Ruey-Long, was the Minister of the Ministry of Economic Affairs; Ming-Ling Hsueh, specializes in finance, accounting and corporate governance; King-Ling Du is familiar with the Company's stainless steel industry and its patterns, and has participated in important investment projects and provided important advice on investment decisions; Shiang-Chung Chen specializes in technological leadership and is familiar with the Company's stainless steel industry, and provided key industry-related decision-making advice.</p> <p>The Company attaches importance to the diversity of the composition of the Board of Directors. The target of more than 15% of directorships being held by women is currently 18%; therefore, the implementation thereof exceeds the target. The target number of independent directors is three in accordance with the law; however, the Company values corporate governance and thus has four independent directors (one in excess of the statutory target), accounting for 36% of all directors of the Company.</p> <p>The elite directors of the Company were selected from the industry to participate in major investment projects</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	
(2) In addition to establishing a Compensation Committee and an Audit Committee, which are required by law, is the company willing to also voluntarily establish other types of functional committees?	Yes		<p>related to the Company's business, assist the Company's financial, accounting and corporate governance businesses according to their expertise, and assist the Company in making favorable decisions through their diverse experience, which gives rise to extensive and professional advice. The average age target for future re-elections of directors shall be reduced by 5% of the average age of the original directors when the Company's Board of Directors was formed, and the Company moves towards a younger age target for future directors. In the future, the Company will continue to invite suitable candidates to join the Board of Directors based on the above objectives in order to strengthen the balance of the Board of Directors in light of the Company's development strategy and changes in the internal and external environment.</p> <p>(2) In addition to the committee established according to the laws, the Company's 7th session of the 17th Board of Directors on April 29, 2015 further set up the CSR Committee and the Integrity Management Committee. On November 1, 2019, the 17th meeting of the Board of Directors of the 18th term resolved to establish the Sustainable Development Committee, in which the Chairman, Vice-Chairman and all Independent Directors act as members, and to transform the committees on corporate social responsibility, ethical management, environmental safety and health management, green operations, customer service and suppliers-employee relations and social care into a promotion center, which is audited, monitored and tracked by the Sustainable Development Committee.</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	Yes		<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</p>	



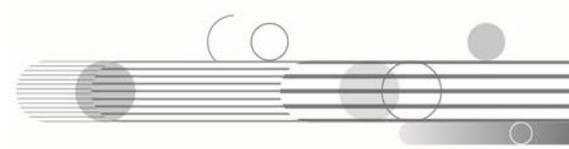
Appraisal Items	Actual Governance (Note 1)			Deviations from Corporate Governance Best-Practice Principles for TWSE- TPEX-listed Companies and Reason(s)
	Yes	No	Summary Description	
<p>performance of the Board annually? Are the results of the performance evaluations reported to the Board of Directors and used as a reference for individual directors' remuneration and nomination for reappointment?</p>			<p>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>In accordance with the "Regulations for Board Performance Evaluation " amended by the Board of Directors in 2018, the Company engaged the Taiwan Corporate Governance Association to evaluate the effectiveness of the Company's Board of Directors, and the Company obtained professional, objective evaluation results and suggestions through the guidance of, and idea exchanges with, the evaluation members. Such results and suggestions then have been reported to the Board of Directors on January 21, 2019, and used as a reference in the compensation of individual directors and nominations for reappointment.</p> <p>In accordance with the latest laws and regulations, the Company amended its "Regulations for Board Performance Evaluation" at the 13th meeting of the Board of Directors of the 18th term on May 6, 2019. The Board of Directors, Audit Committee and Compensation Committee also conducted their own evaluation in December 2019 and reported to the Board of Directors on January 10, 2020. Subsequently, the Sustainable Development Committee conducted its own evaluation in February 2020, which will be published on the Company's website after being reported to the Board of Directors, and the results of these evaluations will be used as a reference in individual directors' compensation and nominations for reappointment.</p>	
<p>(4) Has the company periodically evaluated the level of independence of the CPA?</p>	Yes		<p>(4) Before we appoint a new CPA annually, its independence and competency 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</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	
			<p>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 designated a proper number of competent staff in charge of the corporate governance-related affairs (including but not limited to providing information for the Directors and Supervisors to execute their duties, assisting the Directors and Supervisors with legal compliance, handling the affairs related to the Board meetings and the Shareholders Meeting as prescribed by law, preparing the minutes of the Board meetings and the Shareholders Meeting, etc.)?	Yes		<p>Pursuant to law, the Company appointed Legal Manager, Director Sherry Ho, as Corporate Governance Officer and managerial officer of the Company as resolved by the Board of Directors on June 12, 2019, with the goal of promoting the corporate governance and strengthening the functions of the Board of Directors. Director Sherry Ho has more than three years' experience in serving as the legal manager of an listed company. The key responsibilities of the Corporate Governance Officer include the meeting affairs in connection with board 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. On June 12, 2019, the Company's Board of Directors also approved the "Standard Operating Procedures for Handling Directors' Requests", through the establishment of which the Directors have appropriate operating procedures for handling information necessary for the performance of their business.</p> <p>The business execution for the year 2020 are explained as follows:</p> <ol style="list-style-type: none"> <li>i. Arranging board meetings (board, strategy and operation meetings).</li> <li>ii. Coordinating the reporting time and content of each committee (the Corporate Social Responsibility and Integrity Management Committee).</li> <li>iii. Handling matters related to the meetings of the board and shareholders' meetings in accordance with law:               <ol style="list-style-type: none"> <li>(1) Notifying the directors seven days in advance of the scheduled board meeting, calling the meeting and providing the meeting materials, as well as completing the minutes of the board meeting within twenty days of the meeting.</li> <li>(2) Pre-registration of shareholders' meeting dates in accordance with the law, preparation of</li> </ol> </li> </ol>	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	
			<p>meeting notices, meeting manuals and meeting minutes within the statutory time limit, and registration of changes in case of any amendment to the Articles of Incorporation or re-election of the directors.</p> <ul style="list-style-type: none"> <li>iv. Following up on and executing the matters that need improvement as requested by the Board of Directors.</li> <li>v. Providing company information required by the Directors to assist them in the full exercise of their authority.</li> <li>vi. Self-assessment of the Directors and the Board of Directors.</li> <li>vii. Assisting directors and independent directors in drawing up annual advanced study plans and arranging advanced study courses based on the characteristics of the Company's industry and the background of directors' education and experiences (Note 6).</li> <li>viii. Giving regular feedback to interested parties as required by law and corporate governance</li> <li>ix. Operating the Corporate Governance Committee and conducting corporate governance evaluations.</li> <li>x. Assisting Directors and each Committee with legal compliance: Reporting to the Board of Directors, independent directors and the Audit Committee on the governance and operation of the Company, and confirming whether the convening of the Company's shareholders' meeting and the Board of Directors meeting are in compliance with the relevant laws and corporate governance rules.</li> <li>xi. Directors' legal registration and reporting matters as well as the management of corporate-governance-related disclosure.</li> <li>xii. The members of the Board of Directors and functional committees are provided at the time of their inauguration and are regularly updated on the latest legal and regulatory developments in the field of the Company's operations and corporate governance.</li> </ul>	
5. Has the company established channels for communicating with interested parties (including but not limited to shareholders, employees, customers, suppliers, etc.),	Yes		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	In line with the Corporate Governance Best-Practice Principles for TWSE- 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	
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?			<p>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, and the Board of Directors has amended in 2019, 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> <p>3. The Company regularly reports to the Board of Directors on its communications with various interested parties on an annual basis starting from 2019. The communications in 2019 have been reported to the Board of Directors on November 1, 2019, details of which were disclosed on the Company's website: <a href="https://www.walsin.com/walsin/userfiles/file/SustainableDevelopmentConnect_TC20191225.pdf">https://www.walsin.com/walsin/userfiles/file/SustainableDevelopmentConnect_TC20191225.pdf</a></p>	TPEX-listed Companies.
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.



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>7. Information disclosure</p> <p>(1) Has the company established a corporate website to disclose information regarding the company's financial, business and corporate governance statuses?</p> <p>(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.)?</p> <p>(3) Does the Company announce and report its annual financial report within two months after the end of the fiscal year, and announce and report its first, second and third quarter financial report and operations for each month well in advance of the required deadline?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>		<p>(1) Please visit Walsin Lihwa Corporation's Chinese/English website: <a href="http://www.walsin.com">http://www.walsin.com</a></p> <p>(2) The Company has a dedicated department for collecting its information and periodically updating its website. The Company has implemented one-spokesperson policy, with one or more deputy spokespersons. It has also established the "Procedures for Major Internal Information Processing Operations" that requires 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: <a href="http://www.walsin.com/walsin/page.do?menuId=65">http://www.walsin.com/walsin/page.do?menuId=65</a></p> <p>(3) 1. In order for investors to obtain adequate and accurate financial information in a timely manner, the Company's annual financial report is submitted to the Audit Committee and the Board of Directors for approval within two months after the end of the year, and the financial report is announced on the Market Observation Post System on the date of approval by the Board of Directors; the financial report for the first, second and third quarter is submitted to the Audit Committee and the Board of Directors for approval one week before the statutory announcement deadline, and the financial report is announced on the Market Observation Post System on the date of report to the Board of Directors.</p> <p>2. The Company's operations for each month are also fully disclosed on the Company's website and the Market Observation Post System before the statutory deadline.</p>	<p>In line with the Corporate Governance Best-Practice Principles for TWSE- and TPEX-listed Companies.</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	
8. Has the company had other information that is helpful for understanding the status of corporate governance (including but not limited to employee rights and interests, investor relations, supplier relations, rights of interested parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)?	Yes		<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 2018 Corporate Governance Evaluation results, our improvements in 2019 are as follows: Formulated and disclosed human rights policies, improved the implementation of external performance evaluation of the Board of Directors, and formulated risk management policies.</p> <p>2. Matters to be prioritized and measures: Disclosing and continuing to pay attention to work safety and environmental pollution.</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-Yi Chan	M	✓	✓		✓				✓	
Director	Wei-Shin Ma	F	✓	✓			✓				
Independent Director	Ming-Ling Hsueh	M	✓	✓	✓						
Independent Director	King-Ling Du	M	✓	✓		✓	✓	✓			✓
Independent Director	Shiang-Chung Chen	M	✓	✓			✓			✓	
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, none of the CPA's direct blood relations, direct relations by marriage, or collateral blood relations within the second degree of kinship acts as the Company's directors, managers or any position that has a direct and material effect on the audit work.	True	Yes
7. 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
8. 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

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

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.

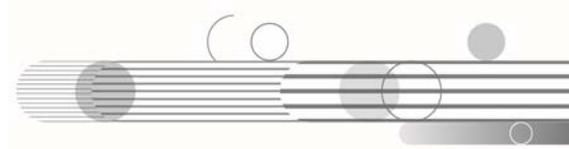
Note 5: No more than 1% of the earnings of the Company for a given year may be distributed to its directors and managers as their remuneration for such year in accordance with Paragraph 1, Article 25 of the Company's Articles of Incorporation. In order to regularly assess the remuneration of directors and managers, directors and managers are remunerated according to their degree of participation in the Company's operations and personal performance, and in accordance with the Company's "Rules Governing the Compensation of Directors and Functional Members" and

○ Corporate Governance Report

Appraisal Items	Results	Compliant with Independence?
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"Rules Governing the Evaluation of Manager's Performance and Management of Compensation". Such remuneration will be further calculated and reasonably paid in a proportion of such earnings by taking into consideration the evaluation items specified therein, such as the directors' individual professional input and performance, the manager's business strategy and medium- and long-term strategic plans, and how the policy plans and performance indicators at all levels are carried out in accordance with the current year's operating objectives. In addition, the director and manager remuneration system will be reviewed from time to time based on the actual operating status and relevant laws and regulations.

Note 6: The further education received by Independent Directors and other Directors is disclosed in "(VIII) Other important information helpful for improving understanding of the governance of the company" under "4. Corporate Governance Status" in this report.



(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	9	10		
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 (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (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 managerial officer listed in (1), neither is 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 (2) and (3) above.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, Paragraph 1 or 2 of the Company Act (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: Not a director, supervisor, or employee of that other company (the same does not

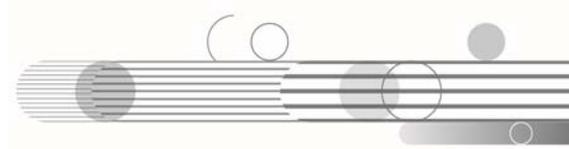
apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).

- (7) If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: Not a director (or governor), supervisor, or employee of that other company or institution (the same does not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent)..
- (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company (the same does not apply to any specified company or institution that holds 20 percent or more and no more than 50 percent of the total number of issued shares of the Company where independent directors are appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not 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 18<sup>th</sup> Board of Directors term.
- (3) The Compensation Committee met six times in 2019 and the job titles and attendance records of the committee members are as follows:

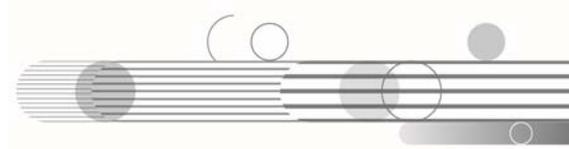
Title	Name	Attended in Person	Attended by Proxy	Attendance Rate (%)	Remarks
Convener	King-Ling Du	6	0	100%	
Member	Shiang-Chung Chen	5	1	83%	
Member	Ming-Ling Hsueh	6	0	100%	



(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 <sup>th</sup> Term 7 <sup>th</sup> Meeting 2019/1/09	18 <sup>th</sup> Term 10 <sup>th</sup> Meeting 2019/1/21	Proposal: Approval for the Company's 2018 Chairman and Vice Chairman performance bonus. Resolution: After consultation and discussion with the members present by the Chairman, the proposal passed with unanimous consent and sent to the Board of Directors for approval.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the Company's 2018 Manager performance evaluation and bonus and compensation. Resolution: After consultation and discussion with the members present by the Chairman, the proposal passed with unanimous consent and sent to the Board of Directors for approval.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for the 2019 objectives set by the managers. Resolution: After consultation and discussion with the members present by the Chairman, the proposal passed with unanimous consent and sent to the Board of Directors for approval.	Directors passed the proposals with unanimous consent.
3 <sup>th</sup> Term 8 <sup>th</sup> Meeting 2019/2/15	18 <sup>th</sup> Term 11 <sup>th</sup> Meeting 2019/2/22	Proposal: Approval for the distribution of director compensation and manager/employee compensation for 2018. Resolution: After consultation and discussion with the members present by the Chairman, the proposal passed with unanimous consent and sent to the Board of Directors for approval.	Directors passed the proposals with unanimous consent.
3 <sup>th</sup> Term 9 <sup>th</sup> Meeting 2019/4/19	18 <sup>th</sup> Term 13 <sup>th</sup> Meeting 2019/5/6	Proposal: Approval for amendments to the Rules for the Remuneration of Directors and Functional Committee Members. Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.	Directors passed the proposals with unanimous consent.
		Proposal: Approval for amendments to the Rules for Performance Evaluation of the Board of Directors Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.	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 <sup>rd</sup> Term 10 <sup>th</sup> Meeting 2019/6/12	18 <sup>th</sup> Term 14 <sup>th</sup> Meeting 2019/6/12	<p>Proposal: Approval for the compensation proposal for the new Corporate Governance Manager.</p> <p>Resolution: After consultation and discussion with the members present by the Chairman, the new Corporate Governance Manager was considered qualified for appointment under Article 23 of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers. The compensation proposal was agreed on and submitted to the Board of Directors for approval.</p>	Directors passed the proposals with unanimous consent.
		<p>Proposal: Approval for the compensation proposal for the new Financial Manager.</p> <p>Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.</p>	Directors passed the proposals with unanimous consent.
		<p>Proposal: Approval for the compensation proposal for the new President.</p> <p>Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.</p>	Directors passed the proposals with unanimous consent.
		<p>Proposal: Approval for the director compensation for his business execution.</p> <p>Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.</p>	Directors passed the proposals with unanimous consent.
3 <sup>rd</sup> Term 11 <sup>th</sup> Meeting 2019/7/24	18 <sup>th</sup> Term 16 <sup>th</sup> Meeting 2019/8/2	<p>Proposal: Approval for changes to the managerial officials and adjustments to their compensation.</p> <p>Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.</p>	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 <sup>th</sup> Term 12 <sup>th</sup> Meeting 2019/10/23	18 <sup>th</sup> Term 17 <sup>th</sup> Meeting 2019/11/1	<p>Proposal: Approval for the pay increases for managerial officers for 2019.</p> <p>Resolution: After consultation with the members present by the Chairman, the proposal passed with unanimous consent after discussion and sent to the Board of Directors for approval.</p>	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.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

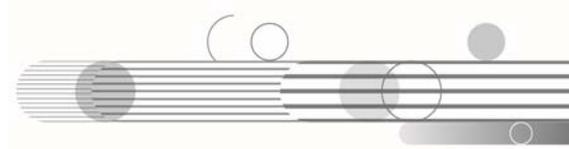
- (1) Ensuring that the compensation arrangements of the Company comply with applicable laws and regulations and are sufficient to recruit outstanding talents.
- (2) Performance assessments and compensation levels of directors and managerial officers shall take into account the general pay levels in the industry, as well as the reasonableness of the correlation between the individual's performance and the Company's operational performance and future risk exposure.
- (3) There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the risk appetite of the Company.
- (4) For directors and senior managerial officers, the percentage of remuneration to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of the Company's business.
- (5) Reasonableness shall be taken into account when the contents and amounts of the compensation of the directors, supervisors, and managerial officers are set. It is not advisable for decisions on the compensation of the directors, supervisors, and managerial officers to run counter to financial performance to a material extent. It is not advisable for said compensation to be higher than that in the preceding year in the event of a material decline in profits or of long-term losses. If it is still higher than that in the preceding year, the reasonableness shall be explained in the annual report and reported at a shareholders' meeting.
- (6) No member of the Committee may participate in discussion and voting when the Committee is deciding on that member's individual compensation.

"Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures. Its scope shall be consistent with the compensation for directors

and managerial officers as set out in the Regulations Governing Information to be published in Annual Reports of Public Companies.

If the decision-making and handling of any matter relating to the remuneration of directors and managerial officers of a subsidiary is delegated to the subsidiary but requires ratification by the board of directors of the Company, the Committee shall be asked to make recommendations before the matter is submitted to the board of directors for deliberation.

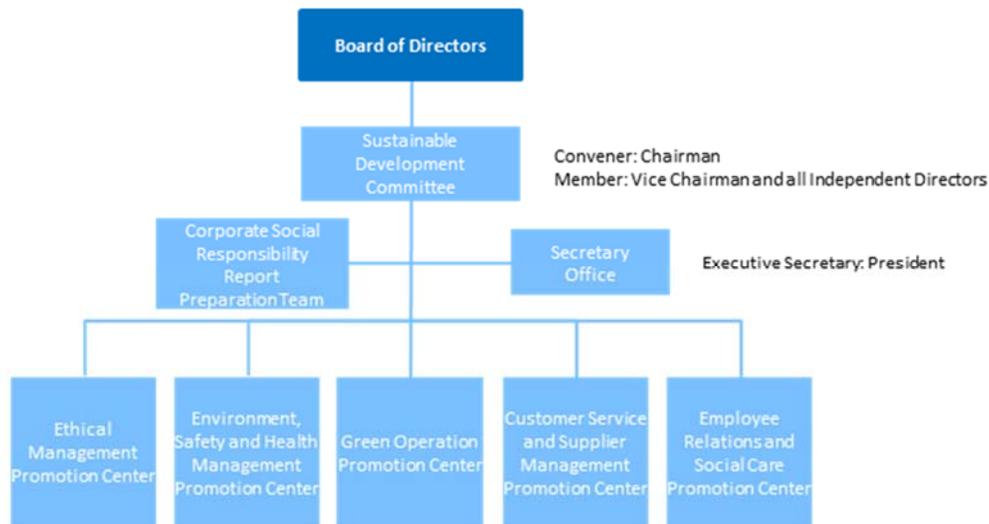
- (7) The Committee shall explain at the meeting the remuneration of any of its members that is to be discussed at such meeting. Such members shall not join the discussion and vote if it may do harm to the interests of the Company, and shall recuse themselves from the discussion and voting, and shall not exercise their voting rights on behalf of other members.



(5) Fulfillment of social responsibility and differences between our corporate social responsibilities and the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reason(s)

The Company established the Corporate Social Responsibility Committee in April 2015 and the Sustainable Development Committee in November 2019 by merging the existing Corporate Social Responsibility Committee and Ethical Management Committee. The Sustainable Development Committee is responsible for formulating corporate sustainability strategies and visions and promoting and managing CSR-related work.

The relevant matters under charge and the organizational structure of the Sustainable Development Committee go as follows:

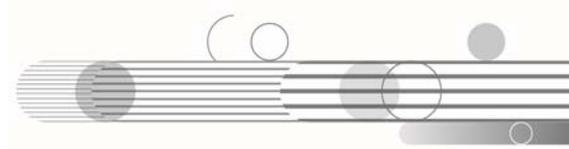


Duties of the Committees

Department	Responsibility and function
Sustainable Development Committee	It is our highest-levelled CSR organization which establishes our corporate sustainable development vision and strategy, reviews the overall operational directions of the Group and each promotion center through regular meetings and oversees the implementation results. It reports the annual CSR results to the Board of Directors in the following year.
Ethical Management Promotion Center	It is responsible for formulating and promoting policies and systems related to ethical management, integrating integrity and ethical values into the Company's business strategies, and assisting the Board of Directors and the senior management in checking and evaluating the effectiveness of the preventive measures established to implement ethical management.
Environment, Safety and Health Promotion Center	It is responsible for formulating our environmental protection, safety and health policies, implementing related plans, overseeing and reporting 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.
Green Operation Promotion Center	It is responsible for formulating the green operation strategy and identifying green products and services with future value based on the implementations of CSR, including product design, material procurement, manufacturing, and sales and service systems, which are all green oriented.
Customer Service and Supplier Management Promotion Center	It is responsible for formulating policies and implementation plans for the improvement of customer service quality and supplier management, overseeing and reporting on the implementation performance. Being composed of the heads of cross-business units and

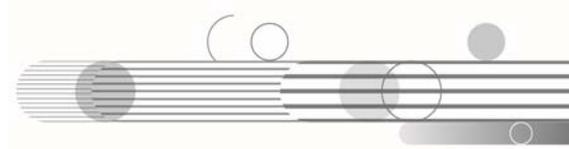
Department	Responsibility and function
	related departmental cadres, it carries out the interdepartmental integration and implementation promotion on related issues.
Employees Relations and Social Care Promotion Center	It is responsible for promoting and building a safe and healthy working environment for employees to fully utilize their talents 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.
Secretary Office	It is a staff unit established under the Sustainable Development Committee and is responsible for assisting the Committee in exercising its responsibilities, tracking resolution issues and coordinating the integration of the operations of the various promotion centers.
Employee Relations and Social Care Promotion Center	It is responsible for the preparation of CSR reports and the disclosure of CSR-related information and the CSR promotion.

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	
i. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies in accordance with the principle of materiality? (Note 3)	Yes		In order to ensure the sound operation and sustainable development of the Company, the "Rules for Risk Management Policies and Procedures" were approved by the 19 <sup>th</sup> meeting Board of Directors of the 18 <sup>th</sup> term in February 2020 to establish an overall risk management system.  For the purpose of reducing the impact and influence of internal and external risks, the Company's Sustainable Development Committee, President's Office, and other risk management units have identified risks related to environmental, social and corporate governance issues and planned relevant management and control measures in accordance with the principle of materiality, the business and operational characteristics of the Company. Management policies, strategies or mechanisms for each risk category are summarized in Note 4.
ii. 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		The Company's 7 <sup>th</sup> meeting of the Board of Directors of the 17 <sup>th</sup> term approved the establishment of the "Corporate Social Responsibility Committee" in April 2015, and the 17 <sup>th</sup> meeting of the Board of Directors of the 18 <sup>th</sup> term in November 2019 approved the establishment and organization of the "Sustainable Development Committee" by merging the existing "Corporate Social Responsibility Committee" and "Ethical Management Committee". The Sustainable Development Committee is responsible for developing corporate sustainability strategies and visions to promote CSR-related work and management. The Committee is composed of the Chairman as convener, and the Vice Chairman and all



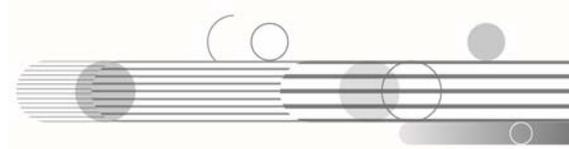
Assessment items	Actual governance (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	
			independent directors as members. The Committee has five promotion centers, including the Ethical Management Promotion Center, the Environment, Safety and Health Management Promotion Center, the Green Operation Promotion Center, the Customer Service and Supplier Management Promotion Center, and the Employee Relations and Social Care Promotion Center. It has reported to the Board of Directors in January 2019 on the implementation of CSR in 2018 and the 2019 implementation plan.
III. Environmental Issues (1) Has the Company established a proper environmental management system based on the characteristics of its industry?	Yes		(1) The environmental management of the Company's domestic and overseas plants has been carried out in accordance with government regulations and international environmental protection conventions. The plants in Taiwan (Hsinchuang Plant 1, Hsinchuang Plant 2, Yangmei Copper Wire Plant, Taichung Plant and Yanshui Plant) and China (Shanghai Power Plant, Jiangyin Plant, Yantai Plant and Changshu Plant) have all received the "Environmental Management System" certification (ISO 14001:2015). The Company will also continue to improve and refine our environmental management performance.
(2) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment?	Yes		(2) In terms of resources utilization efficiency, all of our plant sites set their annual goals and directions in terms of energy conservation at the beginning of each year. We also increase our energy utilization rates through saving water and reducing waste. In addition, our offices also promote energy conservation and carbon reduction, as well as the recycling and reuse of resources. Furthermore, we also continue to make efforts to educate the employees on these concepts.  Regarding the use of materials, Walsin's stainless steel products are produced by electric furnace steelmaking, which is quite in line with the circular economy concept, because it uses a high proportion of recycled raw materials--scrap steel. The raw materials so used include scrap steel and alloy iron. In order to make full use of the characteristics of electric furnace

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	
(3) Has the company assessed the current and future potential risks and opportunities of climate change for the business and taken measures to address climate related issues?	Yes		<p>steelmaking, the Company uses a high percentage of recycled scrap steel, and the raw materials used are non-renewable materials, including scrap stainless steel, scrap carbon steel, ferrochrome, ferronickel, steel slabs, steel coils, steel billets, steel bars and wire rods. Among them, the scrap stainless steel and the scrap carbon steel are recycled raw materials; in 2019, the recycled materials accounted for about 43.95% of all the raw materials. Furthermore, the ferrochrome, ferronickel, steel slabs, steel coils, steel billets and steel bars are recyclable raw materials, which can be recycled and reused after processing into final products; the reusable materials made up around 55.81% of all the raw materials used in 2019.</p> <p>With respect to the copper wires and cables, 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 and plastics, which are non-renewable materials. Fine copper is highly reusable and therefore may be deemed as a reusable raw material. In 2019, the reusable raw materials comprised 96.79% 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 made up nearly 68% of total packaging materials used in 2019.</p> <p>(3) The Company has formulated its risk management policies and procedures to incorporate climate change and environmental risks into its management in accordance with its business operations and operating characteristics, and has established corresponding risk management units and control mechanisms. For relevant control mechanisms, please refer to the Company's</p>



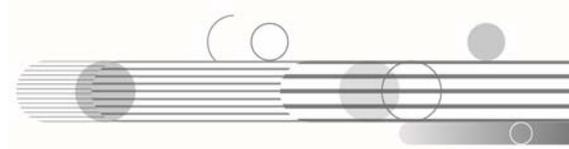
Assessment items	Actual governance (Note 1)		Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	
(4) Has the Company compiled statistics on greenhouse gas (GHG) emissions, water consumption and total weight of waste in the past two years, and formulated policies on energy conservation, carbon reduction, GHG reduction, water consumption reduction or other waste management?	Yes		<p>website on "Climate Change Risk Management" page under "Corporate Social Responsibility" section (<a href="https://www.walsin.com/csr/cht/index.html">https://www.walsin.com/csr/cht/index.html</a>).</p> <p>(4) Since 2013, the Company has been confirming its greenhouse gas emissions every year, as its first step for energy saving and carbon reduction, set up a carbon inventory and reduction plan (carbon reduction rate of 5% from 2016 to 2020), established the "greenhouse gas inventory and product carbon inventory" information platform, requiring its Taiwan and overseas factories complete the scope one and scope two greenhouse gas inventory every year, and promoted the ISO 14064-1 standard external certification. Following the Yanshui Plant's receipt of ISO 14064-1 external certification in 2015, the Taichung Plant also obtained the same external certification in 2017. Since 2018, all of its factories in Taiwan have obtained ISO 50001 certification system and continued to pass certifications in 2019.</p> <p>In response to climate change and the gradual scarcity of natural resources, we continue to invest in environmental protection equipment and promote the recycling of resources, such as the recycling of reusable resources to replace raw materials from natural resources, manufacturing process recycling (e.g. waste heat recycling, waste acid recycling and reuse of reclaimed water), improvement on manufacturing process technology (e.g. pure oxygen combustion technology and increased yield), end-use disposal (e.g. waste plastic, waste metal material/powder and furnace ballast) and investment in solar power plant, demonstrating our determination to implement the blueprint for cradle-to-cradle circular economy and energy saving and emission reduction.</p> <p>In terms of water and waste reduction, in addition to formulating relevant policies and requiring each plant to propose annual water and waste reduction plans, the head office</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)	
			conducts monthly statistical control and review of plan implementation status through the database system. Over the past two years, the water recycling rate in our Taiwan plants has reached 93% and the reusable waste recycling rate has reached 99%.	
IV. Social Issues				
(1) Has the Company established its management policies and procedures in accordance with relevant laws, regulations, as well as international conventions regarding human rights?	Yes		(1) The Company complies with the laws and regulations of each of its global operating locations, commits itself to protecting the basic human rights of its employee, supports and complies with the internationally recognized human rights conventions and guidelines such as United Nations Universal Declaration of Human Rights, United Nations Global Compact and International Labor Organization Convention, establishes the spirit of fair, reasonable, friendly treatment of and respect for all employees with dignity, including regular staff, temporary staff, expatriate staff, interns, and contractors, and extends this spirit to our partners.	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.
(2) Has the company established and implemented reasonable employee benefit measures (including compensation, vacation and other benefits) and properly reflected operating performance or results in employee compensation?	Yes		(2) The Company attaches importance to the physical and mental health and welfare of our employees and provides comprehensive and diversified welfare measures. It has work rules and related management regulations, which cover basic wages, working hours, annual leaves more than what is provided in the Labor Standards Act, subsidies for transportation/communication/meal, group insurance and health check-ups, and the provision of staff restaurants, dormitories, transportation vehicles, parking spaces, etc. A staff welfare committee has also been set up and elected by the employees to handle various welfare matters, including subsidies for wedding, funeral, celebrations, childbirth, travel and club activities, three festival bonus/Labor's Day bonus, birthday money gift, children's scholarships, interest-free loans, and hospitalization grants.  The Company conducts regular market salary surveys to ensure that its overall compensation is competitive in the labor market; it also provides performance bonuses and production	



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	
			bonuses based on the Company's operational performance, the achievement of team goals and the individual performance of its employees. We also pay our employees at a rate of not less than 1% of our current year's profit to motivate those who have performed well.
(3) 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		(3) 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.
(4) Has the company established an effective career development and capability training program for its employees?	Yes		(4) The company has developed a training system and learning blueprint according to each level and profession, so that employees can follow them in learning and improving their abilities. The Company provides appropriate training resources and plans budgets for them every year, depending on the current job requirements and career development needs of employees. At the same time, in the first and second half of each year, during the implementation of performance appraisal, in addition to conducting the annual work review in conjunction with colleagues, supervisors understand the potentials of colleagues, professions and areas to be improved based on their implementation of their work, and jointly formulate development plans for training, rotation and participation in projects.
(5) Does the Company comply with relevant regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of its products and services, and has it formulated relevant policies and complaint procedures to protect consumer rights?	Yes		(5) Our products and services are marketed and clearly labeled in accordance with local and international regulations and standards or pursuant to the requirements of our customers. In order to protect business information and customer privacy, the Company establishes a code of ethical conduct for employees and information security management procedures to prevent any unauthorized access to, alteration to, or improper disclosure of any

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)	
(6) Does the company have a supplier management policy requiring suppliers to comply with relevant regulations governing environmental protection, occupational safety and health, or human rights in the workplace, and how is it implemented?	Yes		<p>information that may infringe on customer privacy and rights.</p> <p>In addition to providing its latest information, product information, and the telephone numbers and e-mail addresses of the persons-in-charge of each business on its website, the Company has established communication channels through which interested parties can make complaints or communicate with the Company. Upon receipt of a communication from an interested party, the Company will transfer the case to a dedicated person for him/her to initiate operational procedures, in order to complete the case and reply to the interested party within the time limit.</p> <p>We have not violated any laws or regulations regarding customer health and safety, customer privacy, marketing and labeling of our products and services in 2019.</p> <p>(6) The Company has established a supply chain sustainability policy, and requires suppliers to comply with environmental protection, occupational safety and health or labor human rights regulations in purchase orders and contracts. Key suppliers and new suppliers, in addition to signing the "Supplier Management Commitment Letter", also need to conduct self-assessments through the Supplier Sustainability Assessment Questionnaire to ensure that the supply chain fulfills its CSR commitments and implements the Principles for Supplier CSR Performance Assessment.</p>	
V. Did the Company make reference to international standards or guidelines for the preparation of reports in preparing its corporate social responsibility reports and other reports that disclose non-financial information about the Company? Did the Company obtain a third-party certification agency's confirmation or	Yes		<p>Since 2014, we have been compiling CSR reports with reference to the Global Reporting Initiative's (GRI) G4 Standards, and since 2017, the report structure has followed the core options of the latest GRI Standards. Since 2015, we have engaged Deloitte Taiwan to perform third-party assurance checks on our reports and have obtained the CPA Statement of Limited Assurance. The third-party assurance checks are performed in accordance with the standards set forth in Statement of Standard on Assurance No. 1, "Assurance Cases Other Than Audits or Reviews of</p>	<p>In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.</p>



Assessment items	Actual governance (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary description (Note 2)	
assurance opinion on said reports?			Historical Financial Information" and "Rules for the Preparation and Reporting of Corporate Social Responsibility Reports by Public Companies." As of the date of publication, the 2019 Annual Corporate Social Responsibility Report is being under assurance checks by Deloitte Taiwan, which is expected to issue a statement of assurance in May 2020.	
<p>VI. 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.</p>				
<p>VII. Other key information useful for explaining the status of CSR practices:</p> <p>(1) With regard to developing a sustainable environment, please refer to "Operating Status, Environmental Protection Expenditure Status" in the annual report.</p> <p>(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.</p> <p>(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:</p> <ul style="list-style-type: none"> <li>• "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.</li> <li>• "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 2019, we sponsored 82 classes in 14 schools in New Taipei City, Taoyuan City, Tainan City and Kaohsiung City, benefiting 1,293 students. Since 2019, Walsin, together with the Walsin Technology Foundation and Mandarin Daily News, has launched a bilingual reading education program for 775 classes in 22 junior high schools in Kaohsiung City, benefiting 21,528 students. With the advantage of the English and Chinese bilingual texts in "Junior High School Student Daily" offered by Mandarin Daily News, students' listening, speaking, reading and writing skills in both Chinese and English improved and their interests in the world and reading were opened. In addition, we also cooperated with Nanshin Elementary School, Daxi District, Taoyuan City and Annei Elementary School, Yanshui District, Tainan City to organize newspaper reading games and activities, where 36 colleagues volunteered to play with the schoolchildren, with the view to inspiring children's interest in learning through educational entertainment and visualization of knowledge.</li> <li>• "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</li> </ul>				

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>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, starting from 2018, the Company and Winbond Electronics Corporation cooperated to incorporate Huabao Seed Breeding Co., Ltd., responsible for promoting Taiwan's forest germplasm conservation and indigenous plants revegetation projects.</p> <ul style="list-style-type: none"> <li>• Donation to the Heavy Particle Cancer Treatment Center of Taipei Veterans General Hospital: In 2019, Walsin Lihwa, Winbond Electronics Corporation, business groups of Walsin Technology and HannStar Display Corporation within the Walsin Group made a joint donation of NT\$50 million for the purchase of state-of-the-art medical equipment, including heavy-particle and advanced medical equipment, in order to bring the Group's spirit of public welfare into full play and to unite more social forces to improve medical standards for the benefit of the people of Taiwan. Installation testing of equipment is expected to commence in June 2020 after completion of the Center Building.</li> <li>• Support for "Industry 4.0 Industry-Academia Cooperation Base" project of Chung Yuan Christian University: In response to the government's promotion of "Asian Silicon Valley" strategy and in support of industry-academia cooperation in promoting knowledge economy, and industry and technology innovation, the Company has been working with Chung Yuan Christian University since 2017 to promote and develop the "Smart Manufacturing R&amp;D Center and Industry 4.0 Demonstration Base - Knowledge &amp; Navigation Center" as a demonstration center for smart technology and manufacturing innovation. Inaugurated in March 2019, it will drive innovation in industry and academia through cross-disciplinary technology integration and serve as a nurturing base for industry elites to promote social-economic development.</li> </ul> <p>(4) In 2019, Walsin Lihwa was listed as the top 5% outstanding companies as published by the Taiwan Stock Exchange in the 6<sup>th</sup> "Corporate Governance Evaluation." The Company was also awarded "Golden Point Award for Healthy Workplace Innovation - Health Management Award" (Taichung Plant), and CPR+AED Workplace Safety Certification by New Taipei City and Tainan City (Hsinchuang Plant and Yanshui Plant), and the "Illuminating the Corners of Taiwan" program were awarded by the Yilan County Government as the "Model for Donating Funds to Promote Education"; the Company also received Top 50 Performance Award and Gold Award for Report for the TCSA Taiwan Enterprise Sustainability Award for 2019.</p> <p>(5) For details on the Company's other CSR related operations, please go to the Walsin Lihwa website CSR section (<a href="http://www.walsin.com/csr/cht/index.html">http://www.walsin.com/csr/cht/index.html</a>) and read our 2019 CSR report.</p>	

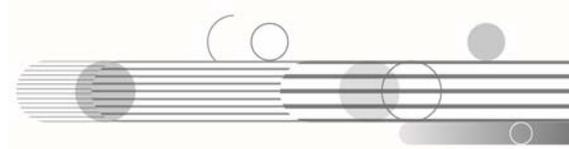
Note 1: If "Yes" is checked, please explain the important policies, strategies, measures and their implementation; if "No" is checked, please explain the reasons and the plans to adopt the relevant policies, strategies and measures in the future.

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

Note 3: The principle of materiality refers to the environmental, social and corporate governance issues that have a material impact on investors and other interested parties of the Company.

Note 4:

Issues	Risk Category	Management Policies, Strategies or Mechanisms
Corporate Governance and Economic Issue	<ul style="list-style-type: none"> <li>• Strategy and Operations</li> <li>• Legal</li> </ul>	<ul style="list-style-type: none"> <li>• Business units regularly report strategic issues to the Directors and therefore reduce strategic risks through the participation, advice and supervision of board members.</li> <li>• The Company's culture of "Ethical Management" emphasizes that all business activities must be conducted in accordance with local laws and regulations. We also require our employees to comply with laws and regulations, corporate rules and procedures, and guide them to conduct themselves in accordance with laws and</li> </ul>



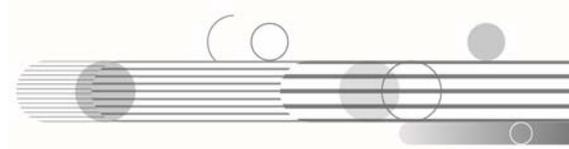
Issues	Risk Category	Management Policies, Strategies or Mechanisms
	<ul style="list-style-type: none"> <li>• Capital Expenditure</li> <li>• Information Security</li> <li>• Changes in Interest Rates</li> <li>• Changes in Exchange Rates</li> <li>• Raw Material Prices and Supply Chains</li> <li>• Technology Risks</li> </ul>	<p>regulations and ethical standards through education, internal audit, internal control and other management measures.</p> <ul style="list-style-type: none"> <li>•Major capital expenditures shall be reported to the Audit Committee and the Board of Directors for review and approval.</li> <li>•The Company continuously introduces advanced information security solutions, establishes data protection mechanisms, organizes education and training, promotes new information security knowledge and raises staff awareness of information security.</li> <li>•The Company monitors changes in the interest rate markets, controls existing long and short term borrowing positions and uses market instruments to lock in interest rate costs in a timely manner.</li> <li>•The Company develops a hedging strategy and carries out exchange rate hedging in conjunction with relevant hedging instruments such as spot rate trading and forward rate trading. Control of risks associated with foreign currency exchange rates and related hedging operations are performed with respect to major capital expenditures and capital transfers that may cause changes in foreign currency positions.</li> <li>•The Company carries out market risk management of its raw materials-related operations. It also prudently evaluates and actively develops new material sources to avoid monopoly by a few suppliers. In addition, we establish a safe inventory of raw materials and purchase some raw materials in stock to allow for flexibility.</li> <li>•We deeply understand the needs of customers and end-use applications, and accelerate the technical development of product materials manufacturing processes and applications, in order to strengthen our technical capabilities to respond to rapid changes in the external environment.</li> </ul>
Environmental Issues	Climate Change and Environmental Risks	<ul style="list-style-type: none"> <li>•The Company's environment, safety and health and energy policy is "Green Manufacturing, Happy Enterprise and Sustainable Development" and is committed to "Compliance with Regulations, Risk Control, Pollution Prevention, Energy Saving and Waste Reduction and Performance Enhancement."</li> <li>•We promote energy management systems to establish energy management performance indicators, so as to facilitate long-term energy efficiency control. We also Invest in green electricity and gradually build up a product carbon footprint, in order to improve carbon reduction performance and prepare for carbon rights operations in advance. Besides, we continuously identify and develop waste reuse technologies to improve resource recycling efficiency.</li> </ul>
Social Issues	• Management Risks	<ul style="list-style-type: none"> <li>•Employees are Walsin's most important asset and major driving force. Walsin cares about its employees, their families and their lives, listens to their voices and strengthens the communication channels between employees and employers to promote harmonious relationships. We also ensure that the existing human resources management procedures and related</li> </ul>

Issues	Risk Category	Management Policies, Strategies or Mechanisms
	<ul style="list-style-type: none"> <li>Occupational Safety Risks</li> <li>Corporate Image Risks</li> </ul>	<p>administrative practices comply with the laws and regulations.</p> <ul style="list-style-type: none"> <li>We maintain the consistency of the environment, safety and health management systems in all plants through ESH education and training, and implement operational risk factor checks and regulations to reduce the incidence of occupational safety incidents. We also require contractors to sign an Environment, Safety and Health Policy Commitment to jointly comply with the requirements of the environment, safety and health law and to reduce occupational safety hazards.</li> <li>The Company has established a crisis management response mechanism for risks that may affect its image.</li> </ul>

For more information on the implementation of risk management, please refer to 1.3 Management Policy Disclosure, 2.4.3 Risk Management and related sections in the Company's 2019 CSR Report (<https://www.walsin.com/csr/cht/download.html>)

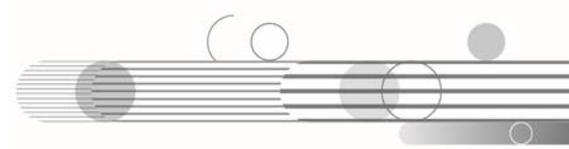
(6) Fulfillment of ethical management and differences between our ethical management and the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason(s)

Assessment items	Implementation status		Summary	Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No		
<p>I. Establishment of ethical management policies and solutions</p> <p>(I) Has the Company formulated its ethical management policies approved by the Board of Directors and stated its ethical management policies and practices in its internal rules and external documents? Do the Board of Directors and senior management actively fulfill their commitment to ethical management polices?</p>	Yes		<p>(I) The 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 "Ethical Corporate Management Best Practice Principles" and our "Procedures for Ethical Management and Guidelines for Conduct" as the Company's policies for ethical management practices. The full texts are also disclosed in electronic form on the Company's website to showcase our commitment to implementing and overseeing ethical management policies.</p> <p>In accordance with the latest laws and regulations, the Company amended the "Ethical Corporate Management Best Practice Principles" by the Board of Directors in 2019 and published it on the Company's website in electronic format in</p>	<p>In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.</p>



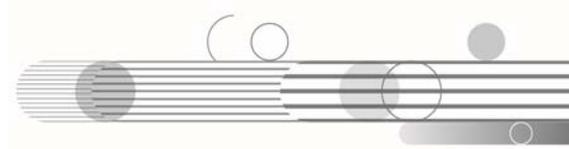
Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
(II) Has the Company established an assessment mechanism for the risk of unethical conduct to regularly analyze and evaluate business activities with a higher risk of unethical conduct in its scope of business, and formulated a plan based on such analysis and evaluation to prevent unethical conduct, which should cover at least the preventive measures under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	Yes		<p>order to undertake to actively implement and monitor the implementation of its policies.</p> <p>(II) In accordance with the Ethical Corporate Management Best Practice Principles, the Company conducted audits and evaluated the risks of each unethical act specified therein in 2019, and set up relevant evaluation mechanisms to periodically analyze and evaluate the business activities with higher risks of unethical acts in the scope of business in the future, and formulated plans based on such analysis and evaluation to prevent unethical acts.</p> <p>On February 27, 2020, the Board of Directors approved the establishment of the "Risk Management Policies and Procedures" as the highest guiding principle for the Company's risk management. The Company will regularly assess the risks on an annual basis and formulate and implement management policies for each risk, which cover management objectives, organizational structure, attribution of authority and responsibility and risk management procedures, so as to effectively identify, measure and control the Company's risks and control the risks arising from business activities within an acceptable range.</p> <p>The Company's risk management includes:</p> <ol style="list-style-type: none"> <li>1. Risks of interest rate changes</li> <li>2. Risks of exchange rate changes</li> <li>3. Climate change and environmental risks</li> <li>4. Occupational safety risks</li> <li>5. Raw material prices and supply chain risks</li> <li>6. Information security risks</li> <li>7. Strategic and operational risks</li> <li>8. Capital expenditure risks</li> <li>9. Legal risks</li> <li>10. Technology risks</li> <li>11. Management risks</li> <li>12. Corporate image risks</li> </ol> <p>In respect of the Company's risk management in 2020, each risk management unit and audit unit will carry out the Company's risk environment management and countermeasures, and President will organize and oversee the</p>	

Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
(III) Has the Company defined and implemented the operating procedures, conduct guidelines, disciplinary and complaint systems for non-compliance in its unethical conduct prevention program, and regularly reviewed and revised the foregoing program?	Yes		<p>implementation and coordination of risk management. The risk control measures and risk management operations will be reported to the Board of Directors in case of material risk events.</p> <p>The Company included a risk-related course in 2020 as mandatory onboarding training for new recruits to enhance risk culture awareness and knowledge.</p> <p>In line with the globalization policy, the Audit Committee and the Board of Directors will oversee the enhanced implementation of the risk management mechanisms.</p> <p>(II) 1. In accordance with the Company's Ethical Corporate Management Best Practice Principles and Procedures for Ethical Management and Guidelines for Conduct, it has established punishment policies and a complaint filing system for employees who violate relevant regulations, which is integrated with the employee performance evaluation.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The provision and scope of Article 6 of the Company's Ethical Corporate Management Best Practice Principles have specifically encompassed the behavior listed in Article 7 Item 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" or</p>	



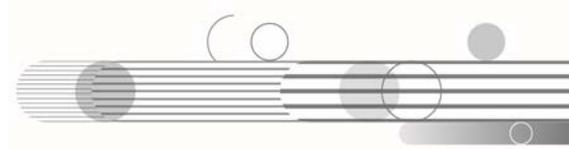
Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
			other business activities with higher risks of dishonest behavior. The Company has reinforced relevant preventive 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 ethical business practice				
(I) Has the Company evaluated the ethical management practices records of the companies it does business with as well as explicitly included ethical management practices clauses in the contracts?	Yes		(I) 1. The Company prevents transacting with companies with unethical management 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/TPEX Listed Companies.
(II) Has the company established a dedicated or non-dedicated department under the Board of Directors to ensure honest business practices? Does this department periodically report their status of implementation to the Board of Directors?	Yes		(II) Pursuant to Article 16 of our "Principles for Honest Business Practices", the Board of Directors resolved and set up an "Honest Business Practice Committee" in 2015. The Committee is responsible for establishing the integrity management policies and misconduct prevention programs and supervising the implementation thereof. It periodically meets at least once a	

Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons for deviation
	Yes	No	Summary	
			<p>quarter and regularly reports its implementation status to the Board of Directors annually.</p> <p>The Company resolved at its 17<sup>th</sup> meeting of the Board of Directors of the 18<sup>th</sup> term on November 1, 2019 to establish the Sustainable Development Committee, where all Independent Directors act as committee members, and change into promotion centers and merge into the Sustainable Development Committee its Corporate Social Responsibility, Ethical Corporate Management, Environment, Safety and Health Management, Green Operation, Customer Service and Supplier Management, and Employee Relations and Social Care Committees, which are to be reviewed, supervised and tracked by the Sustainable Development Committee. The committee meets twice a year, and reports regularly (at least once a year) to the Board on its implementation.</p> <p>The Company's Ethical Management Promotion Team is the responsible unit for formulating and overseeing the implementation of the Company's ethical management policies and preventive measures. It is mainly put in charge of the following matters and shall regularly report to the Sustainable Development Committee and the Board of Directors:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3. Making plans for internal departments, organization and functions; installing a mechanism for mutual supervision and check &amp; balance for business activities within the operating scope with higher risks of dishonest behavior.</li> <li>4. Setting in motion and coordinating the promotion and training for honest policies.</li> </ol>	



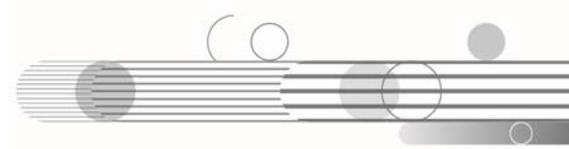
Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
			<p>5. Making plans for a complaint filing system while ensuring the effectiveness of implementation.</p> <p>6. Assisting 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> <p>The Company's Ethical Management Promotion Team members are introduced as follows (with different functions):</p> <ol style="list-style-type: none"> <li>1. Secretary Office (Legal Division): Responsible for the operation of the Ethical Management Promotion Team, the establishment and revision of the Code of 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.</li> <li>2. Promotion and Education (Human Resources Division and Legal Division): Promoting and highlighting the importance of integrity.               <ol style="list-style-type: none"> <li>(1) HR: Training and education on the integrity culture and conduct.</li> <li>(2) Legal: Training and education on legal compliance.</li> </ol> </li> <li>3. Reward and punishment (Human Resources Division): Establishing a clear and effective disciplinary system as basis for performance evaluation.</li> <li>4. Supervision and management (Auditing Office)               <ol style="list-style-type: none"> <li>(1) Offering suggestions for the supervision and check and balance mechanism.</li> <li>(2) Making plans for a complaint filing system.</li> </ol> </li> <li>5. Execution Units (Division Heads/Controllers/Function Heads):               <ol style="list-style-type: none"> <li>(1) Cooperating with the execution and implementation of the operation of, and</li> </ol> </li> </ol>	

Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx 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>matters relating to, the Ethical Management Promotion Team.</p> <p>(2) Regularly being supervised and audited.</p> <p>(3) Formulating relevant operating rules for specific preventive measures.</p> <p>The Ethical Management Promotion Team (Committee) held a total of four meetings during 2019.</p> <p>The ethical management promotions and educational training implemented by the Promotion Team in 2019 is disclosed in this annual report (V) Explanations for Educational Training on Ethical Management.</p> <p>(III) The Company has established the Ethical Corporate Management Best Practice Principles and the Procedures for Ethical Management and Guidelines for Conduct to regulate Directors, managers and employees in terms of obligations to the Company, external business activities, pecuniary transactions, avoidance of conflicts of interest and the management of classified information. The Company has a contact channel on its website that provides a means for filing complaints about violation of honest business practice, a mailbox also exists on the employee portal site, thus providing internal and external personnel with a means to make suggestions to the Company. Information received shall be handled by the Auditing Office.</p>	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and has its internal audit unit drawn up an audit plan based on the results of the assessment of the risk of unethical conduct, in order to verify compliance with such plan for prevention of unethical conduct, or has it engaged a CPA firm to perform the audit?	Yes		<p>(IV) The Company actively works to ensure ethical 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.</p>	



Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation				
	Yes	No	Summary					
(V) Does the Company regularly conduct internal and external educational training on ethical management?	Yes		<p>(V) During new-employee training, the Company periodically states its principles towards ethical management practices. It also periodically holds courses on corporate governance as well as ethical management practices and asks employees to participate. The Company's Procurement Department also informs suppliers of our ethical management practices principles in order to prevent unethical business practices.</p> <p>1. A dedicated section for ethical management 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 ethical management practices.</p> <p>2. In October 2019, we published several educational articles on compliance with, among others, the new money laundering prevention law and the European Union's General Data Protection Regulations for our relevant business units, allowing all employees to read and comprehend related information on ethical management practices.</p> <p>3. The Company is committed to building a compatible and stable Walsin culture (from the company side, to the affiliates, suppliers and counterparties). All directors, employees and suppliers have been educated on anti-corruption and all 11 Directors have been trained on anti-corruption. In order to implement and deepen the specific practices of the ethical management policy and the project to prevent unethical conduct (including anti-corruption), the Company actively carried out advanced training courses on relevant topics such as ethical management and legal compliance for procurement staff and sales force in all plants in 2019: (1.5 hours per training session)</p> <table border="1" data-bbox="776 1924 1214 2052"> <thead> <tr> <th>Plant (Time)</th> <th>No. of Participants</th> </tr> </thead> <tbody> <tr> <td>Jiangying Walsin (10/2019)</td> <td>19</td> </tr> </tbody> </table>	Plant (Time)	No. of Participants	Jiangying Walsin (10/2019)	19	
Plant (Time)	No. of Participants							
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Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation																
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			<table border="1"> <tr> <td>Changshu Walsin (10/2019)</td> <td>27</td> </tr> <tr> <td>Shanghai Walsin (10/2019)</td> <td>37</td> </tr> <tr> <td>Yantai Walsin (10/2019)</td> <td>9</td> </tr> <tr> <td>Taichung Plant (11/2019)</td> <td>23</td> </tr> <tr> <td>Hsinchaung and Yangmei Plants (12/2019)</td> <td>43</td> </tr> </table> <p>4. In addition, the Company actively promoted the ethical management and legal compliance (including anti-corruption) in different plants in 2019: (0.5 hours per training session)</p> <table border="1"> <tr> <td>Plant</td> <td>No. of Participating Suppliers</td> </tr> <tr> <td>Yanshui and Taichung Plants</td> <td>31</td> </tr> <tr> <td>Hsinchuang and Yangmei Plants</td> <td>35</td> </tr> </table>	Changshu Walsin (10/2019)	27	Shanghai Walsin (10/2019)	37	Yantai Walsin (10/2019)	9	Taichung Plant (11/2019)	23	Hsinchaung and Yangmei Plants (12/2019)	43	Plant	No. of Participating Suppliers	Yanshui and Taichung Plants	31	Hsinchuang and Yangmei Plants	35	
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<p>3. Status of the Company's reporting mechanism</p> <p>(I) Has the Company established concrete reporting and rewards systems, set up convenient reporting channels and appointed any appropriate, dedicated staffer to deal with the person who has been reported?</p> <p>(II) Has the Company established standard operating procedures for investigation of, the follow-up measures that should be taken after investigations of, and related information confidentiality mechanisms for complaints?</p> <p>(III) Has the company adopted any measure to protect the informers</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>(I) The Company's website provides a "Reporting Violations of Ethical Management Practices" area, which allows people to file complaints about violations against ethical management 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.</p> <p>(II) The Company has formulated the "Measures for Stakeholder Recommendations and Complaints," thereby protecting the identity as well as data of those who provide suggestions or feedback.</p> <p>(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</p>	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies.																	



Assessment items	Implementation status			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons for deviation
	Yes	No	Summary	
lest they be inappropriately treated?			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 Ethical Corporate Management Best Practice Principles 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 its ethical management-related information; it also discloses the implementation status and execution results of its ethical management practice in the annual CSR report and also the Company's Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, 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/TPEX 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/TPEX 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 Ethical Corporate Management Best Practice Principles): In February of 2015, our company passed amendments to our Ethical Corporate Management Best Practice Principles in order to comply with the spirit of the newest Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies. Our Board of Directors resolved and set up an "Ethical Corporate Management 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.				

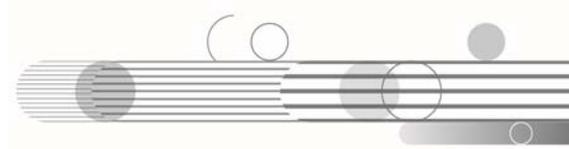
- (7) If the company has formulated corporate governance principles as well as other related regulations, it should disclose how they can be looked up: Our Company's corporate governance principles as well as relative regulations can be looked up on our Company website.

(8) 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, 2019

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
Chairman	Yu-Lon Chiao	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	6 hrs.
		2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Vice Chairman	Patricia Chiao	2019/12/10	2019/12/10	Taiwan Academy of Banking and Finance	On Director Function Enhancement from the Latest Corporate Governance Blueprint	3 hrs.	6 hrs.
		2019/11/26	2019/11/26	Taiwan Academy of Banking and Finance	On Management of Intellectual Property Taxes from Corporate Governance	3 hrs.	
Directors	Yu-Cheng Chiao	2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Deep Learning; Natural Language Understanding; Digital Threats at Your Fingertips	3 hrs.	15 hrs.
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Strategic Innovation and Business Models; Industrial AI for Smart Manufacturing	3 hrs.	
		2019/06/27	2019/06/27	Taiwan Corporate Governance Association	World Economic Trends and Development Opportunities for Taiwan	3 hrs.	
		2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Patent Analysis in Product Development Phase; A.I. Thinking and Applications	3 hrs.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Directors	Yu-Heng Chiao	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	6 hrs.
		2019/04/13	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Directors	Hui-Ming Cheng	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	9 hrs.
		2019/07/15	2019/07/15	Securities and Futures Institute	The Impact of U.S.-China Trade Dispute on Taiwanese Businesses and its Solution	3 hrs.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Directors	Wei-Shin Ma	2019/06/27	2019/06/27	Taiwan Corporate Governance Association	World Economic Trends and Development Opportunities for Taiwan	3 hrs.	9 hrs.
		2019/06/27	2019/06/27	Taiwan Corporate Governance Association	Patent Analysis in Product Development Phase; A.I. Thinking and Applications	3 hrs.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Corporate Director Representative	Tung-Yi Chan	2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Deep Learning; Natural Language Understanding; Digital Threats at Your Fingertips	3 hrs.	9 hrs.
		2019/12/26	2019/12/26	Taiwan Corporate Governance Association	Strategic Innovation and Business Models; Industrial AI for Smart Manufacturing	3 hrs.	
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Independent Directors	Chen, Steve Ruey-Long	2019/11/12	2019/11/12	Taiwan Corporate Governance Association	Introduction to Corporate Governance Assessment	1.5 hrs.	13.5 hrs.
		2019/10/29	2019/10/29	Taipei Foundation of Finance	Tax Money Laundering Risk Prevention - Top 8 Money Laundering Risk Patterns in the Country	3 hrs.	
		2019/09/03	2019/09/03	Securities and Futures Institute	International and Taiwan Anti-Tax Avoidance Development and Corporate Response Measures	3 hrs.	
		2019/09/03	2019/09/03	Securities and Futures Institute	Performance of Duties by and Operating Judgment Principles for Directors and Supervisors	3 hrs.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	



Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Year Total
Independent Directors	Ming-Ling Hsueh	2019/12/04	2019/12/04	Taiwan Corporate Governance Association	Exercise of Duties by Directors and Managers and Directions	3 hrs.	20 hrs.
		2019/11/25	2019/11/25	Taiwan Corporate Governance Association	Global Risks and Corporate Social Responsibilities	3 hrs.	
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
		2019/08/05	2019/08/05	Taiwan Securities Association	Case Analysis for Money Laundering and Insider Trading Prevention	3 hrs.	
		2019/05/08	2019/05/08	Taiwan Corporate Governance Association	The Importance of Integrating ESG Elements in Investments - from Aberdeen Standard Investments	3 hrs.	
		2019/04/26	2019/04/26	Taiwan Corporate Governance Association	Keeping Abreast of Global Economic Trends and Technology - Key Corporate Issues	1 hr.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
		2019/02/19	2019/02/19	Taiwan Corporate Governance Association	2019 Global Trend Analysis - Risks and Opportunities	1 hr.	
Independent Directors	King-Ling Du	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	9 hrs.
		2019/10/31	2019/10/31	Securities and Futures Institute	Industry 4.0 and How Companies Can Lead Innovation and Transformation	3 hrs.	
		2019/04/09	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	
Independent Directors	Shiang-Chung Chen	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	6 hrs.
		2019/04/13	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	

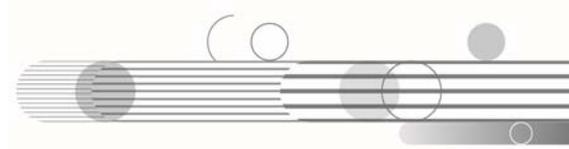
2. For the attendance of Board meetings by Directors, please refer to "Corporate Governance Report. 4. Status of Corporate Governance (1), (2)."

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 2019:

As of December 31, 2019

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Annual total
President	Fred Pan	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Vice President	Chen, Steve Ruey-Long	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Vice President	C.C. Chen	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Chief Information Officer	David Liou	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	

Title	Name	Date		Organizer	Course name	Hours	
		Start Date	End Date			On this date	Annual total
Chief Marketing Officer	Kevin Niu	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Senior General Manager of Copper Wire BU	Witty Liao	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Senior General Manager of Stainless Steel BU	Tain-Rong Chen	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Chief of Staff and Head of Human Resources Department	Allen Hsu	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Head of Accounting Dept.	Richard Wu	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	
Head of Financial Dept.	Josh Jia	2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	3 hrs.
Head of Legal Department and Head of Corporate Governance	Sherry Ho	2019/04/9	2019/04/09	Taiwan Corporate Governance Association	Digital Decision Making – Taking Board Product Business Model as an Example	3 hrs.	6 hrs.
		2019/11/01	2019/11/01	Taiwan Corporate Governance Association	Multinational Management and Sustainable Development	3 hrs.	



## (9) Implementation Status of Internal Control System

### 1. Statement on Internal Control

Walsin Lihwa Corporation  
Statement on Internal Control System

Date: February 27, 2020

In 2019, 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, 2019, 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 27, 2020 by the Board, with none of the 11 Directors present opposing it.

Walsin Lihwa Corporation



Chairman: Yu-Lon Chiao



Chop

President: Fred Pan



Chop

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

(10) Where the Company and its personnel have been penalized according to the law, or the Company has penalized its personnel for having violated its internal control system (and if the result of the penalty is likely to have a material impact on shareholders' interests or the price of securities) as of the day when the annual report was prepared in the most recent year, the contents of such penalty, major deficiencies and corrective actions shall be specified: None.

(11) 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 2019 AGM on May 24, 2019 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 the Company's 2018 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 the Company's 2018 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, 2019 was the ex-dividend record date and the dividends were paid out on July 17, 2019. (Cash dividend of NT\$1.2 was paid per share.)

Proposal No. 3

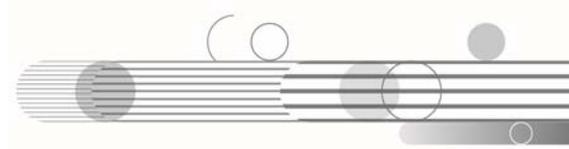
Description:	Amendments to the Company's Regulations Governing Acquisition or Disposal of Assets.
Resolution:	According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.
Implementation Status:	Relevant operations were handled in accordance with the amended procedures and the revised articles were disclosed on the MOPS as well as our official website.

Proposal No. 4

Description:	Amendments to the Company's Procedures for Financial Derivatives Transactions.
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:	Amendments to the Company's Procedures for Lending Capital to Others and Procedures for Endorsements and Guarantees.
Resolution:	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.



Implementation Relevant operations were handled in accordance with the amended procedures and the revised  
 Status: articles were disclosed on the MOPS as well as our official website.

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Proposal No. 6

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

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Proposal No. 7

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Description: Lifting the non-competition ban on directors imposed by Article 209 of the Company Act.  
 Resolution: According to the voting result, the number of affirmative votes exceeded the legal threshold, so the proposal was passed.  
 Implementation This was announced as a piece of material information on the day of the Shareholders' Meeting.  
 Status:

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Important resolutions adopted by 2019 Board meetings as of the day of this annual report

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2019/01/21 (10<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

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Important Proposal for the replacement of CPAs due to internal rotation mechanism of Deloitte Taiwan, and  
 Resolution: the annual remuneration payable to the CPA firm and the assessment of the independence and suitability of the CPAs.  
 Results: Proposal passed.

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

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Important Approval for Walsin Lihwa Holding Co., Ltd.'s lending to the Company in one-time drawdown in the  
 Resolution: amount of US\$ 50 million.  
 Result: Proposal Passed (except that the term of the loan was amended, other proposal passed.).

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Important Proposal for the distribution of the performance bonus for Chairman and Vice Chairman for 2018.  
 Resolution:  
 Result: Proposal Passed.  
 Recusal: Yu-Lon Chiao and Patricia Chiao

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Important Proposal to review managers' performance evaluation as well as bonuses and compensation for  
 Resolution: 2018.  
 Result: Proposal Passed.  
 Recusal: Hui-Ming Cheng.

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2019/02/22 (11<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

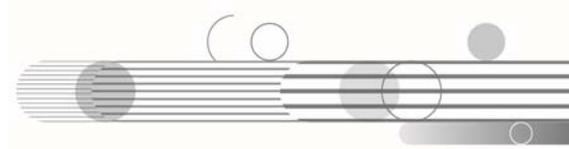
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Important Distribution of remuneration to directors and employees for 2018.  
 Resolution:  
 Result: Proposal Passed.  
 Recusal: Hui-Ming Cheng.

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Important Proposal of the 2018 Profit Distribution Table.  
 Resolution:

Result:	Proposal Passed.
Important	Proposal of the 2018 Internal Control System Statement.
Resolution:	
Result:	Proposal Passed.
Important	Amendments to the Company's Procedures for Financial Derivatives Transactions.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Company Act.
Resolution:	Company Act.
Result:	Proposal Passed.
Recusal:	Ming-Ling Hsueh.
Important	Approval for holding the 2019 AGM regularly.
Resolution:	
Result:	Proposal Passed.
Important	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
Resolution:	
Result:	Proposal Passed.
<b>2019/04/09 (12<sup>th</sup> Meeting of the 18<sup>th</sup> Term)</b>	
Important	Proposal to acquire through Walsin (China) Investment Co., Ltd. a 25% shareholding in Jiangying Steel Cable Co., Ltd. from Fasten Group Co., Ltd.
Resolution:	Walsin Steel Cable Co., Ltd. from Fasten Group Co., Ltd.
Result:	Proposal Passed.
Important	Proposal to amend the Company's Procedures for Lending to Others and Procedures for Endorsements and Guarantees.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to amend the Company's internal control system of financing cycle - internal control principles of stock services.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to amend certain provisions of the Company's Corporate Governance Best Practice Principles.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to add items to the matters for convention of the 2019 AGM.
Resolution:	
Result:	Proposal Passed.
<b>2019/05/06 (13<sup>th</sup> Meeting of the 18<sup>th</sup> Term)</b>	
Important	Proposal to amend the Company's and its invested companies' Rules for Suggestions and Complaints from Related Parties.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to amend the Company's Rules for Performance Evaluation of the Board of Directors and the relevant schedules thereto.
Resolution:	
Result:	Proposal Passed.
Important	Proposal to amend Rules for the Remuneration of Directors and Functional Committee Members.
Resolution:	
Result:	Proposal Passed.
<b>2019/05/24 (14<sup>th</sup> Meeting of the 18<sup>th</sup> Term)</b>	



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Important Proposal to sell a 94.3% shareholding in Nanjing Walsin Metal Co. Ltd. through the Company's  
Resolution: 83.97% owned subsidiary, Huagui International Co., Ltd. and its wholly owned subsidiary, Walsin  
(China) Investment Co., Ltd.

Result: Proposal Passed.

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Important Proposal to reduce the capital stock of Walsin Lihwa Holding Co., Ltd. by US\$70,917,455.

Resolution:

Result: Proposal Passed.

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#### 2019/06/12 (15<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

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Important The Company intends to expand its hot rolling plant in Yantai, increase the land, factory and  
Resolution: equipment for wire rod production lines and the straight bar plant, and expand the factory and  
equipment for the straight bar plant in Yenshui, in light of the strategic consideration of the steel  
business and the integration of the consistent development of steel plants across the Taiwan Strait  
to enhance the Company's competitiveness. Please review and approve the same.

Result: Proposal Passed.

---

Important Approval for the additional US\$300 million revolving credit facility granted to the Company via a loan  
Resolution: from Walsin Lihwa Holding Co., Ltd.

Result: Proposal Passed.

---

Important Proposal to appoint Ms. Sherry Ho as the Company's Corporate Governance Manager, effective from  
Resolution: June 13, 2019.

Result: Proposal Passed.

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Important Proposal to change the Company's Financial Manager.

Resolution:

Result: Proposal Passed.

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Important Proposal to change the Company's managerial officers.

Resolution:

Result: Proposal Passed.

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Important Proposal to offer remuneration to Director Hui-Ming Cheng for his business execution.

Resolution:

Result: Proposal Passed.

Recusal: Hui-Ming Cheng

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#### 2019/08/02 (16<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

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Important Proposal to carry out a capital injection into Yan Tai Walsin Stainless Steel Co., Ltd. in the amount of  
Resolution: US\$80,000,000 through a capital injection into Walsin Specialty Steel Holding Co., Ltd. and through  
Walsin Lihwa (Changzhou) Investment Co., Ltd.

Result: Proposal Passed.

---

Important Proposal to approve the loan of funds from Walsin (China) Investment Co., Ltd. to Nanjing Walsin  
Resolution: Property Management Co., Ltd. in the form of RMB 500 million revolving facility.

Result: Proposal Passed.

---

Important Proposal to approve the loan of funds from Walsin (China) Investment Co., Ltd. to Hangzhou Walsin  
Resolution: Power Cable & Wire Co, Ltd. in the amount of RMB 80 million for a period of one year.

Result: Proposal Passed.

---

Important Proposal to liquidate the Company's US-based subsidiaries, Green Lake Exchange, LLC. And Green  
Resolution: Lake Capital, LLC.

Result: Proposal Passed.

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Important Proposal to amend the Company's Ethical Corporate Management Best Practice Principles

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Resolution:

Result: Proposal Passed.

Important Lifting the non-competition ban on managerial officers.

Resolution:

Result: Proposal Passed.

2019/11/01 (17<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

Important Proposal to dispose of the Research and Development Building in the Company's Yangmei Plant and  
Resolution: the land on which it is located to a related party.

Result: Proposal Passed.

Recusal: Yu-Lon Chiao and Yu-Cheng Chiao.

Important Nanjing Walsin Property Management Co., Ltd. intends to bid for a residential development site in  
Resolution: the southwestern part of Hexi, Nanjing. Please review and approve the same.

Result: Proposal Passed.

Important In connection with the transfer of the Funding Center from Walsin Lihwa Holding Co., Ltd. and Walsin  
Resolution: Specialty Steel Holding Co., Ltd. to Walsin International Investment, a total of three capital  
increases/reductions are proposed. Please review and approve the same.

Result: Proposal Passed.

2020/01/10 (18<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

Important Proposal for the replacement of CPAs due to internal rotation mechanism of Deloitte Taiwan, and  
Resolution: the annual remuneration payable to the CPA firm and the assessment of the independence and  
suitability of the CPAs.

Result: Proposal Passed.

Important The Company intends to increase the capital of its subsidiary, Walsin Nickel Industrial Indonesia, to  
Resolution: construct a nickel pig iron plant and power plant at PT Indonesia Morowali Industrial Park, Indonesia.  
Please review and approve the same.

Result: Proposal Passed.

Important The Company intends to purchase two-year US\$178.5 million corporate bonds issued by Golden  
Resolution: Harbour International Pte. Ltd. to develop nickel iron and stainless steel raw material procurement  
business. Please review and approve the same.

Result: Proposal Passed.

Important The Company intends to extend a loan to Walsin Nickel Industrial Indonesia in the amount of US\$250  
Resolution: million. Please review and approve the same.

Result: Proposal Passed.

Important Proposal to approve the loans from Walsin International Investment and Walsin Lihwa Holding  
Resolution: Limited to the Company and its subsidiaries in a total of US\$582 million and RMB1,127 million.

Result: Proposal Passed.

Important Proposal to sell the real estate held by Walsin Lihwa (Changzhou) Investment Co., Ltd. to Nanjing  
Resolution: Walsin Property Management Co., Ltd. and liquidate Walsin Lihwa (Changzhou) Investment Co., Ltd.  
Proposal Passed with Certain Revisions.

Result:

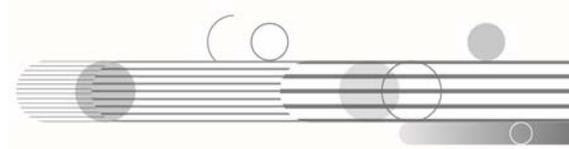
Important Proposal to liquidate Energy Pilot Limited, a BVI holding company.

Resolution:

Result: Proposal Passed. (At specific conditions, the third parties have first priority.)

Important Proposal for the distribution of the performance bonus for Chairman and Vice Chairman for 2019.

Resolution:



Result: Proposal Passed.  
 Recusal: Yu-Lon Chiao and Patricia Chiao

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2020/02/27 (19<sup>th</sup> Meeting of the 18<sup>th</sup> Term)

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Important Proposal to change the internal audit manager.

Resolution:

Result: Proposal Passed.

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Important Proposal of the 2019 Profit Distribution Table.

Resolution:

Result: Proposal Passed.

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Important Proposal of the 2019 Internal Control System Statement.

Resolution:

Result: Proposal Passed.

---

Important Amendments to the Company's Articles of Incorporation.

Resolution:

Result: Proposal Passed.

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Important Proposal to lift the non-competition ban for the Company's Directors according to Article 209 of the Resolution: Company Act.

Result: Proposal Passed.

Recusal: Related directors recused themselves according to their potential conflict of interest.

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Important Approval for holding the 2020 AGM regularly.

Resolution:

Result: Proposal Passed.

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Important PT. Walsin Lippo Industries intends to invest about US\$27 million to build a medium and high voltage Resolution: cable plant.

Result: Proposal Passed.

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Important Proposal to acquire new shares in HannStar Color Co. in an amount not exceeding NT\$540 million.

Resolution:

Result: Proposal Passed.

Recusal: Wei-Shin Ma

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- (12) 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.
- (13) In the most recent year, as of the day the annual report was prepared, any of Chairman, President, accounting manager, financial manager, internal audit manager, corporate governance manager and R&D manager resigned or was discharged:

As of March 30, 2020

Title	Name	Date of appointment	Date of dismissal	Reason for resignation or dismissal
President	Hui-Ming Cheng	2011/04/28	2019/06/12	Retirement
Financial Manager	Sophi Pan	2015/11/01	2019/06/13	Position Adjustment
R&D Manager	Michael Wang	2017/08/01	2019/08/31	Returning to Teaching Post

## 5. Information on CPAs' fees

### (I) CPA fee schedule

Name of CPA firm	CPA name		Period of the Audit	Remarks
Deloitte Touche Tohmatsu Limited	Kenny Hong	Ming-Yu Chiu	2019/01/01 ~ 2019/09/30	Reason for change: Internal rotation within the CPA firm
Deloitte Touche Tohmatsu Limited	Wen-Yea, Shyu	Kwan-Chung, Lai	2019/10/01 ~ 2019/12/31	

Unit: NT\$ thousands

Fee schedule		Item	Audit fees	Non-audit fees	Total
1	Less than 2,000				
2	2,000 (inclusive) ~ 4,000				
3	4,000 (inclusive) ~ 6,000				
4	6,000 (inclusive) ~ 8,000			7,129	7,129
5	8,000 (inclusive) ~ 10,000				
6	10,000 (inclusive) and above		16,625		16,625

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

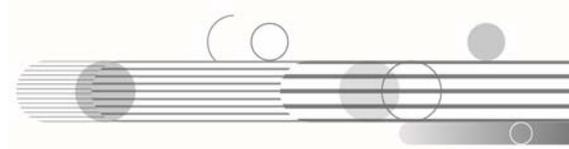
Unit: NT\$1,000

Name of CPA firm	CPA name	Audit fees	Non-audit fees					CPA audit period	Remarks
			System design	Business registration	Human Resources	Others	Sub-total		
Deloitte Touche Tohmatsu Limited	Kenny Hong	16,625	3,255	20	-	3,854	7,129	2019/01/01 ~ 2019/12/31	"Other" item in the non-audit fees: Tax Advisory Service, Examination and CSR Report
	Ming-Yu Chiu								
Deloitte Touche Tohmatsu Limited	Wen-Yea, Shyu	16,625	3,255	20	-	3,854	7,129	2019/01/01 ~ 2019/12/31	
	Kwan-Chung, Lai								

(Note) Reason for change: Internal rotation within the CPA firm

(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 10% 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 10, 2020		
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 2019 and 2018 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	<input checked="" type="checkbox"/>	Description: None.
Other disclosures	None.		

(II) About the succeeding CPAs:

Name of CPA firm	Deloitte Touche Tohmatsu Limited
CPA name	Wen-Yea, Shyu and Kwan-Chung, Lai
Date of appointment	January 10, 2020
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.**

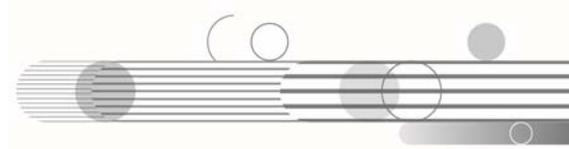
## 8. Transfer and pledge of shares of the directors, managers and shareholders holding more than 10% of the company's shares

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

Title	Name	2019		Current fiscal year up to March 26, 2020	
		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	0	0	0	0
Director	Hui-Ming Cheng (Note 1)	0	0	(120,000)	0
Directors	Wei-Shin Ma	0	0	0	0
Directors	Chin-Xin Investment Co., Ltd.	0	0	0	0
	Representative: Tung-Yi 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
President and Senior General Manager of Real Estate BU	Fred Pan (Note 2)	0	0	0	0
Vice President	Juei-Lung Chen	0	0	0	0
Vice President	C.C. Chen (Note 3)	0	0	0	0
Senior General Manager of Stainless Steel BU	Tain-Rong Chen	0	0	0	0
Senior General Manager of Insulated Wire & Cable BU	Jin-Renn Leu	0	0	0	0
Senior General Manager of Copper Wire BU	Witty Liao	0	0	0	0
Chief Information Officer	David Liou	0	0	0	0
Chief Marketing Officer	Kevin Niu	0	0	20,000	0
Chief of Staff and Head of Human Resources Department	Allen Hsu (Note 4)	0	0	0	0
Head of Legal Department and Head of Corporate Governance	Sherry Ho (Note 5)	0	0	0	0
Head of Financial Dept.	Josh Jia (Note 5)	0	0	0	0
Head of Accounting Dept.	Richard Wu	0	0	0	0
Vice President	Ben Lin (Note 6)	0	0	0	0
Chief Technology Officer	Michael Wang (Note 7)	0	0	0	0
Head of Financial Dept.	Sophi Pan (Note 8)	0	0	0	0
Shareholders holding over 10% of outstanding shares	None	0	0	0	0

Note 1: President Hui-Ming Cheng retired on June 12, 2019.

Note 2: Mr. Fred Pan was promoted to President effective from June 13, 2019.



Title	Name	2019		Current fiscal year up to March 26, 2020	
		No. of shares held Increase (decrease)	Shares pledged Increase (decrease)	No. of shares held Increase (decrease)	Shares pledged Increase (decrease)
Note 3: Mr. C.C. Chen was changed to Vice President from August 2, 2019.					
Note 4: Mr. Allen Hsu was newly appointed on November 2, 2019; the change to the shares held by him was calculated commencing from such date.					
Note 5: Ms. Sherry Ho and Mr. Josh Jia were newly appointed on June 13, 2019; the change to the shares held by them was calculated commencing from such date.					
Note 6: Vice President Ben Lin retired on August 3, 2019; the change to the shares held by him was calculated until such date.					
Note 7: Chief Technology Officer Michael Wang resigned on August 31, 2019; the change to the shares held by him was calculated until such date.					
Note 8: Ms. Sophi Pan was transferred to another post effective from June 13, 2019; the change to the shares held by her was calculated until such date.					

(2) Information on change in the number of shares retained: None

(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 30, 2020

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	
Winbond Electronics Corporation	218,000,000	6.55%					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	
							Huali Investment Co., Ltd.	Second degree of kinship between the chairman of the company and 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	

As of March 30, 2020

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	
Representative of Winbond Electronics Corporation : Yu-Cheng Chiao	39,508,661	1.19%	19,032,428	0.57%	0	0.00%	Yu-Chi Chiao	Second degree of kinship with the chairman of the said institutional shareholder	
							Huali Investment Co., Ltd.	Second degree of kinship between the chairman of the company and the chairman of the said institutional shareholder	
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	
							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	
							Huali Investment Co., Ltd.	Second degree of kinship between the chairman of the company and the chairman of the said institutional shareholder	

As of March 30, 2020

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	
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	
							Huali Investment Co., Ltd.	Second degree of kinship between the chairman of the company and the chairman of the said institutional shareholder	
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A., Taipei Branch	195,358,000	5.87%	-	-	-	-	-	-	Note 2
Polaris Taiwan Dividend+ ETF	187,620,266	5.64%	-	-	-	-	-	-	Note 2

As of March 30, 2020

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%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Huali Investment Co., Ltd.	The chairman of the institutional shareholder and such shareholder are the same person.	
Huali Investment Co., Ltd.	72,000,000	2.16%	-	-	-	-	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							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	He is the chairman of the said institutional shareholder	

As of March 30, 2020

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	
Huali Investment Co., Ltd. Representative: Yu-Chi Chiao	50,985,470	1.53%	5,284,909	0.16%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							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	He is the chairman of the said institutional shareholder	
Yu-Heng Chiao	57,792,197	1.74%	12,965,390	0.39%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia Chiao	Second degree of kinship	
							Yu-Chi Chiao	Second degree of kinship	
							Huali Investment Co., Ltd.	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	

As of March 30, 2020

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	
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	55,643,176	1.67%	-	-	-	-	-	-	Note 2
Rong Jiang Co., Ltd.	55,200,000	1.66%	-	-	-	-	-	-	
Yu-Chi Chiao	50,985,470	1.53%	5,284,909	0.16%	0	0.00%	Winbond Electronics Corporation	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Chin-Xin Investment Co., Ltd	Chairman of the institutional shareholder and the said shareholder are within second degree of kinship	
							Patricia Chiao	Second degree of kinship	
							Yu-Heng Chiao	Second degree of kinship	
							Huali Investment Co., Ltd.	The chairman of the institutional shareholder and such shareholder are the same person.	

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, managers and which the Company controls directly or indirectly, with the aggregate shareholding percentages**

As of December 31, 2019; Units: Shares; %

Re-Investment Companies (Note)	Investment by the Company		Investment of directors, managers or enterprises under their direct or indirect control.		Combined Investment	
	Number of shares	Percentag e	Number of shares	Percentage	Number of shares	Percentage
Walsin Lihwa Holdings Limited	320,230,393	100.00	-	-	320,230,393	100.00
Walsin Specialty Steel Corp.	505,903,187	100.00	-	-	505,903,187	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.	515,699,455	99.22	-	-	515,699,455	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.	49,831,505	33.97	17,122,529	11.67	66,954,034	45.64
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	348,179,241	8.75	1,232,027,664	30.96
Walton Advanced Engineering, Inc.	109,628,376	21.65	12,970,818	2.56	122,599,194	24.21
Walsin Technology Corporation	88,902,325	18.30	16,466,774	3.39	105,369,099	21.69
Powertec Electronic Chemical Material 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

## Fundraising Overview

Note 3: Approval letter (2001) Tai-Cai-Zheng (3) No. 101196, dated 2001.02.08	Note 13: Letter Jin-Guan-Zheng (Jiao) No. 0980050862, dated 2009.09.21
Note 4: Approval letter Tai-Cai-Zheng (3) No. 0920159026, dated 2003.12.15	Note 14: Letter Jin-Guan-Zheng (Fa) No. 0990051578, dated 2010.09.28
Note 5: Approval letter Tai-Cai-Zheng (3) No. 0930110000, dated 2004.03.24	Note 15: Letter Jin-Guan-Zheng (Jiao) No. 0990025440, dated 2010.05.12
Note 6: Approval letter Tai-Cai-Zheng (3) No. 0930125152, dated 2004.06.03	Note 16: Letter Jin-Guan-Zheng (Jiao) No. 1050021717, dated 2016.05.27
Note 7: Approval letter Jin-Guan-Zheng (3) No. 0940110778, dated 2005.03.30	Note 17: Letter Jin-Guan-Zheng (Jiao) No. 1050040371, dated 2016.10.03
Note 8: Approval letter Jin-Guan-Zheng (1) No. 0940124111, dated 2005.06.16	Note 18: Letter Jin-Guan-Zheng (Jiao) No. 1030014322, dated 2014.04.17
Note 9: Approval letter Jin-Guan-Zheng (3) No. 0950105881, dated 2006.02.20	Note 19: Letter Jin-Guan-Zheng (Jiao) No. 1040026231, dated 2015.07.08
Note 10: Letter Jin-Guan-Zheng (3) No. 09700511511, dated 2008.09.24	

## 2. Types of Shares

As of March 30, 2020

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 30, 2020

Shareholders Numbers	Government Institutions	Financial Institutions	Other Legal Persons	Individuals	Foreign Institutions and Individuals	Total
Number	3	33	281	161,425	352	162,094
No. of Shares Held	5,357,054	27,000,567	960,401,477	1,600,239,503	733,001,657	3,326,000,258
Shareholding	0.16%	0.81%	28.88%	48.11%	22.04%	100%

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

### (3) Distribution of Shareholders

#### 1. Distribution of Common Shares:

As of March 30, 2020

Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
1 to 999	61,810	14,717,635	0.44%
1,000 to 5,000	62,834	148,783,572	4.47%
5,001 to 10,000	17,693	137,921,370	4.15%
10,001 to 15,000	6,188	78,275,085	2.35%
15,001 to 20,000	4,130	76,457,610	2.30%
20,001 to 30,000	3,442	88,106,199	2.65%
30,001 to 50,000	2,641	106,332,984	3.20%
50,001 to 100,000	1,859	133,704,997	4.02%

Shareholding	Number of shareholders	Shares Held (Note)	Shareholding
100,001 to 200,000	779	110,501,813	3.32%
200,001 to 400,000	371	102,599,630	3.08%
400,001 to 600,000	90	43,860,387	1.32%
600,001 to 800,000	43	30,130,229	0.91%
800,001 to 1,000,000	35	31,794,689	0.96%
1,000,001 and more	179	2,222,814,058	66.83%
Total	162,094	3,326,000,258	100%

2. Distribution of Preferred Shares: None.

(4) List of Major Shareholders

As of March 30, 2020

Major Shareholders	Shares	Number of Shares Held	Shareholding (Note)
Winbond Electronics Corporation		218,000,000	6.55%
Chin-Xin Investment Co., Ltd		210,011,000	6.31%
LGT Bank (Singapore) Investment Fund under the custody of JP Morgan Chase Bank N.A. Taipei Branch		195,358,000	5.87%
Polaris Taiwan Dividend+ ETF		187,620,266	5.64%
Patricia Chiao		91,969,006	2.77%
Huali Investment Corp.		72,000,000	2.16%
Yu-Heng Chiao		57,792,197	1.74%
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		55,643,176	1.67%
Rong Jiang Co., Ltd.		55,200,000	1.66%
Yu-Chi Chiao		50,985,470	1.53%

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

Item	Year		2018	2019	Current Year up to March 30, 2020
Share Price (Note 1)	High		27.15	18.60	15.60
	Low		14.35	13.15	10.45
	Average		20.17	16.14	14.93
Net Value per Share (Note 2)	Basic		23.25	23.27	-
	Diluted		22.05	22.77	-
Earnings per Share	Weighted average shares		3,326,000,258	3,326,000,258	-
	Earnings per share		3.53	0.95	-
Dividend per Share	Cash dividend (Note 3)		1.20	0.50	-
	Stock Dividend	-	-	-	-
		-	-	-	-
	Accumulated unpaid dividend (Note 4)		-	-	-
Return Analysis	Price-earnings ratio (Note 5)		5.46	16.51	-
	Price-dividend ratio (Note 6)		16.05	31.36	-
	Cash dividend yield (Note 7)		0.06	0.03	-

\* 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 are 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 19th board meeting of the 18th term, cash dividends issued to shareholders in 2019 shall be NT\$1,663,000,129, averaging NT\$0.5 per share (which is calculated based on the Company's 3,326,000,258 issued and outstanding common shares).

This dividend issuance is approved by the 2020 AGM, which authorized the chairman of the board to determine the ex-dividend date and other details. 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.

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:

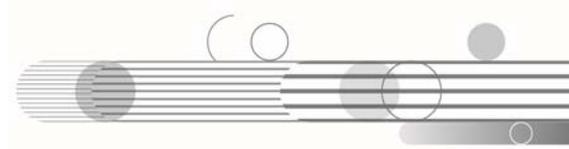
##### 1. The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors

###### 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.

##### 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 25 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\$48,500,000 to be paid in cash to employees and NT\$21,000,000 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 and director 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: In 2018, the Company issued NT\$125,000,000 to employees and NT\$63,000,000 to directors.
  - (2) Differences between the estimated amount of compensation for employees and directors, 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 25 Profits from Continuing Operating Units" 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 Depository 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 depository receipt holder		Conducted in accordance with the laws of the Republic of China and with the provisions of the Depository Agreement. Refer to the Covenants of Depository Agreement for the key terms and conditions.	
Trustee		None	None
Depository institution:		Deutsche Bank	Citibank
Custodial bank		Mega International Commercial Bank	Citibank (Taiwan)
Balance outstanding		143,761 units of global depository 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 Depository Agreement and Custodial Agreement		Omitted	
Market price per unit (Unit: US\$)	2019	High	6.01
		Low	4.24
		Average	5.10
	Current year as of March 30, 2020	High	5.15
		Low	3.60
		Average	4.59

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 and its accessories and telecommunication copper/ optical fiber cables.	60,557	44.9
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	56,738	42.1
Commercial real estate business	Real estate	Parking space sales, commercial leasing, residential housing and office buildings sales	2,099	1.6
Others	Solar engineering etc.		15,410	11.4

##### 2. New products under development

Business unit	New products under development
Wire and cables	(1) Composite cable for large machinery (2) Cable monitoring and supervisory control and data acquisition (3) Cables for offshore wind turbines (4) Industrial wire harnesses
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) Shaped bar stainless steel (7) Highly corrosion-resistant stainless steel (8) Bars and their production process (9) High purity products and their production process (10) Extremely low carbon nitrogen products and their production process (10) 2B board for sand slingers and panel saws

#### (2) Industry overview

##### 1. The current status and development of the industry

###### (1) Wire and Cable Business

The market structure of Taiwan's wire and cable industry is mainly for domestic demand, supplemented

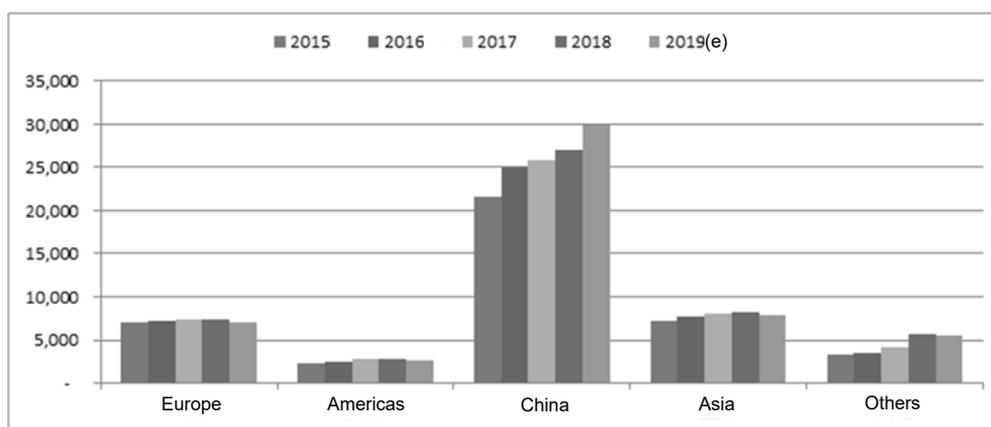
by export. According to the Department of Statistics of the Ministry of Economic Affairs, Taiwan's wire and cable production in 2019 was 198,000 metric tons, down 0.5% from the previous year, in which the production for domestic demand was approximately 191,000 metric tons, an increase of 5.6% over the previous year.

In response to the demand for power shortage and carbon reduction in Taiwan, there has been a rapid increase in the development of solar power plants and the use of cables for wind power generation and other industries. In addition, as solar farms become larger and the schedule for off-shore wind power grids is approaching, the purchase of high-voltage feeder lines for connection to the transmission and distribution system of Taipower is becoming increasingly popular. The number of general construction lines has increased as a result of the increase in new projects rolled out by builders; the demand for industrial plants is expected to increase due to the incentives from the government's three major proposals for investment in Taiwan. Therefore, the decline in cable demand in recent years has eased recently. The Chinese market has shifted its focus to urban smart construction in infrastructure construction, and the semiconductor industry is continuing to expand and build new plants. The lines required for the plant constructions are the focus of the Company's business development. However, the US-China trade war and the new coronavirus epidemic have brought uncertainty to the Chinese market.

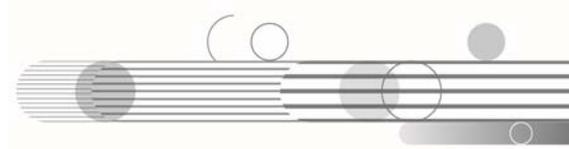
According to the International Copper Study Group (ICSG), global copper production in 2019 was 20.43 million tonnes, a decrease of 0.6% from the previous year, mainly due to the impact of the Chilean strike, ageing mines and the closure of Glencore's mines in Africa. Refined copper production was 23.95 million tonnes, down 0.6% from the previous year, while consumption was 24.29 million tonnes, down 0.8% from the previous year, with a supply and demand gap of 340,000 tonnes, down 50,000 tonnes from the previous year. Overall, demand has declined with a tight supply, but the gap between the supply and demand could still be narrowed, indicating a relatively relaxed pattern in the supply and demand of global refined copper.

(2) Stainless Steel Business

International Stainless Steel Forum (ISSF) announced that the global stainless steel (crude steel) output for Q1 to Q3 of 2019 was 39.8 million metric tons, with the output of 53 million metric tons for the full year of 2019, a year-on-year increase of 5%. The largest area of production was China, and the output of stainless steel (crude steel) reached 30 million metric tons, an increase of 11% compared with 2018. The output of Asia (excluding China), Europe and the Americas were 7.83, 6.98 and 2.69 million metric tons respectively, which increased by 4%, 6% and 4% respectively compared with 2018.



Global Stainless Steel Production by Regions (Source: ISSF; Unit: 1000 metric tons)



In terms of the structure of stainless steel products, the output of plate products in 2019 was 38.24 million metric tons, accounting for 84% of the total output, and the output of long steel products was 7.52 million metric tons, accounting for 16% of the total output. Among the long steel products, the output of straight bars, wire rods and small steel embryos were 3.17, 2.53, and 1.82 million metric tons respectively, accounting for 42%, 34%, 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, Viraj and Nippon Steel.

The world's top 10 stainless steel mills by production, according to SMR's 2019 estimates, is Tsingshan Group, with an annual output of 8.8 million metric tons, followed by Taigang, 3.40 million metric tons, POSCO, 3 million tons. Ranking 4 to 5 are Outokumpu and Beihai Chengde, with the output of 2.6, 2.5 million metric tons respectively. Other steel mills with an annual output of more than one million metric tons are Acerinox, Jiangsu Delong, Jindal, Nippon Steel and Aperam. The total output of the world's top 10 steel mills constitutes 57% of the global steel output.

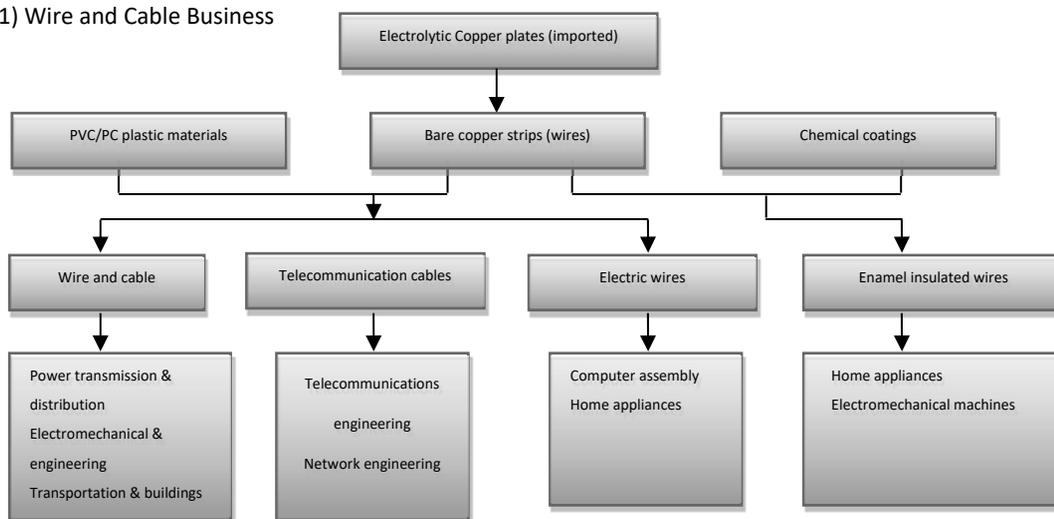
Benefiting from its cost advantage thanks to RKEF integration, Tsingshan Group's low-cost production marched into the market; Jiangsu Delong built a nickel iron plant in Indonesia and transports the raw materials back to mainland China at lower costs to increase production in China; Taigang, Baosteel and Shandong Xinhai entered the Indonesian nickel iron market by strategic alliance; Beihai Chengde takes the advantage of its own nickel iron production capacity and cooperates with the Philippine nickel miners; therefore, there are three major competition areas in the northern, central and southern parts of China.

### (3) Commercial Real Estate Business

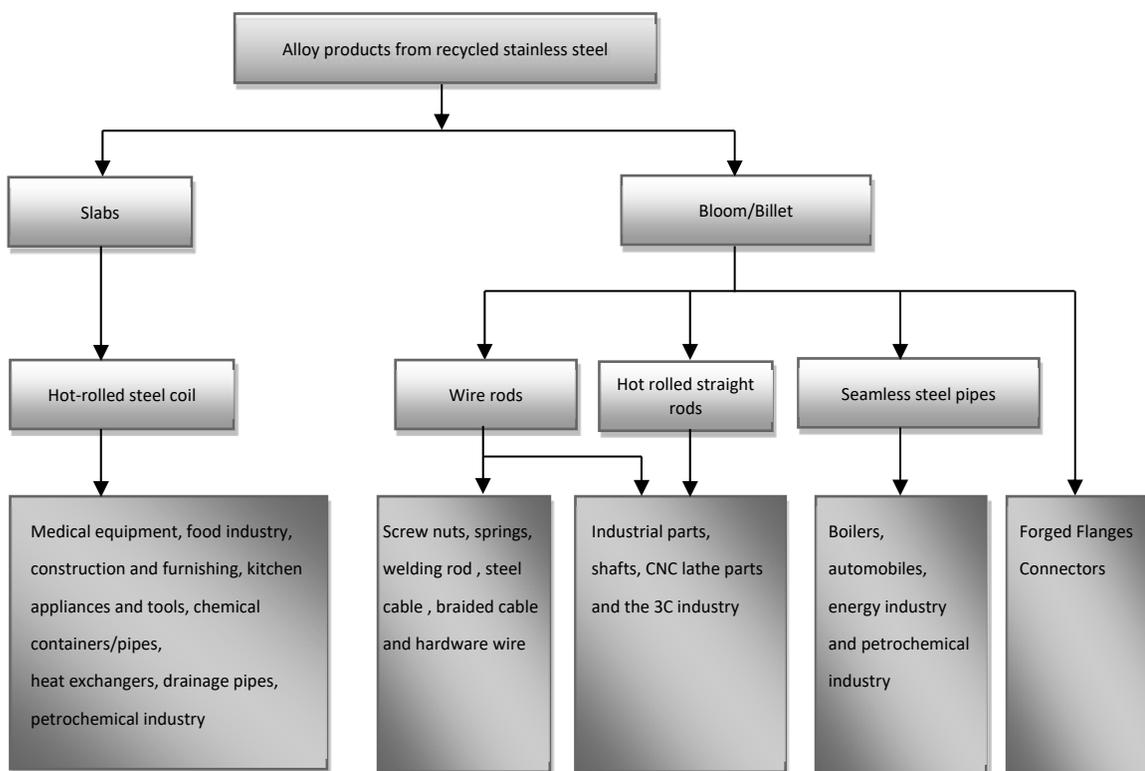
The total sale of commercial residential properties in Nanjing was RMB 291.2 billion in 2019, the second highest in history, only second to that in 2018. The total sale area of commercial residential properties was 9.37 million square meters, an increase of 27% from the previous year, mainly due to the partial relaxation of the price and purchase restrictions on residential housing after they were strictly imposed for three consecutive years, driving active transactions in the housing market with the existing inventory.

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

(1) Wire and Cable Business



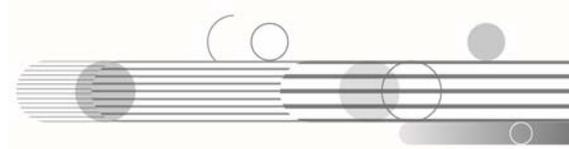
(2) Stainless Steel Business



3. Product development trends and competition

(1) Wire and Cable Business

Development Trends: Under the influence of global carbon-reduction and environmental-protection movement, propelled by supportive government policy, related renewable energy industries such as solar and wind power are booming. In addition to domestic manufacturers, international manufacturers are also attracted to the construction of power plants, and therefore the demand for cables is increasing. The



cable industry is also following this trend to develop the cables needed by the renewable energy industry.

Market Competition: The next five years will see an increase in orders from Taiwan Power Company and recovered demand for public construction, and investments in the private sector will increase at a faster pace, while the oversupply in overall capacity still lingering, with the industry facing fierce competitions.

## (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), with a focus on increasing customer demand for our products and improving customer adhesion.

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 current major threat to the Company. 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. This trend has been unchanging for the recent years.

Market Competition: The urban center is a hot spot for the housing markets. 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.

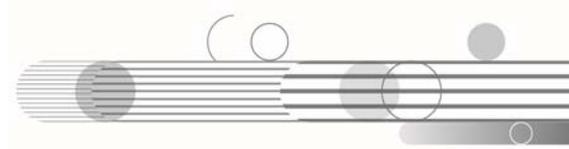
(3) Overview of Technology and R&D

1. R&D Expenses and Results

R&D Expenses		From Jan. 1, 2019 to March 30, 2020, the R&D expenses were around NT\$ 170 million.
R&D Profile	Wire and cables	(1) Wires used in 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 and rubber, co-develop related products and global markets with our international strategic partners. (4) Co-develop advanced material technologies and products.
	Stainless steel	(1) Develop the production process for and improve specifications of large bar products. (2) Develop shaped bar products. (3) Develop high weldability stainless steel. (4) Develop highly turning stainless steel. (5) Develop stainless steel for springs used in railway. (6) Develop heat-resistant stainless steel (7) Develop high strength stainless steel (8) Develop high purity product. (9) Develop extremely low carbon nitrogen cold-strength stainless steel (10) Develop highly flat mobile phone backlight board product

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
We plan to invest NT\$150,000,000 for R&D, including:				
Wire and cables	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
	Development of offshore wind power cable	(1) Product design meets the needs of the wind turbine system manufacturers (2) For HV cable, connector assembly and testing specifications are established	2020	Product quality is in compliance with wind turbine system integrator demands and international certification
	Large-machinery cable lifespan simulation verification project	(1) Installed verification methods (2) Established verification methodology (3) Developed chemical materials	2020	Understand the choices on product-application parameters. Improve structural design of flexible cables through testing data; improve development and manufacture of core raw materials.
We plan to invest NT\$50,000,000 in R&D, including:				



Business unit	Plan for the most recent year	Current progress	Mass production completion time	Main reasons that future development will succeed
Stainless steel	Development of high strength (timeliness) stainless steel	Trial production stage	Q2, 2020	Alloy design and heat treatment parameter setting
	Development of stainless steel used in computers/communications /consumer electronics industries	Trial/mass production improvement stage	Q3, 2020	Continuous casting parameter setting, hot-rolling process parameter setting and heat treatment parameter settings and product turnability research.
	Development of soft magnetic stainless steel	Trial/mass production improvement stage	Q4, 2020	Alloy design, continuous casting parameter settings, hot-rolling process parameter settings, heat treatment parameter settings and product turnability research.
	Development of heat-resistant stainless steel for automobiles	Trial/mass production improvement stage	Q4, 2020	Continuous casting parameter settings, hot-rolling process parameter settings and product heat resistance research
	Development of stainless steel for springs used in automobiles	Trial stage	Q3, 2020	Alloy design, hot rolling path parameter setting, heat treatment parameter setting and product elasticity study
	Development of large rods (110-160mm)	Trial stage/equipment investment	Q4, 2020	OEM capacity, ingot casting parameter setting and equipment for heat treatment of large rods
	0.1mm, 1/4H, 0.15 mm, FH VCM tonearm motor shrapnel	Mass production improvement stage	Q2, 2020	Rolling process parameter setting, breakthroughs in cutting process, equipment capacity improvement
	0.6&0.65mm, SHE High Strength Coil	Trial stage	Q4, 2020	Special composition design and cold rolling process parameter setting

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

##### 1. Wire and Cable Business

Short-Term: Fully grasping customer demand, improving our standards for manufacturing services to gain market presence, and enhancing customer satisfaction with product prices, quality, delivery schedule and services in order to become a leading brand in the industry in Taiwan. In view of the solar energy construction, the high market share of solar cables is expected to be maintained, and the sale of solar power plant lines to increase. In compliance with the government's requirements for the domestic production of core components for offshore wind power plants, the Company aims to become a qualified supplier in the international offshore wind turbine industry chain. Large machinery 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. We will also improve our capabilities and aim to expand into overseas markets.

##### 2. Stainless Steel Business

Short-Term: Taiwan: As low price competition continues to erode our profits, with Walsin's current customer demand being diversified, Walsin will adjust its direction to meet the demand of different customer segments and reach out to direct customers. For the wire rod, we will actively expand niche steel sales portfolio in line with market conditions to expand the volume of orders of favorable steel grades, 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. We will focus on the development of direct customer channels and the gradual development of larger sizes in order to expand our market share.

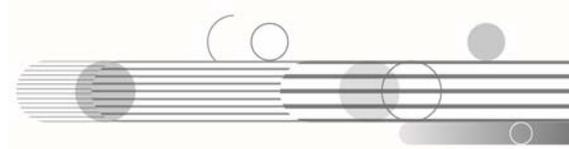
Mainland China: For steel billets and seamless pipes, we will develop high value-added steel types, for the purpose of increasing the sales of high-value steel types. For the cold refined rods, we will increase the volume of orders from direct customers.

Long-term: Taiwan: We will integrate upstream investments in nickel pig iron to enhance the competitiveness of Walsin's stainless steel products. 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 increase the quality and output of deep-processed products. For wire rods, the long-term goal is to increase the proportion of niche steel grades in our sales mix.

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 3 residential buildings on Plot D, and the construction of the main structure and curtain wall of No. 1 Tower Building on Lot AB in Phase 2 will also be completed to prepare for the leasing and sale of No. 1 Tower Building. At the same time, we will steadily moving forward to the design and development of the phase 3 office buildings 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. The 2019 sales of the Company's power cable products was approximately NT\$12 billion. According to the Department of Statistics of the Ministry of Economic Affairs, the domestic sales of power cable products in Taiwan is estimated to reach NT\$38 billion. Therefore, the Company had a market share of approximately 20% or more.

##### (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 2019, the Company's sales of stainless steel products was 595,000 metric tons, including 404,000 metric tons in domestic sales and 191,000 metric tons in foreign sales.

The Company's domestic market shares are 64% (wire rods), 50% (hot-rolled steel coils), 36% (cold-rolled steel coils) and 35% (bars); the Company's foreign market shares are 4% (wire rods), 5% (hot-rolled steel coils) and 3% (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 2019, the area of business land transactions in Nanjing was 8.5 million square meters, with land auctions steadily picking up from the previous year, and the average price of land sold was close to RMB10,000 per square meter, setting a new high. The government has been rigorously regulating for more than two years to curb the prices of residential new homes. In 2019, Nanjing's commercial residential supply was 10.19 million square meters with an average transaction price of RMB24,508 per square meter, up 3% year-on-year.

## 2. Overview of supply and demand and projected growth

### (1) Wire and Cable Business

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 grow gradually. Taipower's first phase offshore wind power grid improvement project has been executed on schedule, demonstrating the demand for high voltage feeder lines in large green power sites. 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.

According to the global copper production forecast by the International Copper Study Group (ICSG), global copper supply will grow by about 2% in 2020. In terms of refined copper production, ICSG expects refined copper production to grow by 1.2% in 2020. On the copper demand side, refined copper surface consumption is expected to grow by 1.5% in 2020 as global electrification continues to develop.

### (2) Stainless Steel Business

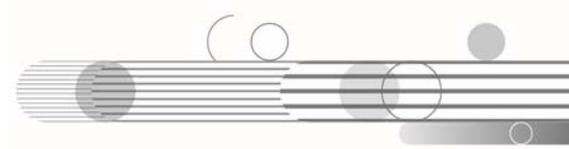
In 2019, global stainless steel production was 53 million metric tons, an increase of 5% compared with 2018. The growth rate was down from 6% and 6% in 2017 and 2016 respectively. The global production and consumption of stainless steel in 2020 are estimated at 55.5 million and 48 million metric tons respectively, showing that the industry continues to suffer from oversupply.

China is still the world's largest stainless steel supplier, with a production of almost 30 million metric tons in 2019, accounting for 56% of global production. With Indonesia producing nearly 2 million tonnes, China and Indonesia's combined production of 32 million tonnes, accounting for 60% of the world's stainless steel production, it is estimated that Indonesia's production will grow and China's production will remain flat and slow.

### (3) Real Estate Business

Looking into the future, as the development plan for the southern part of Hexi moves forward and is being implemented, the number and density of the resident population will continue to increase, and the regional development will become more mature. The opening of Walsin Shopping Mall has changed the business landscape of the entire new Hexi district, becoming a new iconic consumer destination. The joining of Sun Hung Kai Office Tower, a competitor in the periphery of Walsin Centro, in such tower some business owners have moved, raised the market position and new product standards of Nanjing Grade A Office Tower. The demand for office, shopping and housing will be stable and sufficient in the future, and therefore the real estate market will continue to develop steadily

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



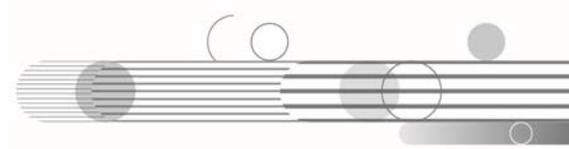
Wire and Cable Business	
Competitive Niche	<p>(1) We have the advantage of stable internal supply of important raw materials of copper metal and can give full play to the benefits from the upstream and downstream integration.</p> <p>(2) Long-term supply of products and services related to demand for 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, labor shortage and low birth rate, the growth of market demand will be weakened, 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> <p>(3) Environmental awareness arises, increasing the cost of operation and reducing profit margins for competitors.</p>
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) Investing in upstream raw materials by building a nickel iron plant in Indonesia to improve the international competitiveness of our stainless steel and increase the hedging position at the raw material end.</p> <p>(2) 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>(3) Maintaining major customers with high demand, actively developing new customer bases and expanding suitable markets for export</p> <p>(4) 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: Walsin Centro 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 Walsin Centro 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 Factors	<p>(1) Land prices and construction costs keep rising, and house prices are skyrocketing, both of 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

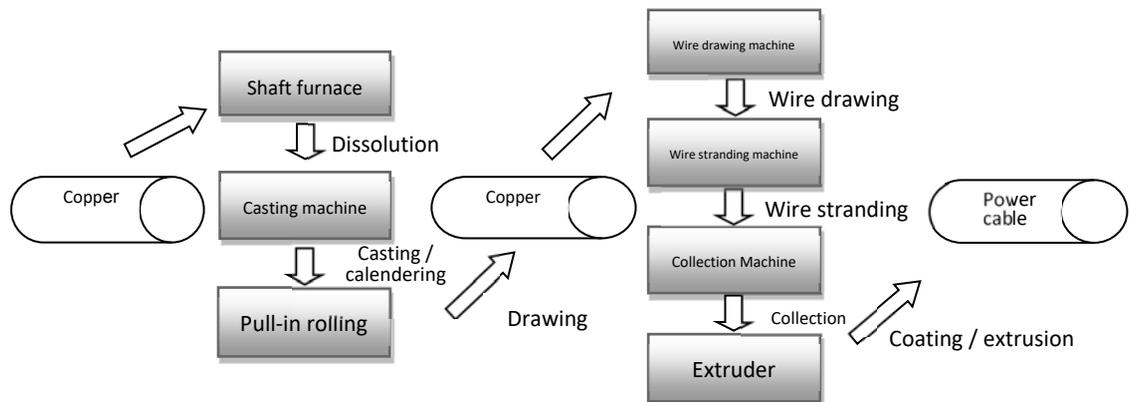
1. Key Applications of Main Products



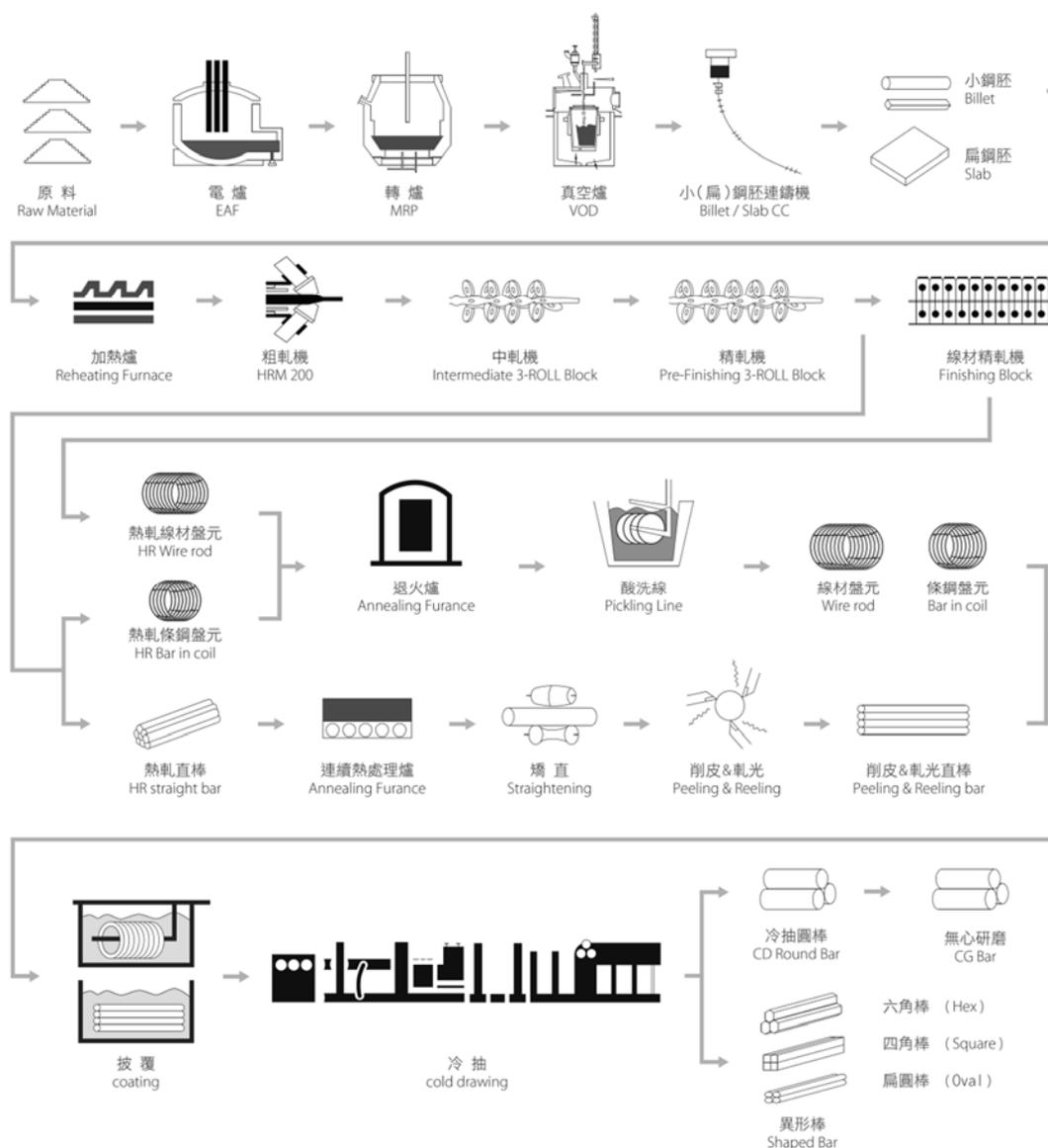
Main Products	Key Applications
Copper material	Wire and cable conductor, home appliances, electrical and electronic devices, transformers, etc.
Power cables	Primarily used for power plants, power transmission and distribution, plant facilities, transportation construction, construction of power transmission 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.
Real estate	Housing, office buildings and shopping malls

## 2. Production Process

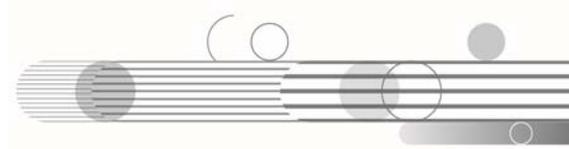
### (1) Wire and Cable Business



(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/ stainless steel wire	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 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, 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 further reduces costs and enhances effectiveness by selecting good quality construction companies and as well as material and equipment suppliers through tenders.
	Retailers	Integrating resources and doing a good job of gathering high-end enterprises and small but beautiful, refined quality customers office demand and signing contract with merchants according to the Company's project positioning, business objectives and development ideas for the phase 2 of the office building on Plot AB,.

(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	2018				2019			
Item	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer	Name	Amount	Percentage of Total Purchases (%)	Relationship with Issuer
	Supplier A	18,459,103	11.1	-	-	-	-	-
	Other (Note)	148,012,167	88.9	-	Other (Note)	114,797,340	100.0	-
	Net Purchases	166,471,269	100.0	-	Net Purchases	114,797,340	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	2018				2019			
Item	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer	Name	Amount	Percentage of Net Sales (%)	Relationship with Issuer
	Net Sales	190,915,137	100.0	-	Net Sales	134,804,405	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\$1,000

Volume Unit: Metric Ton

Year	2018			2019		
Production value/main product	Production capacity	Production volume	Value	Production capacity	Production volume	Value
Bare copper wire	552,000	524,960	87,656,240	377,000	296,722	44,075,404
Wire and cables	52,920	42,228	10,129,898	50,520	35,803	8,684,347
Steel strands	120,000	99,300	2,531,831	110,000	103,079	2,999,185
Stainless steel strips and bars	558,600	560,624	20,212,666	555,720	503,273	30,401,240
Stainless steel coils	311,000	153,592	10,488,132	311,000	91,042	6,989,138
Seamless steel pipes	18,000	16,529	2,499,510	18,000	14,378	2,304,933
Total			133,518,277			95,454,247

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

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

Currency Unit: NT\$ 1,000  
Volume Unit: Metric Ton

Year	2018				2019			
	Domestic Sales		Exports		Domestic Sales		Exports	
Value of Main Products/ Sales volume and value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value	Sales volume	Sales value
Bare copper wire	390,608	62,105,322	129,671	26,423,717	217,458	32,216,360	85,225	16,484,646
Wire and cables	42,577	11,740,709	2,248	705,802	38,367	10,324,691	1,935	489,960
Steel strands	103,825	2,724,663	7,393	192,945	106,052	2,825,009	6,883	170,520
Stainless steel strips and bars	409,676	25,283,561	130,084	10,449,148	347,546	21,543,798	121,035	9,140,002
Stainless steel coils	263,102	17,167,285	66,880	4,489,687	257,399	15,921,321	70,014	4,263,113
Seamless steel pipes	6,937	773,266	9,937	1,862,247	5,525	646,685	8,853	1,867,654
Others (Note)	-	26,281,322	-	715,463	-	18,290,010	-	620,636
Total		146,076,128		44,839,009		101,767,874		33,036,531

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 30, 2020

Year	2018	2019	Current Year as of March 30, 2020
Number of employees	4,815	4,781	4,832
Average age	39.5	39.8	39.4
Average years of service	9.6	9.6	9.6
Education background (%)	Ph.D.	0.4	0.5
	Master's	8.3	9.1
	University/College	39.2	39.2
	High school	34.8	32.5
	Below high school	17.3	18.7

Note: Walsin Lihwa Holdings Limited includes its subsidiaries

(2) Employees of Walsin Lihwa Corp.:

As of March 30, 2020

Year		2018	2019	Current Year as of March 30, 2020
Number of employees		2,632	2,675	2,672
Average age		38.6	38.9	38.6
Average years of service		9.3	9.7	9.9
Education background (%)	Ph.D.	0.7	0.9	0.9
	Master's	14.7	15.7	15.5
	University/College	42.0	41.1	40.5
	High school	29.4	28.0	27.2
	Below high school	13.2	14.4	15.9

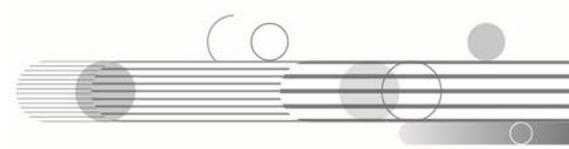
#### 4. Environmental Protection Expenditure Information

(1) For the most recent year and up to the date of publication of the annual report, the losses suffered by the Company as a result of environmental pollution (including compensations and violations of environmental protection laws and regulations found in environmental protection inspections; the punishment date, the letter number, the legal basis for the punishment, the legal provision and the content of the punishment shall be specified), and the estimated amount of such losses that may occur now and in the future and the countermeasures against them; if they are not reasonably possible to estimate, the facts that they cannot be reasonably estimated should be stated.

1. Taiwan Plants

(1) Yanshui Plant

Punishment Date	May 17, 2019
Letter No.	No. Fu-Huan-Ji-Zi-1080567852
Punishing Unit	EPA Southern Region Inspection Brigade
Reason for Punishment	The maximum pressure drop table of vacuum furnace No. 1 A004 in the M01 process of the steel mill was maintained at 20 mbar, so it was not possible to determine if the limit was exceeded.
Countermeasures	We established the control report of stationary pollution prevention equipment, checked the discrepancies between the current operating permit and the actual equipment, and discussed with each unit whether the operating unit should modify the equipment to comply with the operating permit or the Environmental Protection Section should arrange a time for the change of the operating permit.
Legal Basis for Punishment	Paragraph 1, Article 23 of Air Pollution Control Act
Legal Provision	Public and private premises shall effectively collect each type of air pollutant and maintain the normal operation of their air pollution control facilities and monitoring facilities. The maximum operating quantity of their stationary pollution sources may not exceed the maximum treatment capacity of their air pollution control facilities.
Amount of Punishment	NT\$100,000



(2) Taichung Plant

Punishment Date	November 4, 2019
Letter No.	Zhong-Shi-Huan-Kong-Zi-1080127284
Punishing Unit	Environmental Protection Bureau of Taichung City
Reason for Punishment	Overdue declaration for air pollution testing result
Countermeasures	The environmental protection declaration items have been established in the MES system to notify relevant personnel to make such declarations, in order to prevent this violation from happening again.
Legal Basis for Punishment	Article 10 of the Regulations for the Management of Self- or Entrusted Detection and Declaration of Fixed Pollution Sources
Legal Provision	The Company failed to operate as authorized by the permit.
Amount of Punishment	NT\$100,000

2. Overseas Plants

(1) Nanjing Real Estate Division

Punishment Date	July 1, 2019
Letter No.	Ning-Zong-Fa-Jian-(2019)-1000018
Punishing Unit	Comprehensive Administrative Law Enforcement Bureau, Jianye District, Nanjing
Reason for Punishment	Failure to acquire a drainage permit.
Countermeasures	The procedures were completed in a timely manner and a drainage permit was obtained on July 12, 2019.
Legal Basis for Punishment	Paragraph 1 of Article 21 of the Regulations for Urban Drainage and Wastewater Treatment
Legal Provision	Corporate entities and industrial/commercial individuals who discharge sewage to urban drainage facilities due to urban industrial, construction, catering and medical activities ("sewage dischargers") shall apply to the urban drainage authority for a permit to discharge sewage into the drainage network.
Amount of Punishment	RMB50,000

The above-mentioned defects have been corrected and improved and have been reviewed and documented by regulatory authorities. The Company 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:

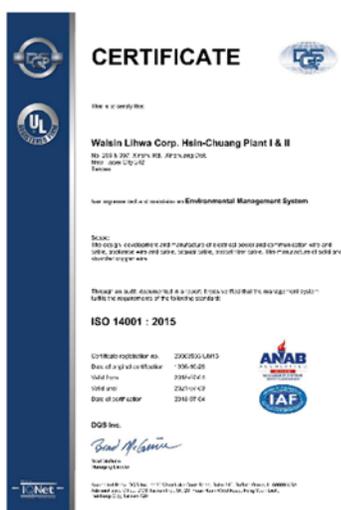
Despite the large amount of manpower, materials and funding invested in environmental protection to comply with international benchmarks over the years, Walsin Holdings was still fined for pollution. To keep pollution under adequate control, the Company requires factories in Taiwan and overseas to step 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, Jiangyin 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, 2019, with the certificates being valid for three years.

Hsinchuang Plant



Yangmei Plant



Taichung Plant



Yanshui Plant



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.

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 2019, 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. TUV Rheinland was engaged to complete the SO14061-1 greenhouse gas certification of our Taichung Plant and Yanshui Plant in Taiwan, and all the data on the amount of carbon dioxide or other greenhouse gas emissions were certified through the external verification agency (TUV).. 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.

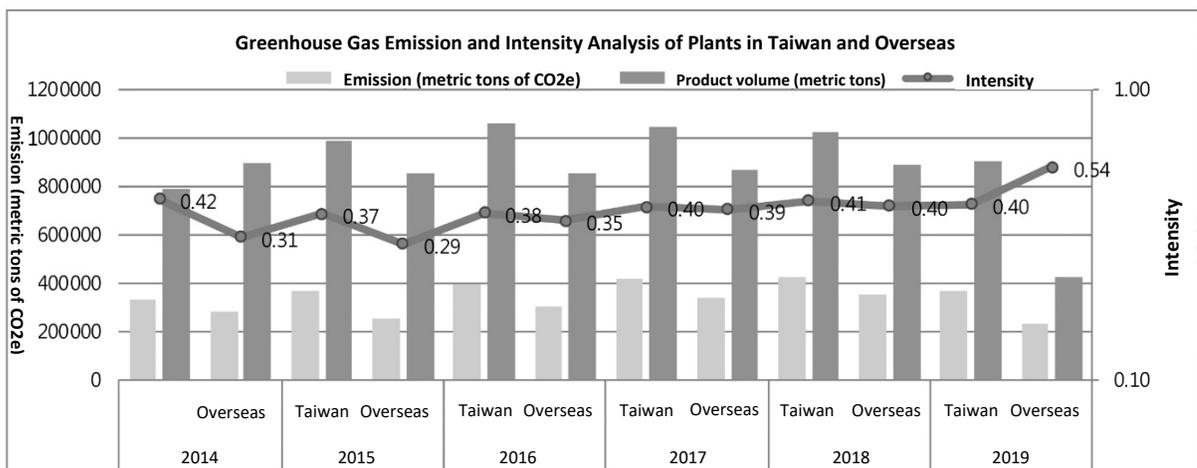
Prior emission self-check

項目	單位	數量	單位
電力	度	5021189	CO <sub>2</sub> e
天然氣	度	4878146	CO <sub>2</sub> e
柴油	公升	138713	CO <sub>2</sub> e
煤油	公升	38112	CO <sub>2</sub> e
汽油	公升	873	CO <sub>2</sub> e
總量	公噸	12263348	CO <sub>2</sub> e

Yanshui Plant passed ISO14064-1 certification



Taichung Plant passed ISO14064-1 certification



4. Wastewater treatment:

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

The average pollutant concentration in wastewater discharged by the factories in 2019 met the effluent criteria. The recycling ratio of Taiwan plants reached as high as 93.98%.

5. Strict control of industrial waste:

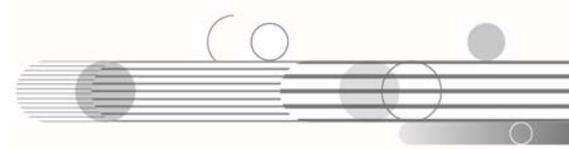
We uphold the idea of circular economy; therefore, the 4Rs (reduce, reuse, recycle and recovery) have constituted the foundation for our company's waste production and control. When our copper wire and steel products are used and disposed of, over 96% of the waste can be recycled for reuse. The utilization rate of non-hazardous and hazardous waste ranges from 98.82% to 99.54% and from 80.94% to 97.2% respectively. We recycle and reuse partial waste produced by ourselves and the rest is removed, treated, or reused by qualified companies we have appointed. In 2019, the non-hazardous reuse rate of waste in our Taiwan plants increased by 0.4% compared to 2018, while the reuse rate of hazardous waste increased to 2.4%. The landfill rate in our Taiwan plants decreased by 43.92% (from 1.07% to 0.60%) compared to the previous year, mainly due to the transportation of waste acid from the Yanshui Plant to the Taichung Plant for acid treatment and reuse, thus reducing the output of sludge. The recovery rate in our overseas operations was also 2.23% higher than last year (from 92.81% to 94.88%). 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 1%. 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.

Waste output and disposal by Taiwan and overseas operations in 2019:

Region	Taiwan			Overseas		
	Non-hazardous (metric tons)	Hazardous (metric tons)	Total (metric tons)	Non-hazardous (metric tons)	Hazardous (metric tons)	Total (metric tons)
Recycling	146,902.68	36,576.26	183,478.94	52,246.86	12,085.84	64,332.70
Incineration	415.05	-	415.05	175.50	582.47	757.97
Burial	64.30	1,055.14	1,119.44	424.48	458.57	883.05
Other	198.84	-	198.84	24.47	1,805.30	1,829.77
Total	147,580.87	37,631.40	185,212.27	52,871.31	14,932.18	67,803.49
Recycling rate	99.54%	97.20%	99.06%	98.82%	80.94%	94.88%
Incineration rate	0.28%	0.00%	0.22%	0.33%	3.90%	1.12%
Burial rate	0.04%	2.80%	0.60%	0.80%	3.07%	1.30%
Other disposals	0.13%	0.00%	0.11%	0.05%	12.09%	2.70%

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.

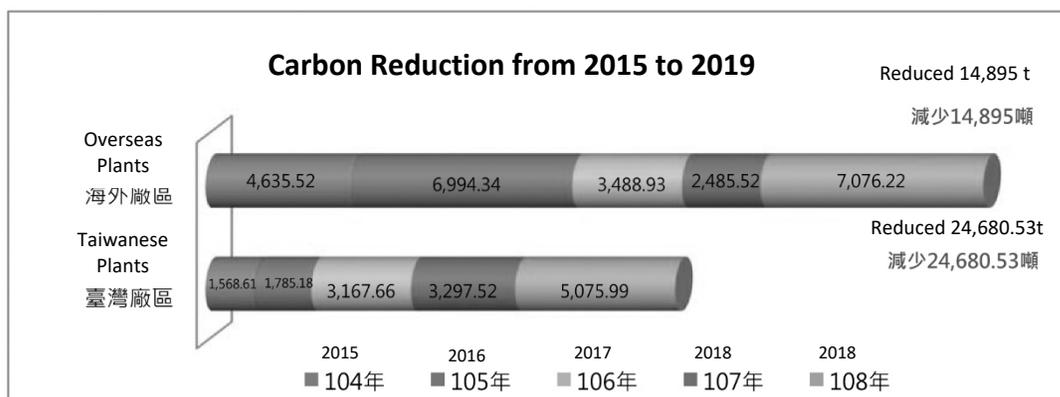
7. Energy conservation and carbon reduction:

Natural resource consumption and scarcity, climate change, energy development and electricity construction are all facing great difficulties; therefore "energy conservation and carbon reduction" is a fate and responsibility that all humans and enterprises cannot escape. Since 2015, the Company has implemented various energy saving measures and set up energy saving and carbon reduction management organizations in all its factories, through the establishment of energy platforms and ad regular reporting on the progress of energy management targets, the total energy saving rate of our plants in Taiwan and China in 2019 was 2.4% higher than the target value of 1% set by the Energy Bureau. A total of 80 carbon reduction plans were proposed, with a total carbon reduction of 12,152.21 metric tons of CO2e/year, saving about NT\$25,725,000 in Taiwan plants, and about RMB7,694,000 and MYR31,000 in overseas plants.

In addition, in order to improve our energy efficiency, the ESH Committee has been developed short-, medium- and long-term energy efficiency management plans and raised the targets for energy saving and carbon reduction since 2019, in order to effectively reduce environmental pollution, reduce greenhouse gas emissions, and make the most efficient use of energy to meet the challenges of climate change.

2019 Energy Saving Plans for our plants in various regions

Plant site	Project type	Energy-saving type	Quantities planned	Energy conserved	Energy-saving calorific value	Carbon reduction (t)	Amounts saved for carbon reduction
Taiwan	Manufacturing process / Offices	Electricity (1000 kWh)	51	5,358.11	46,422.64	2,945.30	NTD 25,725,000
		Natural gas (1000 m <sup>3</sup> )	7	1,071.25	40,353.94	2,012.88	
		Others (t)	1	117.80	0.00	117.80	
	Total		59	-	86,777.60	5,075.99	
Overseas	Manufacturing process	Electricity (1000 kWh)	15	6,074.03	52,625.37	6,271.90	RMB 7,694,000 MYR 31,000
		Natural gas (1000 m <sup>3</sup> )	1	78.66	2,963.28	157.29	
		Diesel (kl)	1	16.65	585.38	27.68	
		Steam (m <sup>3</sup> )	1	963.90	2,656.51	304.30	
		LPG (kl)	1	3.95	109.70	12.25	
		Others (t)	2	185.36	1,605.96	302.80	
		Total		21		60,546.20	



8. Promoting green operation

In addition to actively promoting the transition to high value-added products, the Company also expects itself to go green and enhance environmental protection and social values. We have integrated green management into our business operations and are committed to the reduction of raw material resources, energy, water resources, waste and air pollution, and the development of green products. Therefore, we continue to add new and improved equipment for prevention and control of pollutions to reduce and avoid pollutant emissions; in addition, we also promote the recycling of waste materials and the recycling and reuse of wastewater. Furthermore, we actively develop green processes to promote reduction from sources. To achieve this idea, we have adopted the following strategies:

- **Green Product Strategy:** We continuously develop high-performance green products and carry out our product lifecycle management (PLM), and fully recycle the waste to achieve a circular economy and reduce the impact on the environment.

Our goal:

- Increasing the proportion of recycled and reusable materials
- Developing high-performance green products to enhance application-side performance
- Strengthening the green link with our customers

- **Green Process Development Strategy:** We are moving toward Industry 4.0 intelligent manufacturing and high-efficient factories by using advanced, state of art technology and equipment, dedicated to the development of green processes aiming at energy saving and waste reduction.

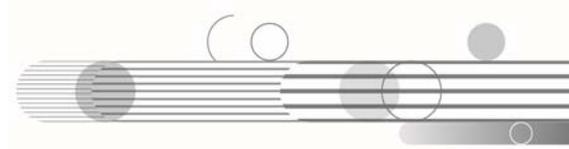
Our goal:

- Improving manufacturing processes to increase yield and reduce energy consumption, waste and emissions
- Simplifying manufacturing processes to increase productivity and reduce energy consumption, waste and emissions
- Replacing production equipment to increase production efficiency and reduce energy consumption, waste and emissions
- Improving pollution prevention and control to reduce pollution and reduce energy consumption, waste and emissions

(1) Green Process Development

In order to promote the reduction of waste at source, we are committed to the development of green processes that save resources, water, electricity and energy. Our strategy and direction is "moving toward Industry 4.0 intelligent manufacturing and high-efficient factories by using advanced, state of art technology and equipment, dedicated to the development of green processes aiming at energy saving and waste reduction." In 2019, we have invested in the development of the following green processes.

- Process improvements:



- Adjusted 43000/S40940 temperatures and improved crystal blending to reduce gas consumption and CO2 emissions (stainless steel)
  - Improved BIC wire rod process improvement to reduce defects and reduced air pollution from grinding (stainless steel)
  - Improved S41600 S bar cold draw process and reduced defective waste return furnace (stainless steel)
  - Improved APL annealing furnace process and saved natural gas (stainless steel)
  - Improved wire stranding process and reduced energy consumption (wire and cable)
  - Improved metering equipment and saved waste recycling (wire and cable)
  - Reduce SCR equipment downtime by 40 tons of CO2 emissions per year (copper wire)
  - Reduced gas unit consumption (Dongguan) by 65 tons of CO2 emissions per year (copper wire)
- (b) Process simplification:
- Improved steelmaking process to increase the proportion of recycled materials (stainless steel)
  - Improved cold rolling process to reduce annealing and pickling process time and energy consumption (stainless steel)
- (c) Replacement of production equipment:
- Adjustment of pickling process equipment, and acid consumption decreased by 7.01% compared to the previous year (stainless steel)
  - Annealing furnace, boiler replacement and upgrade for higher efficiency and lower energy consumption (stainless steel)
  - Replacement of CCV 150 Spreader Taper (Wire and Cable)
  - Upgrade of copper water stable temperature operating equipment (copper wire)
  - Smoke coating system upgrade to save energy and reduce carbon footprint (copper wire)
  - Automated and energy efficient (copper wire) for casting cooling water system control
- (d) Improvement in pollution prevention and control:
- Promoted the addition of new facilities for acid wastewater mixing, wastewater recovery and regeneration, and reduction of nitrate, nitrogen and sludge; promoted the addition of new facilities to reduce NOx (stainless steel)
  - Managed IPA Process in accordance with the regulatory VOCs standards to improve the emission of gas pollution (copper wire).

## (2) Green Products

Based on the concepts of circular economy, environmental friendliness, energy saving, carbon reduction and non-toxic and low toxicity, Walsin has formulated our Green Product Policy as follows:

- (a) Priority use of recycled or reusable raw materials
- (b) Green manufacturing processes that save energy, water, waste, emissions and pollution in the production process
- (c) Environmentally friendly products that are non-toxic, low toxicity, and recyclable
- (d) High-performance products that contribute to energy conservation, carbon reduction, alleviation of global warming and environmental protection
- (e) Preference for packaging materials that are non-toxic or low toxicity, recycled or recyclable

In the development of green products, we have adopted the strategy of "continuously developing high-performance green products and carrying out our product lifecycle management (PLM), and fully recycling the waste to achieve a circular economy and reduce the impact on the environment," and we follow this strategy in the input of raw materials and the development of and product design as described as below:

- (a) Inputs - low-energy raw materials – recycled and reusable materials

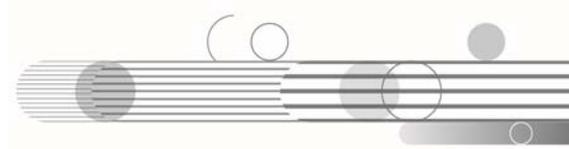
As mentioned above, our products such as stainless steel, copper, wire and cable are made from recycled materials or reusable products. It is our belief to uphold the circular economy philosophy and protect our green earth.

(b) Output - high performance products - anti-warming and sustainable planet

Global warming has caused climate change and unusual extreme weather, causing frequent natural disasters. Governments and enterprises are committed to energy saving and carbon reduction and have taken various measures, such as reducing emissions from automobiles and power plants, improving the fuel efficiency of automobile engines and power plants, and light weighting automobiles, mechanical equipment and structures. To achieve these goals, the materials used in the manufacture of this equipment require higher heat resistance, corrosion resistance, and strength, such as stainless steel, wire and cable. Our company is also committed to developing high-performance stainless steel and wire and cable to meet this trend.

As shown in the table below, in 2019, we developed green products with high external energy saving and carbon reduction benefits, such as high cold headability, high turnability, high elasticity, high weldability, high strength, high heat resistance, high corrosion resistance and other high performance stainless steel and offshore wind turbine cables, in order to contribute to a sustainable living environment on Earth. As mentioned above, our products such as stainless steel, copper, wire and cable are made from recycled materials or reusable products. It is our belief to uphold the circular economy philosophy and protect our green earth.

	Product	Product Type	Benefit of Environmental Protection and Energy Saving	Applications
Stainless Steel	High cold headability stainless steel	Long strip	Improve moldability that can increase punch life and increase production efficiency	Screws for machinery, screws for 3C products, screws for instrumentation, screws for construction
	High turnability stainless steel-ferrous iron series	Long strip	High turnability that can prolong the service life of equipment. With high strength, it can reduce the weight of materials and achieve light weight	3C components, solenoid valve core
	High-elasticity stainless steel	Long strip	High elasticity that can improve equipment performance and extend equipment life. With high strength, it can reduce the weight of materials and achieve light weight	3C components, automobiles
	High weldability stainless steel	Long strip	High weldability that can improve the weldability of steel, improve welding efficiency and weld bead quality	Petrochemical, chemical, shipbuilding, automotive, desalination
	High-strength stainless steel-solid solution strengthening grade	Long strip	High strength that can reduce material weight; high corrosion resistance that can extend equipment life and reduce equipment failure	Shafts for the shipbuilding industry, Building support
	High-strength stainless steel-precipitation hardening grade	Long strip	High strength that can reduce material weight; high corrosion resistance that can extend equipment life and reduce equipment failure	Shafts for shipbuilding, chains for vehicles, support bases for construction, molds



	Product	Product Type	Benefit of Environmental Protection and Energy Saving	Applications
Stainless Steel	High cold headability stainless steel	Long strip	Improve moldability that can increase punch life and increase production efficiency	Screws for machinery, screws for 3C products, screws for instrumentation, screws for construction
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	High-elasticity stainless steel	Long strip	High elasticity that can improve equipment performance and extend equipment life. With high strength, it can reduce the weight of materials and achieve light weight	3C components, automobiles
	High weldability stainless steel	Long strip	High weldability that can improve the weldability of steel, improve welding efficiency and weld bead quality	Petrochemical, chemical, shipbuilding, automotive, desalination
	High-strength stainless steel-solid solution strengthening grade	Long strip	High strength that can reduce material weight; high corrosion resistance that can extend equipment life and reduce equipment failure	Shafts for the shipbuilding industry, Building support
	High heat resistance stainless steel	Long strip	High heat resistance that can prolong the service life of equipment, reduce equipment failure and cause downtime-energy saving and carbon reduction	Heat treatment furnace conveyor network, Bright heat treatment furnace tube
	High corrosion resistance stainless steel-duplex grade	Long strip	High corrosion resistance that can extend equipment life. With high strength, it can reduce the weight of materials and achieve light weight	Heat exchangers and equipment for the chemical and petroleum industries
Wire Cable	Cables for offshore wind turbines	Cable	Generate renewable energy-wind power	Offshore wind turbine
Copper Wire	High performance low oxygen copper bar / wire	Copper bar / wire	High ductility that can reduce the number of disconnections and reduce losses	Fine wire, photovoltaic welding tape, bending resistant wire

For the stainless steel business, due to the characteristics of the industry, the packaging materials used (e.g., plastic bags, steel belts, etc.) cannot be reused due to damage or deformation even after recycling and therefore are directly recycled by our customers. For the copper wire and cable business, we use recycled packaging materials or recycle the packaging materials used, mainly including pallet, iron frame, iron shaft, wooden shaft and sealing board. The percentage of recycled packaging materials used in 2019 was about 68%.

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)

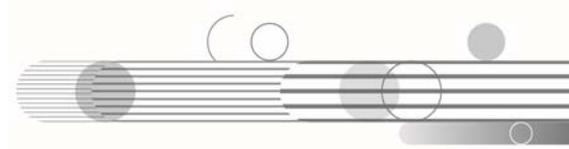
For the environmental protection equipment invested by the Company in 2019, by the end of 2019, among all expenditures, the Taiwanese plants accounted for nearly NT\$501.74 million, and the Chinese plants accounted for nearly RMB 24.96 million, as shown in the following table:

2019 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	12,049	68,634	1,391	5,932	-	-
Environment protection related management fee	E02-01 Resource circulation fee	400,861	-	10,299	-	9	-
	E02-02 Natural resources fee	-	-	6,522	-	-	-
	E02-03 Green procurement	29	-	49	-	-	-
	E02-04 Educational training fee	34	-	2	-	-	-
	E02-05 Test-derived fee	1,035	-	369	-	-	-
	E02-06 Monitoring fee	3,482	-	199	-	7	-
Other environment protection related fees	E02-07 R&D cost	4,840	-	-	-	-	-
	E02-08 Social activities cost	386	-	47	-	-	-
	E02-09 Damage compensation cost	294	-	50	-	-	-
	E02-10 Fees charged by governments	10,096	-	102	-	5	-
Sum	Subtotal	433,106	68,634	19,030	5,932	21	-
	Total		501,740		24,962		21

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 and are listed as follows:

(1) Taiwanese plants

Plant area	Equipment name	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Hsinchuang	Improvement by installing monitoring instruments in wastewater treatment procedures in Hsinchuang No. 1 Plant	1	999	It complies with the discharge standards set forth in laws and regulations to avoid fines for violations.
Hsinchuang	Natural gas pipeline engineering	1	6,200	It meets the emission standards set forth in laws and regulations, saves the payment of air pollution fees, improves the combustion efficiency, and saves the amount of natural gas.
Hsinchuang	Boiler burner modification	1	950	It meets the emission standards set forth in laws and regulations, saves the payment of air pollution fees, improves the combustion efficiency, and saves the amount of natural gas.



Plant area	Equipment name	Quantity	Investment cost (Currency: NT\$1,000)	Anticipated benefits
Yanshui	Sprinkler	1	3,000	It reduces environmental dust hazards
Yanshui	S80 cutting water gas filter	1	320	Water filtration
Yanshui	Dust collection in scrap steel cutting room	1	2,500	It reduces the amount of residual steel cutting dust
Yanshui	Improvement of dust collection in the first stage of electric furnace	1	120,000	It reduces electric furnace dust emission
Taichung	APL acid area improvement	1	5,141	1. FRP repairing project inside the barrel tank: extending the service life of the barrel tank 2. Water-saving project of electrolyte drip separator: reusing washing water to reduce the treatment process of waste water plant. 3. Mixed acid APU buffer barrel project: a buffer barrel was added to recover waste acid water.
Taichung	Taichung: Sodium sulfate recycling plant	1	705	1. Maintaining the concentration of sodium sulfate, pH and hexavalent chromium on the line. 2. Avoiding leakage of sodium sulfate and increase processing costs. 3. Maintaining the service life of the filter cloth of the filter press in the recycling plant.

## (2) Overseas Plants

Plant area	Equipment name	Quantity	Investment cost (Currency: RMB 1,000)	Anticipated benefits
Jiangying Walsin	Upgrade of Southern Acid Mist Tower Duct	1	109	The pipes were rusted and replaced with old ones to ensure complete acid mist collection and compliance with regulatory emission standards.
Jiangying Walsin	Phosphating acid mist tower automatic addition	1	21	Compliance with regulatory emission standards.
Dongguan Walsin	VOCs management equipment	1	220	Meet local government requirements for organic emissions control.
Dongguan Walsin	Rainwater and sewage diversion project	1	280	Compliance with regulatory requirements.
Shanghai Electricity	Electric heating steam generator and hot air fan	1	330	Meet local government requirements for air pollution emissions.
Yantai Walsin	Crawler hydraulic grab machine	1	1,200	Ensure that waste is disposed of in a timely manner to avoid the risk of unauthorized open piling.
Yantai Walsin	Scrap steel open span cover	1	1,500	Compliance with regulatory requirements.

## 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:

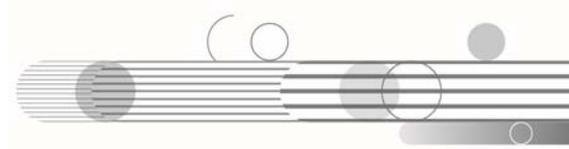
(1) Salary: The Company ensures that its overall remuneration is competitive in the market through regular market salary surveys every year. The Company's remuneration policy is based on the following principles:

- A reasonable and competitive overall remuneration based on the market value of each professional function and the employee's contribution to their responsibilities.
- Bonus payments are made in accordance with the Company's operational performance, the achievement of team objectives and the employee's personal contribution and performance.
- Employees are paid and compensated on the basis of their academic experience, technical expertise, professional seniority and personal performance, without discrimination based on gender, race, religion, political affiliation, marital status or union affiliation.
- The starting salary standards for fresh graduates and foreign workers comply with local laws and regulations.
- We create harmonious labor relations within the scope of the law, in accordance with the relevant local laws and regulations.

(2) Bonuses and Rewards: The reward and compensation system offered by the Company is designed to motivate employees who perform well in their work. Performance bonuses and production bonuses are granted based on the Company's operational performance, achievement of team goals and individual performance, and employees are remunerated according to the Company's profitability.

3. We also provide a diverse welfare system that includes the following:

Insurance & Protection	Subsidies	Other Benefits
<ul style="list-style-type: none"> <li>• Labor insurance</li> <li>• Health insurance</li> <li>• Group insurance (life insurance, accidental injury insurance, hospitalization insurance, cancer insurance, etc.)</li> <li>• Overseas Travel and Expatriate Insurance</li> <li>• Regular health checks for all staff</li> <li>• Monthly pension payment</li> <li>• Severance payments, pensions</li> </ul>	<ul style="list-style-type: none"> <li>• Travel Subsidies</li> <li>• Subsidies for club activities</li> <li>• Wedding and Funeral Grant</li> <li>• Maternity benefit</li> <li>• Supervisor's Health Benefits</li> <li>• Hospitalization condolences</li> <li>• Scholarship for Staff and Children</li> <li>• Various interest-free loans (emergency loans, education loans for employees' children, home purchase loans)</li> </ul>	<ul style="list-style-type: none"> <li>• Birthday Gift Vouchers</li> <li>• 3 Festival Gift Money (Voucher)</li> <li>• Labor's Day Souvenirs</li> <li>• Staff dorms (for some factories)</li> <li>• Commuter Bus (Factories)</li> <li>• Annual leave of absence on a pro rata basis upon onboarding, which is better than what is provided by law</li> <li>• We invite experts and scholars to give lectures on quality of life, mindfulness, financial management, and travel to colleagues</li> <li>• Discount for employees by signing contracts with vendors</li> <li>• Gold medal for senior staff</li> </ul>



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 2019, the Company spent a total of NT\$19,346,000 on employee education and training. Details are as follows:

Total training participation	Total training hours	Average training hours per employee
46,091	81,860	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 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 to 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.

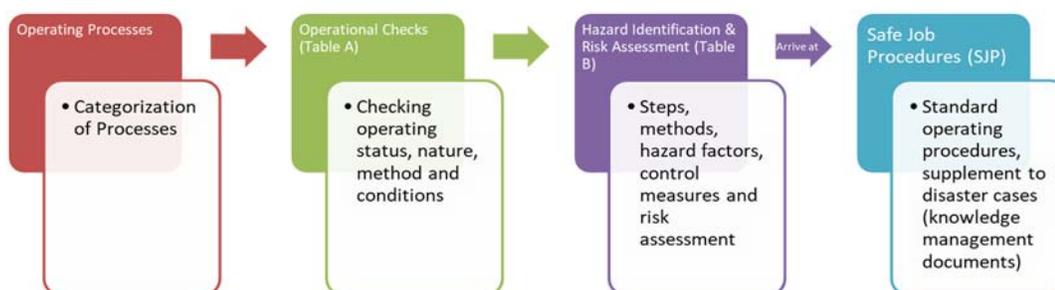
In response to the revision of ISO45001, Walsin Group gradually completed ISO45001 certification for various business offices at home and abroad in 2019 (with Taichung, Yanshui, Shanghai Electricity and Jiangyin Alloy having certified). Through institutionalization, documentation and systemization approaches, the Company actively holds training programs for ISO 45001 internal auditors, 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



## ○ Business Overview

the safety issues before work and motivate the entry-level colleagues to improve their work space through the relevant proposal system and autonomous management activities. Implementing good workplace safety management is to instill safety awareness and knowledge in every employee.

### 5. Safe Job Procedures (SJP) and Risk Assessment Database Management System (Predicted Hazards / Hazard Case Database Introduction)

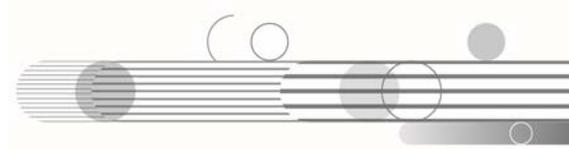


The Company's security risk assessment is divided into three levels, including operational processes, operational checks, and hazard identification and risk assessment. Since 2016, we have been promoting the revision and compilation of "Operating Process Risk Assessment" and "Safe Job Procedures - SJP" for the Manufacturing BUs, and then constructing "Safe Job Procedures - SJP" after identifying the work steps/conditions, hazard types and risk levels through the annual project (Dynamic Safety Observation /Regional Joint Defense).

Safety culture is a multi-faceted concept, which must be analyzed and understood from different perspectives, and completed through joint discussions among the operational staff and collaborative partners of each unit, so that each participating workers can, in addition to joint compliance with the operational procedures, initiate risk assessment and revision of safety standards whenever an injury or false alarm occurs, and then involve the workers to attach importance to work safety. As a large number of electronic documents were adopted at the beginning of the promotion, the latest version of the Occupational Safety and Health Management System has been subject to inconsistent maintenance and utilization. Therefore, in 2019, we promoted the " Safe Job Procedures (SJP) and Risk Assessment Database" and considered the dual system in China, and we are scheduled to increase the LECD risk control conversion in 2020, so that each manufacturing sites can use it boldly and facilitate verification.

### 6. Walsin's Safety and Health Family Project

In response to the policy of the Occupational Safety and Health Administration of the Ministry of Labor, and to fulfill its corporate social responsibilities (assisting the safety and health management of the overall medium- and small- enterprises, Walsin Group has taken the initiative to cooperate with the Bureau of Labor Affairs in establishing the Walsin Safety and Health Family Core Enterprise. In 2019, the Yanshui Plant assisted in leading 19 enterprises with fewer than 100 employees, and carried out related educational training activities to fulfill our corporate social responsibility. The Company's overall safety culture was raised in order to achieve the goal of zero workplace injuries through the visit counseling and educational training.



## 7. 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 2019, based on the existing contractor management, the Taiwanese plants (Taichung and Yanshui Plants) adopted the contractor management system, with more emphasis on management implementation and system improvement, and the control mobile application 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 implement such goal island wide, find one demonstration plants from China for trial operation in 2020, and continue to expand it into all of the domestic/overseas plants in 2019.

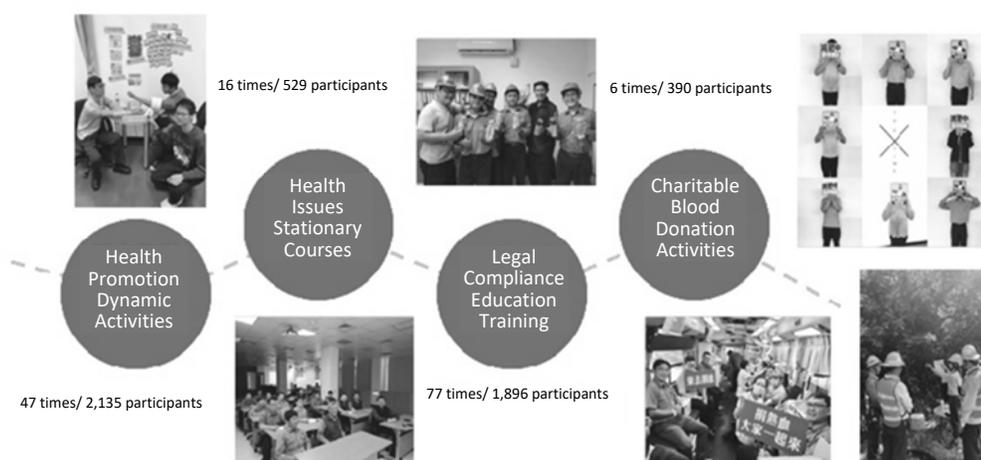
## 8. Key tasks in future health and safety management (2020 safety and environment guidelines)

- (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

## 9. 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)

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



(1) Health Care and Management

The Company attaches great importance to the health of its employees. In response to the Occupational Safety and Health Act, nurses have been providing health services in all business units since 2019. Using the professionalism of nursing and the new concept of health promotion, our nurses plan a complete annual health service plan, which includes health check-ups, abnormality tracking, and health promotion activities, so that all employees can receive comprehensive health care. In 2020, a health management system will be introduced to optimize the speed and processes of nurses' operations to increase the amount of time to communicate with staff and improve the quality of care for caring staff.

The Company considers its employees family members, thereby providing employees with health check-ups in items and at a frequency better than what the law provides. We plan cancer screening or ultrasound examinations based on the analysis of previous health check-ups. We also conduct personal consultation activities to enable our staff to better understand their own health conditions and to continuously track all of their health abnormalities to achieve "early detection and treatment".

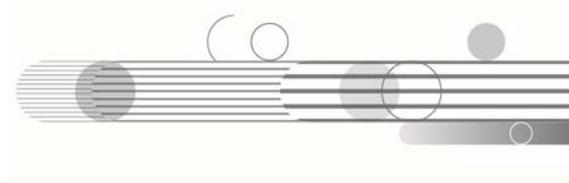
In 2019, we conducted general health check-ups for 1,474 people in the stainless steel division in Yanshui Plant and Taichung Plant. Health management includes annual health check-ups for new employees and in-service employees totaling 5,287 and special health check-ups for employees totaling 1,869. The Company provides special health check-ups for employees in special workplaces in different divisions and plant areas according to laws and regulations, and conducts classification management, tracking and health guidance. The health examination includes high temperature, noise, free radiation, lead, manganese, dust, and nickel, and a total of 1,165 people were examined for longer hours of night work by law.

(2) Health promotion activities:

The ultimate goal of health promotion is to empower employees in terms of health. Through health promotion, employees are empowered with the right knowledge of health and hygiene and positive attitudes towards health, and to develop personal health promotion abilities and behaviors that will ultimately lead to a good lifestyle. Therefore, Walsin plans a variety of health promotion activities according to the characteristics of different plants in different business units to enhance the physical, mental and spiritual health of its employees. In addition, in 2019, we increased in our advocacy and educational training on the four major statutory programs, as well as on the special health hazards. The Company also provides first aid educational training to help employees understand their rights and obligations and cultivate their ability to save lives.

(3) 2019 Promotion of Healthy Workplaces:

The Company continues its efforts to shape a safe working environment, protect employee health and achieve work-life balance, in order to safeguard the physical and mental health of its employees and their families. Our active promotion of occupational health management programs also received multiple



recognitions: Taichung Plant participated in the "Golden Point Award for Healthy Workplace Creativity" organized by the National Health Administration and won several awards - Health Management Award and First Place in the Healthy Workplace Weight Loss Competition; it also won the first place in the "My Plate" Promotion Creativity Gold Point Award Competition; Hsinchuang Plant received Outstanding Award in Corporate Addiction Internal Advocacy Competition and was awarded a Certificate of Appreciation for donating 107 blood bags by Taipei Blood Donation Center; Yanshui Plant employees donated 426 bags of blood and received a certificate of appreciation from the Tainan Blood Donation Center.

- (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 Net Worth) 3. Interest protection multiples $\geq 150\%$ 4. Net tangible assets $\geq$ NT\$50 billion

### (2) Walsin (Nanjing) Development Co., LTD.

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Construction Agreement	56 companies including Shanghai Construction No.1 (Group) Co., Ltd.	2019/01 ~	Walsin Centro AB area phase two design, consultancy, construction, power distribution, etc., in a total of RMB277 million and USD4 million.	None

### (3) Yantai Walsin Stainless Steel Co., Ltd.

Nature of Contract	Contracting Parties	Contract Term Dates	Main Content	Restrictive Clauses
Purchase Agreement	Primetals Technologies USA LLC, Primetals Technologies China Ltd. and CERI Long Product Co., Ltd.	2019/05 ~	Orders for equipment for operation in an amount of RMB149 million and USD12 million.	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

Items	Year	Financial Summary for the Last Five Years				
		2015	2016	2017	2018	2019
Current Assets		51,200,394	55,356,705	63,652,434	58,726,913	60,789,794
Property, Plant and Equipment		17,575,655	20,483,863	20,984,890	25,083,436	27,845,109
Intangible Assets		199,080	177,029	169,726	164,451	168,134
Other Assets		35,708,162	38,161,617	45,443,695	48,679,310	49,263,365
Total Assets		104,683,291	114,179,214	130,250,745	132,654,110	138,066,402
Current Liabilities	Before Distribution	17,078,873	32,360,784	34,618,169	32,146,970	40,743,553
	After Distribution	17,780,073	34,688,984	37,944,169	36,138,170	42,406,553
Non-current Liabilities		24,035,959	16,536,425	23,352,320	21,242,797	18,756,735
Total Liabilities	Before Distribution	41,114,832	48,897,209	57,970,489	53,389,767	59,500,288
	After Distribution	41,816,032	51,225,409	61,296,489	57,380,967	61,163,288
Equity Attributable to owners of the Company		61,680,070	63,365,942	70,523,463	77,328,012	77,384,341
Capital Stock		35,760,002	33,960,002	33,660,002	33,260,002	33,260,002
Capital Surplus		15,766,866	15,701,403	15,854,392	15,966,420	16,055,238
Retained Earnings	Before Distribution	11,383,125	15,211,219	19,234,380	32,144,727	31,179,511
	After Distribution	10,681,925	12,883,019	15,908,380	28,153,527	29,516,511
Other Equity		(621,113)	(897,872)	2,090,607	(4,043,137)	(3,110,410)
Treasury Stock		(608,810)	(608,810)	(315,918)	0	0
Non-controlling Interests		1,888,389	1,916,063	1,756,793	1,936,331	1,181,773
Total Equity	Before Distribution	63,568,459	65,282,005	72,280,256	79,264,343	78,566,114
	After Distribution	62,867,259	62,953,805	68,954,256	75,273,143	76,903,114

○ Financial Information

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

Unit: NT\$ thousands

Items	Year	Financial Summary for the Last Five Years				
		2015	2016	2017	2018	2019
Current Assets		10,670,083	12,619,660	15,188,603	16,809,906	16,615,466
Property, Plant and Equipment		11,625,911	13,853,939	14,356,176	16,432,206	17,621,858
Intangible Assets		-	-	-	-	-
Other Assets		72,824,020	67,646,531	76,090,868	86,063,522	86,140,209
Total Assets		95,120,014	94,120,130	105,635,647	119,305,634	120,377,533
Current Liabilities	Before Distribution	9,409,878	14,688,116	12,497,690	21,561,638	25,700,349
	After Distribution	10,111,078	17,016,316	15,823,690	25,552,838	27,363,349
Non-current Liabilities		24,030,066	16,066,072	22,614,494	20,415,984	17,292,843
Total Liabilities	Before Distribution	24,030,066	16,066,072	22,614,494	20,415,984	17,292,843
	After Distribution	24,030,066	16,066,072	22,614,494	20,415,984	17,292,843
Capital Stock		35,760,002	33,960,002	33,660,002	33,260,002	33,260,002
Capital Surplus		15,766,866	15,701,403	15,854,392	15,966,420	16,055,238
Retained Earnings	Before Distribution	11,383,125	15,211,219	19,234,380	32,144,727	31,179,511
	After Distribution	10,681,925	12,883,019	15,908,380	28,153,527	29,516,511
Other Equity		(621,113)	(897,872)	2,090,607	(4,043,137)	(3,110,410)
Treasury Stock		(608,810)	(608,810)	(315,918)	0	0
Total Equity	Before Distribution	61,680,070	63,365,942	70,523,463	77,328,012	77,384,341
	After Distribution	60,978,870	61,037,742	67,197,463	73,336,812	75,721,341

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

Unit: NT\$ thousands (Except EPS)

Items \ Year	Financial Summary for the Last Five Years				
	2015	2016	2017	2018	2019
Net Sales	149,338,115	143,355,241	167,792,585	190,915,137	134,804,405
Gross Profit	5,808,905	9,564,407	12,004,831	15,935,365	9,390,566
Operating Income	1,957,744	5,321,774	7,895,645	11,026,209	4,059,474
Non-operating Revenue and Expense	507,687	851,597	1,498,803	5,644,765	680,793
Profit before Taxes	2,465,431	6,173,371	9,394,448	16,670,974	4,740,267
Gain from Continued Operations	1,728,132	4,838,503	6,694,013	11,959,287	3,783,324
Loss from Discontinued Operations	-	-	-	-	-
Profit for the year	1,728,132	4,838,503	6,694,013	11,959,287	3,783,324
Other comprehensive income, net of income tax	(3,210,351)	(239,696)	2,786,719	(3,142,772)	915,620
Total comprehensive income for the year	(1,482,219)	4,598,807	9,480,732	8,816,515	4,698,944
Profit for the year attributable to owners of the company	1,601,726	4,568,125	6,559,984	11,756,781	3,149,679
Profit for the year attributable to non-controlling interests	126,406	270,378	134,029	202,506	633,645
Total comprehensive income for the year attributable to owners of the company	(1,604,667)	4,252,535	9,362,394	8,612,785	4,082,661
Total comprehensive income for the year attributable to non-controlling interests	122,448	346,272	118,338	203,730	616,283
Earnings Per Share	0.45	1.33	1.97	3.53	0.95

○ Financial Information

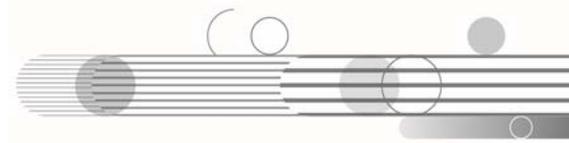
(4) Condensed Income Statements - Unconsolidated (Based on IFRSs)

Unit: NT\$ thousands (Except EPS)

Items	Year	Financial Summary for the Last Five Years				
		2015	2016	2017	2018	2019
Net Sales		71,574,888	67,074,039	76,123,074	85,099,970	71,596,648
Gross Profit		4,090,649	5,982,561	5,318,064	3,840,250	4,155,851
Operating Income		2,996,429	4,785,519	3,836,535	2,122,510	2,445,178
Non-operating Revenue and Expense		(838,608)	390,100	3,290,917	10,123,522	644,517
Profit before Taxes		2,157,821	5,175,619	7,127,452	12,246,032	3,089,695
Gain from Continued Operations		1,601,726	4,568,125	6,559,984	11,756,781	3,149,679
Loss from Discontinued Operations		-	-	-	-	-
Profit for the year		1,601,726	4,568,125	6,559,984	11,756,781	3,149,679
Other comprehensive income, net of income tax		(3,206,393)	(315,590)	2,802,410	(3,143,996)	932,982
Total comprehensive income for the year		(1,604,667)	4,252,535	9,362,394	8,612,785	4,082,661
Earnings Per Share		0.45	1.33	1.97	3.53	0.95

(5) Auditors' Opinion from 2014 to 2018

Year	CPA	Audit Opinion
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
2018	Deloitte & Touche Wen-Yea, Shyu, Kwan-Chung, Lai	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				
			2015	2016	2017	2018	2019
Capital structure (%)	Debt Ratio		39.27	42.82	44.50	40.24	43.09
	Ratio of long-term Capital to Property, Plant and Equipment		498.44	399.42	455.72	400.69	349.51
Liquidity analysis (%)	Current Ratio		299.78	171.06	183.87	182.68	149.20
	Quick Ratio		160.67	76.01	80.75	94.86	89.96
	Interest Coverage Ratio (times)		681.97	2,011.36	1,931.29	2,536.69	947.08
Operating Performance	Accounts Receivable Turnover (Times)		9.48	9.83	11.75	12.56	10.06
	Average Collection Period		38.50	37.13	31.06	29.06	36.28
	Inventory Turnover (Times)		6.30	5.38	5.24	5.99	5.21
	Accounts Payable Turnover (times)		20.21	17.98	17.39	18.67	15.32
	Average Days in Sales		57.93	67.84	69.65	60.93	70.05
	Property, plant and equipment Turnover (Times)		8.29	7.53	8.09	8.28	5.09
	Total Assets Turnover (Times)		1.39	1.31	1.37	1.45	0.99
Profitability analysis	Return on Total Assets (%)		1.89	4.65	5.77	9.47	3.12
	Return on Stockholders' equity (%)		2.67	7.51	9.73	15.78	4.79
	Pre-tax Income to Paid-in Capital (%)		6.89	18.17	27.90	50.12	14.25
	Profit Ratio (%)		1.15	3.37	3.98	6.26	2.80
	Earnings (loss) Per Share (NT\$) (Note 1)		0.45	1.33	1.97	3.53	0.95
Cash Flow(Note 2)	Cash Flow Ratio (%)		23.48	22.98	22.23	9.39	21.17
	Cash Flow Adequacy Ratio (%)		93.52	92.90	83.19	62.30	72.07
	Cash Reinvestment Ratio (%)		4.13	7.69	5.32	0.00	4.51
Leverage	Operating Leverage		4.54	2.28	1.49	1.48	2.93
	Financial Leverage		1.27	1.06	1.06	1.06	1.15

Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)

- A. Compared to 2018, 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 2019 show an decrease. It's because that profit before tax and profit for the year ended December 31, 2019 decreased.
- B. Compared to 2018, property, plant and equipment turnover and total assets turnover in 2019 show an decrease. It's because that operating revenue for the year ended December 31, 2019 decreased.
- C. Compared to 2018, average collection period in 2019 show an increase. It's because that operating revenue for the year ended December 31, 2019 decreased.
- D. Compared to 2018, cash flow ratio in 2019 show an increase. It's because that net cash generated from operating activities for the year ended December 31, 2019 increased.
- E. Compared to 2018, operating leverage in 2019 show an increase. It's because that profit from operations for the year ended December 31, 2019 decreased.

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

## ○ Financial Information

### 2.Solvency:

(1)Current Ratio = Current assets / Current liabilities

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

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

### 3.Operating Performance:

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

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

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

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

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

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

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

### 4.Profitability:

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

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

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

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

### 5.Cash Flow:

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

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

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

### 6.Leverage:

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

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

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

Analysis Items		Year	Financial Analysis for the Last Five Years				
		2015	2016	2017	2018	2019	
Capital structure (%)	Debt Ratio	35.13	32.67	33.23	35.18	35.71	
	Ratio of Long-term Capital to Property, plant and equipment	737.23	573.35	648.76	594.83	537.27	
Liquidity analysis (%)	Current Ratio	113.39	85.91	121.53	77.96	64.65	
	Quick Ratio	52.70	28.86	44.92	22.20	26.77	
	Interest Coverage Ratio (times)	691.36	1,210.70	1,741.08	2,652.81	676.50	
Operating Performance	Accounts Receivable Turnover (Times)	32.93	36.83	33.13	31.71	32.56	
	Average Collection Period	11.08	9.91	11.01	11.51	11.21	
	Inventory Turnover (Times)	11.23	9.00	8.20	7.94	6.53	
	Accounts Payable turnover (times)	25.05	20.65	19.34	20.33	21.25	
	Average Days in Sales	32.50	40.55	44.51	45.96	55.89	
	Property, plant and equipment Turnover (Times)	6.20	5.26	5.39	5.52	4.20	
	Total Assets Turnover (Times)	0.80	0.70	0.76	0.75	0.59	
Profitability analysis	Return on Total Assets (%)	2.10	5.26	6.96	10.86	3.08	
	Return on Stockholders' equity (%)	2.55	7.30	9.79	15.90	4.07	
	Pre-tax Income to Paid-in Capital (%)	6.03	15.24	21.17	36.81	9.28	
	Profit Ratio (%)	2.23	6.81	8.61	13.81	4.39	
	Earnings Per Share (NT\$)	0.45	1.33	1.97	3.53	0.95	
Cash Flow(Note 2)	Cash Flow Ratio (%)	54.45	18.53	29.65	9.03	18.90	
	Cash Flow Adequacy Ratio (%)	53.38	46.64	47.63	34.25	46.95	
	Cash Reinvestment Ratio (%)	5.76	2.46	1.44	0.00	0.89	
Leverage	Operating Leverage	2.11	1.71	2.03	2.55	2.63	
	Financial Leverage	1.13	1.10	1.12	1.29	1.28	

Analysis of financial ratio difference for the last two years (Not required if the difference does not exceed 20%)

A. Compared to 2018, 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 2019 show an decrease. It's because that profit before tax and profit for the year ended December 31, 2019 decreased.

B. Compared to 2018, property, plant and equipment turnover and total assets turnover in 2019 show an decrease. It's because that operating revenue for the year ended December 31, 2019 decreased.

C. Compared to 2018, cash flow ratio in 2019 show an increase. It's because that net cash generated from operating activities for the year ended December 31, 2019 increased.

D. Compared to 2018, quick ratio in 2019 show an increase. It's because that other receivables for the year ended December 31, 2019 increased.

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

Note 2: Financial analysis formulas see Table (1).

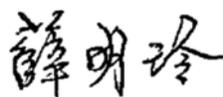
### 3. Audit Committee's Review Report for the Recent Year

#### Audit Committee's Report

The Board of Directors has prepared the Company's 2019 Business Report, Financial Statements, and proposal for allocation of earnings. The Financial Statements had been audited by Deloitte & Touche Accountants, Wen-Ya Hsu and Kuan-Chung Lai 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 : 

February 27, 2020

## 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, 2019 and 2018, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 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, 2019. 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, 2019:

##### Sales Revenue Recognition

The main products of the Group's stainless steel business unit of 2019 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,

## ○ Financial Information

we consider the reality of export sales revenue of stainless steel business unit as key audit matter. Refer to Notes 4 and 24 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, 2019, the manufacturing and trading inventory of the Group amounted to NT\$14,991,547 thousand, which constituted 10.86% of the Group's consolidated total assets, as of December 31, 2019. 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, 2019 and 2018 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\$10,076,558 thousand and NT\$7,959,485 thousand, which constituted 7.30% and 6.00% of the Group's consolidated total assets, as of December 31, 2019 and 2018, respectively, and the total net operating revenue of such subsidiaries amounted to NT\$15,531,341 thousand and NT\$11,999,669 thousand, which constituted 11.52% and 6.29% of the Group's consolidated total net operating revenue, for the years ended December 31, 2019 and 2018, respectively.

The financial statements of certain equity-method investees included in the consolidated financial statements as of and for the year ended December 31, 2019 was audited by other auditors. The investment in such investees amounted to NT\$0 thousand, which constituted 0% of the Group's consolidated total assets as of December 31, 2019 and the investment loss amounted to NT\$1,004,729 thousand, which constituted (21.20)% of the Group consolidated profit before income tax for the year ended December 31, 2019.

We have also audited the parent company only financial statements of Walsin Lihwa Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion with other matter.

## **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

## ○ Financial Information

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, 2019 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 Wen-Yea, Shyu and Kwan-Chung, Lai.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2020

### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 11,753,006	8	\$ 9,406,154	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	69,795	-	95,426	-
Financial assets at amortized cost - current (Notes 4 and 9)	1,470,571	1	1,489,831	1
Derivative financial assets for hedging - current (Notes 4 and 8)	-	-	15,630	-
Contract assets - current (Notes 4 and 13)	4,014,672	3	2,589,864	2
Notes receivable (Notes 4 and 11)	3,576,333	3	3,844,819	3
Trade receivables (Notes 4 and 11)	7,637,759	6	11,729,199	9
Lease receivables (Notes 4 and 11)	-	-	52,489	-
Finance lease receivables (Notes 4 and 12)	54,278	-	-	-
Other receivables (Note 29)	8,076,664	6	1,212,252	1
Prepayments for leases (Note 20)	-	-	59,811	-
Inventories (Notes 4 and 13)	22,019,088	16	26,048,519	20
Other financial assets (Note 6)	317,733	-	114,255	-
Other current assets	1,799,895	1	2,068,664	1
<b>Total current assets</b>	<b>60,789,794</b>	<b>44</b>	<b>58,726,913</b>	<b>44</b>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 14)	5,323,365	4	3,991,218	3
Investments accounted for using equity method (Notes 4 and 16)	29,012,467	21	30,555,851	23
Property, plant and equipment (Notes 4 and 17)	27,845,109	20	25,083,436	19
Right-of-use assets (Notes 4 and 18)	1,363,823	1	-	-
Investment properties (Notes 4 and 19)	10,032,989	7	10,241,647	8
Other intangible assets	168,134	-	164,451	-
Deferred tax assets - non-current (Notes 4 and 26)	2,048,176	2	1,657,511	1
Refundable deposits	183,291	-	187,053	-
Long-term lease receivables (Notes 4 and 13)	-	-	830,991	1
Long-term finance lease receivables (Notes 4 and 12)	776,713	1	-	-
Long-term prepayments for leases (Note 20)	-	-	1,119,004	1
Other non-current assets	522,541	-	96,035	-
<b>Total non-current assets</b>	<b>77,276,608</b>	<b>56</b>	<b>73,927,197</b>	<b>56</b>
<b>TOTAL</b>	<b>\$ 138,066,402</b>	<b>100</b>	<b>\$ 132,654,110</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 21)	\$ 12,457,481	9	\$ 10,024,097	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	6,026	-	-	-
Derivative financial liabilities for hedging - current (Notes 4 and 8)	14,346	-	-	-
Contract liabilities - current (Note 4)	518	-	19,899	-
Notes payable	342,409	-	409,879	-
Trade payables	6,967,817	5	8,643,816	7
Current tax liabilities (Notes 4 and 26)	4,587,562	3	4,389,952	3
Other payables	4,901,323	4	3,513,168	3
Lease liabilities - current (Notes 4 and 18)	76,467	-	-	-
Current portion of long-term borrowings (Note 21)	6,564,196	5	4,564,196	3
Other current liabilities (Note 29)	4,825,408	3	581,963	-
<b>Total current liabilities</b>	<b>40,743,553</b>	<b>29</b>	<b>32,146,970</b>	<b>24</b>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 21)	16,929,215	12	19,993,411	15
Deferred tax liabilities - non-current (Notes 4 and 26)	179,314	-	182,494	-
Lease liabilities - non-current (Notes 4 and 18)	225,505	-	-	-
Net defined benefit liabilities (Notes 4 and 22)	536,614	1	645,403	1
Other non-current liabilities (Note 29)	886,087	1	421,489	-
<b>Total non-current liabilities</b>	<b>18,756,735</b>	<b>14</b>	<b>21,242,797</b>	<b>16</b>
<b>Total liabilities</b>	<b>59,500,288</b>	<b>43</b>	<b>53,389,767</b>	<b>40</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 23)</b>				
Share capital	33,260,002	24	33,260,002	25
Capital surplus	16,055,238	12	15,966,420	12
Retained earnings				
Legal reserve	5,113,232	3	3,937,554	3
Special reserve	4,043,138	3	2,712,250	2
Unappropriated earnings	22,023,141	16	25,494,923	19
Total retained earnings	31,179,511	22	32,144,727	24
Other equity				
Exchange differences on translating foreign operations	(5,546,359)	(4)	(3,567,540)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	2,435,949	2	(474,446)	-
Cash flow hedges	-	-	(1,151)	-
Total other equity	(3,110,410)	(2)	(4,043,137)	(3)
<b>Total equity attributable to owners of WLC</b>	<b>77,384,341</b>	<b>56</b>	<b>77,328,012</b>	<b>58</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>1,181,773</b>	<b>1</b>	<b>1,936,331</b>	<b>2</b>
<b>Total equity</b>	<b>78,566,114</b>	<b>57</b>	<b>79,264,343</b>	<b>60</b>
<b>TOTAL</b>	<b>\$ 138,066,402</b>	<b>100</b>	<b>\$ 132,654,110</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

**WALSIN LIHWA CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2019 AND 2018**  
**(In Thousands of US Dollars)**

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 392,028	8	\$ 313,748	7
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,328	-	3,183	-
Financial assets at amortized cost - current (Notes 4 and 9)	49,052	1	49,694	1
Derivative financial assets for hedging - current (Notes 4 and 8)	-	-	521	-
Contract assets - current (Notes 4 and 13)	133,912	3	86,386	2
Notes receivable (Notes 4 and 11)	119,291	3	128,246	3
Trade receivables (Notes 4 and 11)	254,762	6	391,234	9
Lease receivables (Notes 4 and 11)	-	-	1,751	-
Finance lease receivables (Notes 4 and 12)	1,810	-	-	-
Other receivables (Note 29)	269,402	6	40,435	1
Prepayments for leases (Note 20)	-	-	1,995	-
Inventories (Notes 4 and 13)	734,459	16	868,863	20
Other financial assets (Note 6)	10,598	-	3,811	-
Other current assets	60,036	1	69,003	1
Total current assets	<u>2,027,678</u>	<u>44</u>	<u>1,958,870</u>	<u>44</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 14)	177,564	4	133,129	3
Investments accounted for using equity method (Notes 4 and 16)	967,727	21	1,019,208	23
Property, plant and equipment (Notes 4 and 17)	928,789	20	836,672	19
Right-of-use assets (Notes 4 and 18)	45,491	1	-	-
Investment properties (Notes 4 and 19)	334,656	7	341,616	8
Other intangible assets	5,608	-	5,485	-
Deferred tax assets - non-current (Notes 4 and 26)	68,318	2	55,287	1
Refundable deposits	6,114	-	6,239	-
Long-term lease receivables (Notes 4 and 13)	-	-	27,718	1
Long-term finance lease receivables (Notes 4 and 12)	25,908	1	-	-
Long-term prepayments for leases (Note 20)	-	-	37,325	1
Other non-current assets	17,430	-	3,205	-
Total non-current assets	<u>2,577,605</u>	<u>56</u>	<u>2,465,884</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 4,605,283</u>	<u>100</u>	<u>\$ 4,424,754</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 21)	\$ 415,526	9	\$ 334,359	8
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	201	-	-	-
Derivative financial liabilities for hedging - current (Notes 4 and 8)	479	-	-	-
Contract liabilities - current (Note 4)	17	-	664	-
Notes payable	11,421	-	13,672	-
Trade payables	232,416	5	288,319	7
Current tax liabilities (Notes 4 and 26)	153,021	3	146,429	3
Other payables	163,486	4	117,184	3
Lease liabilities - current (Notes 4 and 18)	2,551	-	-	-
Current portion of long-term borrowings (Note 21)	218,953	5	152,241	3
Other current liabilities (Note 29)	160,953	3	19,413	-
Total current liabilities	<u>1,359,024</u>	<u>29</u>	<u>1,072,281</u>	<u>24</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 21)	564,684	12	666,892	15
Deferred tax liabilities - non-current (Notes 4 and 26)	5,981	-	6,087	-
Lease liabilities - non-current (Notes 4 and 18)	7,522	-	-	-
Net defined benefit liabilities (Notes 4 and 22)	17,899	1	21,528	1
Other non-current liabilities (Note 29)	29,556	1	14,059	-
Total non-current liabilities	<u>625,642</u>	<u>14</u>	<u>708,566</u>	<u>16</u>
Total liabilities	<u>1,984,666</u>	<u>43</u>	<u>1,780,847</u>	<u>40</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF WLC (Note 23)</b>				
Share capital	1,109,406	24	1,109,406	25
Capital surplus	535,532	12	532,569	12
Retained earnings				
Legal reserve	170,555	3	131,339	3
Special reserve	134,861	3	90,469	2
Unappropriated earnings	734,594	16	850,398	19
Total retained earnings	1,040,010	22	1,072,206	24
Other equity				
Exchange differences on translating foreign operations	(185,002)	(4)	(118,997)	(3)
Unrealized loss on financial assets at fair value through other comprehensive income	81,253	2	(15,826)	-
Cash flow hedges	-	-	(38)	-
Total other equity	(103,749)	(2)	(134,861)	(3)
Total equity attributable to owners of WLC	2,581,199	56	2,579,320	58
<b>NON-CONTROLLING INTERESTS</b>	<u>39,418</u>	<u>1</u>	<u>64,587</u>	<u>2</u>
Total equity	<u>2,620,617</u>	<u>57</u>	<u>2,643,907</u>	<u>60</u>
<b>TOTAL</b>	<u>\$ 4,605,283</u>	<u>100</u>	<u>\$ 4,424,754</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)	\$ 134,804,405	100	\$ 190,915,137	100
OPERATING COSTS (Notes 4 and 13)	<u>(125,413,839)</u>	<u>(93)</u>	<u>(174,979,772)</u>	<u>(92)</u>
GROSS PROFIT	<u>9,390,566</u>	<u>7</u>	<u>15,935,365</u>	<u>8</u>
REALIZED GROSS PROFIT	<u>9,390,566</u>	<u>7</u>	<u>15,935,365</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,076,993	2	2,144,126	1
General and administrative expenses	3,111,371	2	2,634,343	1
Research and development expenses	<u>142,728</u>	<u>-</u>	<u>130,687</u>	<u>-</u>
Total operating expenses	<u>5,331,092</u>	<u>4</u>	<u>4,909,156</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>4,059,474</u>	<u>3</u>	<u>11,026,209</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	268,338	-	355,283	-
Dividend income	136,772	-	177,925	-
Other income	195,467	-	367,344	-
(Gain) loss on disposal of property, plant and equipment	854,514	1	(11,616)	-
Gain on disposal of investment property (Note 32)	246,877	-	-	-
Loss (gain) on valuation of financial assets and liabilities	(106,368)	-	85,216	-
Impairment loss (Notes 4 and 25)	(1,680,575)	(1)	(78,547)	-
Other expenses	(338,237)	-	(239,432)	-
Foreign exchange gain (loss), net	112,757	-	271,081	-
Interest expense	(559,596)	-	(684,163)	-
Gain on disposal of investments (Note 25)	822,882	1	355,668	-
Share of gain of associates under equity method	<u>727,962</u>	<u>-</u>	<u>5,046,006</u>	<u>3</u>
Total non-operating income and expenses	<u>680,793</u>	<u>1</u>	<u>5,644,765</u>	<u>3</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	4,740,267	4	16,670,974	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(956,943)</u>	<u>(1)</u>	<u>(4,711,687)</u>	<u>(3)</u>
NET INCOME FOR THE YEAR	<u>3,783,324</u>	<u>3</u>	<u>11,959,287</u>	<u>6</u>

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE (INCOME) LOSS				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(22,278)	-	4,052	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	1,185,769	1	(1,243,074)	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>1,747,483</u>	<u>1</u>	<u>(1,286,630)</u>	<u>(1)</u>
	<u>2,910,974</u>	<u>2</u>	<u>(2,525,652)</u>	<u>(1)</u>
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(1,766,406)	(2)	(572,415)	-
Cash flow hedges gain	1,151	-	6,378	-
Share of other comprehensive income of associates under equity method	<u>(230,099)</u>	<u>-</u>	<u>(51,083)</u>	<u>-</u>
	<u>(1,995,354)</u>	<u>(2)</u>	<u>(617,120)</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>915,620</u>	<u>-</u>	<u>(3,142,772)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,698,944</u>	<u>3</u>	<u>\$ 8,816,515</u>	<u>5</u>
NET INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 3,149,679	2	\$ 11,756,781	6
Non-controlling interests	<u>633,645</u>	<u>1</u>	<u>202,506</u>	<u>-</u>
	<u>\$ 3,783,324</u>	<u>3</u>	<u>\$ 11,959,287</u>	<u>6</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of WLC	\$ 4,082,661	3	\$ 8,612,785	5
Non-controlling interests	<u>616,283</u>	<u>-</u>	<u>203,730</u>	<u>-</u>
	<u>\$ 4,698,944</u>	<u>3</u>	<u>\$ 8,816,515</u>	<u>5</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 0.95</u>		<u>\$ 3.53</u>	
Diluted	<u>\$ 0.95</u>		<u>\$ 3.53</u>	

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of U.S. Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 24)	\$ 4,496,478	100	\$ 6,368,083	100
OPERATING COSTS (Notes 4 and 13)	<u>(4,183,250)</u>	<u>(93)</u>	<u>(5,836,550)</u>	<u>(92)</u>
GROSS PROFIT	<u>313,228</u>	<u>7</u>	<u>531,533</u>	<u>8</u>
REALIZED GROSS PROFIT	<u>313,228</u>	<u>7</u>	<u>531,533</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing expenses	69,279	2	71,519	1
General and administrative expenses	103,782	2	87,870	1
Research and development expenses	<u>4,761</u>	<u>-</u>	<u>4,359</u>	<u>-</u>
Total operating expenses	<u>177,822</u>	<u>4</u>	<u>163,748</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>135,406</u>	<u>3</u>	<u>367,785</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	8,951	-	11,851	-
Dividend income	4,562	-	5,935	-
Other income	6,520	-	12,253	-
Gain (loss) on disposal of property, plant and equipment	28,503	1	(387)	-
Gain on disposal of investments properties (Note 32)	8,235	-	-	-
(Loss) gain on valuation of financial assets and liabilities	(3,548)	-	9,042	-
Impairment loss (Notes 4 and 25)	(56,057)	(1)	2,842	-
Other expenses	(11,282)	-	(2,620)	-
Foreign exchange gain (loss), net	3,760	-	(7,986)	-
Interest expense	(18,666)	-	(22,821)	-
Gain on disposal of investments (Note 25)	27,448	1	11,864	-
Share of gain of associates under equity method	<u>24,282</u>	<u>-</u>	<u>168,312</u>	<u>3</u>
Total non-operating income and expenses	<u>22,708</u>	<u>1</u>	<u>188,285</u>	<u>3</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	158,114	4	556,070	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(31,919)</u>	<u>(1)</u>	<u>(157,161)</u>	<u>(3)</u>
NET INCOME FOR THE YEAR	<u>126,195</u>	<u>3</u>	<u>398,909</u>	<u>6</u>

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of U.S. Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Items that may not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(743)	-	135	-
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	39,552	1	(41,463)	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>58,288</u>	<u>1</u>	<u>(42,917)</u>	<u>(1)</u>
	<u>97,097</u>	<u>2</u>	<u>(84,245)</u>	<u>(1)</u>
Items that will be reclassified subsequently to profit or loss:				
Exchange loss on translation of foreign operations	(58,919)	(2)	(19,093)	-
Cash flow hedges gain	38	-	213	-
Share of other comprehensive income of associates under equity method	<u>(7,675)</u>	<u>-</u>	<u>(1,704)</u>	<u>-</u>
	<u>(66,556)</u>	<u>(2)</u>	<u>(20,584)</u>	<u>-</u>
Other comprehensive income (loss) for the year	<u>30,541</u>	<u>-</u>	<u>(104,829)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 156,736</u>	<u>3</u>	<u>\$ 294,080</u>	<u>5</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of WLC	\$ 105,059	2	\$ 392,154	6
Non-controlling interests	<u>21,136</u>	<u>1</u>	<u>6,755</u>	<u>-</u>
	<u>\$ 126,195</u>	<u>3</u>	<u>\$ 398,909</u>	<u>6</u>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of WLC	\$ 136,179	3	\$ 287,285	5
Non-controlling interests	<u>20,557</u>	<u>-</u>	<u>6,795</u>	<u>-</u>
	<u>\$ 156,736</u>	<u>3</u>	<u>\$ 294,080</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 27)</b>				
Basic	<u>\$ 0.03</u>		<u>\$ 0.11</u>	
Diluted	<u>\$ 0.03</u>		<u>\$ 0.11</u>	

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

(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of WLC												
	Retained Earnings					Other Equity						Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Shares	Total		
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	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 23)													
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
Cancelation 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	33,260,002	15,966,420	3,937,554	2,712,250	25,494,923	(3,567,540)	-	(474,446)	(1,151)	-	77,328,012	1,936,331	79,264,343
Appropriation of 2018 earnings (Note 23)													
Legal reserve	-	-	1,175,678	-	(1,175,678)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	1,330,888	(1,330,888)	-	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(3,991,200)	-	-	-	-	-	(3,991,200)	-	(3,991,200)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(615)	-	-	(123,950)	-	-	-	-	-	(124,565)	-	(124,565)
Change in capital surplus and retained earnings from investments in associates under equity method	-	89,443	-	-	55,134	-	-	(55,134)	-	-	89,443	-	89,443
Net profit for the year ended December 31, 2019	-	-	-	-	3,149,679	-	-	-	-	-	3,149,679	633,645	3,783,324
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(54,879)	(1,978,819)	-	2,965,529	1,151	-	932,982	(17,362)	915,620
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	3,094,800	(1,978,819)	-	2,965,529	1,151	-	4,082,661	616,283	4,698,944
Others	-	(10)	-	-	-	-	-	-	-	-	(10)	-	(10)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,370,841)	(1,370,841)
BALANCE, DECEMBER 31, 2019	\$ 33,260,002	\$ 16,055,238	\$ 5,113,232	\$ 4,043,138	\$ 22,023,141	\$ (5,546,359)	\$ -	\$ 2,435,949	\$ -	\$ -	\$ 77,384,341	\$ 1,181,773	\$ 78,566,114

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

WALSIN LIHWA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of U.S. Dollars)

	Equity Attributable to Owners of WLC											Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity			Total		
			Legal Reserve	Special Reserve	Unappropriated Earnings			Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Shares			
BALANCE AT JANUARY 1, 2018	\$ 1,122,749	\$ 528,832	\$ 109,458	\$ 90,469	\$ 441,647	\$ (98,224)	\$ 168,209	\$ -	\$ (251)	\$ (10,538)	\$ 2,352,351	\$ 58,600	\$ 2,410,951
Effect of retrospective application of IFRS 9	-	-	-	-	155,159	-	(168,209)	62,544	-	-	49,494	1	49,495
Effect of retrospective application of IFRS 15	-	-	-	-	199	-	-	-	-	-	199	-	199
BALANCE AT JANUARY 1, 2018, AS RESTATED	1,122,749	528,832	109,458	90,469	597,005	(98,224)	-	62,544	(251)	(10,538)	2,402,044	58,601	2,460,645
Appropriation of 2017 earnings (Note 23)													
Legal reserve	-	-	21,881	-	(21,881)	-	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(110,941)	-	-	-	-	-	(110,941)	-	(110,941)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	21	-	-	-	-	-	-	-	-	21	-	21
Change in capital surplus from investments in associates under equity method	-	911	-	-	3,239	-	-	(3,239)	-	-	911	-	911
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal (Note 14)	-	-	-	-	(8,437)	-	-	8,437	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	392,154	-	-	-	-	-	392,154	6,755	398,909
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(741)	(20,773)	-	(83,568)	213	-	(104,869)	40	(104,829)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	391,413	(20,773)	-	(83,568)	213	-	287,285	6,795	294,080
Cancellation of treasury shares	(13,343)	2,805	-	-	-	-	-	-	-	10,538	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(809)	(809)
BALANCE, DECEMBER 31, 2018	1,109,406	532,569	131,339	90,469	850,398	(118,997)	-	(15,826)	(38)	-	2,579,320	64,587	2,643,907
Appropriation of 2018 earnings (Note 23)													
Legal reserve	-	-	39,216	-	(39,216)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	44,392	(44,392)	-	-	-	-	-	-	-	-
Cash dividends distributed by WLC	-	-	-	-	(133,129)	-	-	-	-	-	(133,129)	-	(133,129)
Excess of the consideration received over the carrying amount of the subsidiaries' net assets disposed of	-	(21)	-	-	-	-	-	-	-	-	(21)	-	(21)
Change in capital surplus and retained earnings from investments in associates under equity method	-	2,984	-	-	(4,134)	-	-	-	-	-	(1,150)	-	(1,150)
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	-	-	-	-	1,839	-	-	(1,839)	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	105,059	-	-	-	-	-	105,059	21,136	126,195
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(1,831)	(66,005)	-	98,918	38	-	31,120	(579)	30,541
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	103,228	(66,005)	-	98,918	38	-	136,179	20,557	156,736
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(45,726)	(45,726)
BALANCE, DECEMBER 31, 2019	\$ 1,109,406	\$ 535,532	\$ 170,555	\$ 134,861	\$ 734,594	\$ (185,002)	\$ -	\$ 81,253	\$ -	\$ -	\$ 2,581,199	\$ 39,418	\$ 2,620,617

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 4,740,267	\$ 16,670,974
Adjustments for:		
Depreciation expenses	2,163,455	1,734,995
Amortization expenses	11,223	32,973
Expected credit (reversed) loss recognized on trade receivables	(15,124)	9,907
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	106,368	(85,216)
Interest expense	559,596	684,163
Interest income	(268,338)	(355,283)
Dividend income	(136,772)	(177,925)
Compensation cost of employees share options	14,145	5,397
Share of gain of associates under equity method	(727,962)	(5,046,006)
Gain (loss) on disposal of property, plant and equipment	(854,514)	11,616
Gain on the disposal of investment property	(246,877)	-
Loss on the disposal of intangible assets	-	185
Gain on disposal of other assets	(17)	-
Gain on disposal of investments	(822,882)	(355,668)
Impairment loss recognized on property, plant and equipment	1,680,575	78,547
Loss (gain) on foreign currency exchange	23,887	(275)
Changes in operating assets and liabilities		
(Increase) decrease in contract assets	(1,424,808)	6,823
(Increase) decrease in notes receivable	(575,022)	1,867,385
Decrease (increase) in trade receivables	3,452,476	(2,648,343)
Increase in other receivables	(229,770)	(134,272)
Decrease in inventories	1,820,757	3,651,933
Decrease (increase) in other current assets	130,079	(271,739)
(Increase) decrease in other financial assets	(203,478)	1,287,611
Decrease in other operating assets	23,252	33,265
(Decrease) increase in financial liabilities held for trading	(1,109,374)	153,306
Decrease in notes payable	(67,470)	(36,776)
Decrease in trade payables	(1,540,007)	(599,826)
Increase in contract liabilities	518	-
Increase (decrease) in other payables	855,977	(321,214)
Decrease in advance real estate receipts	-	(10,143,723)
Decrease in net defined benefit liabilities	(108,789)	(222,908)
Decrease in other current liabilities	(234,597)	(440,148)
Increase in other operating liabilities	<u>466,206</u>	<u>65,675</u>
Cash generated from operations	7,482,980	5,455,433
Interest paid	(561,991)	(612,840)
Interest received	193,009	295,805
Dividends received from associates	2,569,560	1,514,347
Income tax paid	<u>(1,056,367)</u>	<u>(3,633,464)</u>
Net cash generated from operating activities	<u>8,627,191</u>	<u>3,019,281</u>

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(169,868)	(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
Acquisition of financial assets at amortized cost	(6,167)	-
Disposal of financial assets at amortized cost	-	3,072
Disposal of financial assets for hedging	1,151	-
Purchase of associates under equity method	(280,064)	(592,586)
Net cash flow from acquisition of subsidiaries	3,237,032	-
Purchase of property, plant and equipment	(5,280,057)	(5,795,665)
Proceeds from disposal of property, plant and equipment	182,590	10,593
Increase in refundable deposits	(1,212)	(1,435)
Purchase of intangible assets	(3,948)	(1,926)
Acquisition of investment property	(1,211)	-
Proceeds from disposal of investment properties	250,420	-
Increase in other receivables	(273,335)	(365,101)
Net cash used in investing activities	<u>(2,344,669)</u>	<u>(6,669,725)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	2,564,195	3,217,299
Increase in long-term borrowings	10,500,000	6,000,000
Decrease in long-term borrowings	(11,564,196)	(3,564,196)
Repayment of the principal portion of lease liabilities	(74,619)	-
Dividends paid to owners of WLC	(3,991,018)	(3,325,743)
Changes in non-controlling interests	(299,831)	(29,522)
Other financing activities	(10)	(2)
Net cash (used in) generated from financing activities	<u>(2,865,479)</u>	<u>2,297,836</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(1,070,191)</u>	<u>(193,929)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	2,346,852	(1,546,537)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>9,406,154</u>	<u>10,952,691</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,753,006</u>	<u>\$ 9,406,154</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of U.S. Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 158,114	\$ 556,070
Adjustments for:		
Depreciation expenses	72,163	57,872
Amortization expenses	374	1,100
Expected credit (reversed) loss recognized on trade receivables	(504)	330
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	3,548	(2,842)
Interest expense	18,666	22,821
Interest income	(8,951)	(11,851)
Dividend income	(4,562)	(5,935)
Compensation cost of employees share options	472	180
Share of gain of associates under equity method	(24,282)	(168,312)
(Gain) Loss on disposal of property, plant and equipment	(28,503)	387
Gain on disposal of investments properties	(8,235)	-
Loss on the disposal of intangible assets	-	6
Gain on disposal of other assets	(1)	-
Gain on disposal of investments	(27,448)	(11,864)
Impairment loss recognized on property, plant and equipment	56,057	2,620
(Loss) gain on foreign currency exchange	797	(9)
Changes in operating assets and liabilities		
(Increase) decrease in contract assets	(47,525)	228
(Increase) decrease in notes receivable	(19,180)	62,288
Decrease (increase) in trade receivables	115,159	(88,337)
Increase in other receivables	(7,664)	(4,479)
Decrease in inventories	60,732	121,812
Decrease (increase) in other current assets	4,339	(9,064)
(Increase) decrease in other financial assets	(6,787)	42,949
Decrease in other operating assets	776	1,110
(Decrease) increase in financial liabilities held for trading	(37,004)	5,114
Decrease in notes payable	(2,251)	(1,227)
Decrease in trade payables	(51,368)	(20,008)
Increase in contract liabilities	17	-
Increase (decrease) in other payables	28,552	(10,714)
Decrease in advance real estate receipts	-	(338,350)
Decrease in net defined benefit liabilities	(3,629)	(7,435)
Decrease in other current liabilities	(7,824)	(14,682)
Increase in other operating liabilities	15,551	2,191
Cash generated from operations	249,599	181,969
Interest paid	(18,745)	(20,442)
Interest received	6,438	9,868
Dividends received from associates	85,709	50,512
Income tax paid	(35,236)	(121,196)
Net cash generated from operating activities	<u>287,765</u>	<u>100,711</u>

(Continued)

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of U.S. Dollars)

	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(5,666)	(25)
Proceeds from the disposal of financial assets at fair value through other comprehensive income	-	2,440
Share buybacks due to capital reduction from financial assets at fair value through other comprehensive income	-	31
Acquisition of financial assets measured at cost	(206)	-
Proceeds from disposal of financial assets measured at cost	-	102
Derivative instruments not held for trading	38	-
Purchase of associates under equity method	(9,342)	(19,766)
Net cash inflow on disposal of subsidiaries	107,973	-
Purchase of property, plant and equipment	(176,119)	(193,318)
Proceeds from disposal of property, plant and equipment	6,090	353
Increase in refundable deposits	(40)	(48)
Purchase of intangible assets	(132)	(64)
Purchase of investments properties	(40)	-
Proceeds from disposal of investments properties	8,353	-
Increase in other receivables	(9,117)	(12,177)
Net cash used in from investing activities	<u>(78,208)</u>	<u>(222,472)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	85,530	107,315
Increase in long-term borrowings	350,233	200,133
Decrease in long-term borrowings	(385,730)	(118,886)
Repayments of the principal portion of lease liabilities	(2,489)	-
Dividends paid to owners of WLC	(133,123)	(110,931)
Changes in non-controlling interests	(10,001)	(985)
Other financing activities	-	-
Net cash (used in) generated from financing activities	<u>(95,580)</u>	<u>76,646</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(35,697)</u>	<u>(6,470)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,280	(51,585)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>313,748</u>	<u>365,333</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 392,028</u>	<u>\$ 313,748</u>

The accompanying notes are an integral part of the consolidated financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)

# WALSIN LIHWA CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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### 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 depository 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 approved by the board of directors of WLC on February 27, 2020.

### 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), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Group reassesses whether a contract is a lease in accordance with the definition of a lease under IFRS 16. Part contracts, which were previously identified as containing a lease under IAS 17 and IFRIC 4, do not meet the definition of a lease under IFRS 16 and are accounted for in accordance with other standards because the Group does not have the right to direct the use of the identified assets. Contracts that are reassessed as containing leases are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes 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 asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in mainland China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

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

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- a) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 were determined as at the

carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 4.85%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 was explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 545,630
Less: Recognition exemption for short-term leases	(54,882)
Less: The leases are not in accordance with the definition of a lease under IFRS 16	<u>(45,326)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 445,422</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 277,207
Less: Prepayments	<u>(4,089)</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 273,118</u>

#### The Group as lessor

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Finance lease receivables - current	\$ -	\$ 52,489	\$ 52,489
Lease receivables - current	52,489	(52,489)	-
Finance lease receivables - non-current	-	830,991	830,991
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.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” 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.

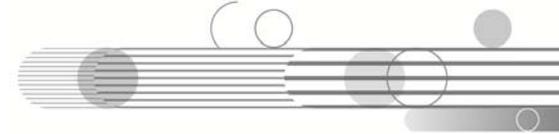
- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is 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 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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



1) 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 or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Group would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed the application of other standards and interpretations will not have significant impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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 IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, other regulations and IFRSs as endorsed and issued into effect by 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 15 and Table 8 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.

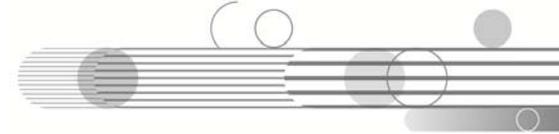
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the 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

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- 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.

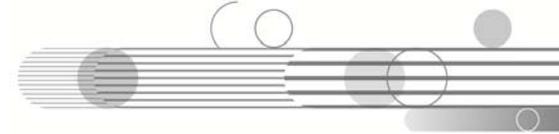
When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as 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.

1. 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

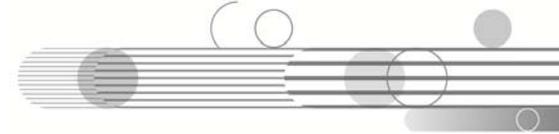
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

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

## 2) Impairment of financial assets

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, operating/finance lease receivables, as well as contract assets.

The Group always recognizes lifetime Expected Credit Losses (ECLs) for trade receivables and operating/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.

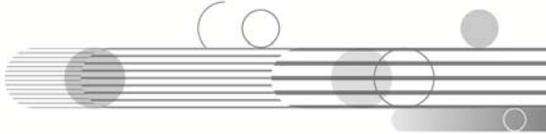
## 3) Derecognition of financial assets

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

On derecognition of a financial asset 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. 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

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.

##### 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.

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.

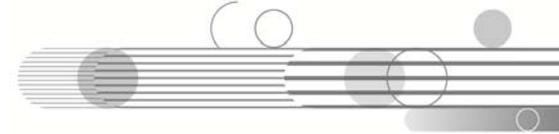
The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised.

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.

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

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.

r. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments and variable lease payments which depend on an index or a rate. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

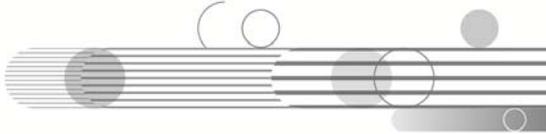
b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments



which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

## 2018

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.

### a) 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.

### b) 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 an effective interest rate over the lease term.

c) 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 rereasurement) 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 2019 and 2018, New Taiwan dollar amounts into US dollar amounts is included solely for the convenience of readers, using the average exchange rate of NT\$29.98 to US\$1.00 quoted by the Bank of Taiwan on December 31, 2019. 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 3,698	\$ 6,930
Checking accounts and cash in bank	6,194,981	5,768,038
Cash equivalents		
Time deposits	5,444,929	3,471,604
Short-term bills	<u>109,398</u>	<u>159,582</u>
	<u>\$ 11,753,006</u>	<u>\$ 9,406,154</u>

The market rate intervals of cash in the bank at the end of the year were as follows (except that the market rate of the checking account was 0.00%):

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bank balance	0.01%-3.27%	0.01%-4.1%
Short-term bills	0.34%-0.35%	0.3%

Cash in the bank in the total amounts of EUR326 thousand as of December 31, 2018 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, 2019 and 2018 were classified and pledged as follows:

	Purpose	December 31	
		2019	2018
Other financial assets - current			
Pledged time deposits	To secure short-term borrowings and letters of credit	\$ -	\$ 751
Restricted deposits	To secure short-term borrowings and letters of credit	234,758	58,039
	To meet contract requirements for completing construction	<u>37,013</u>	<u>55,465</u>
		<u>271,771</u>	<u>114,255</u>
Non-current assets			
Refundable deposits	To meet contract requirements for completing construction	85,358	83,867
	To meet required security deposit	600	600
Other - time deposits	To meet long-term borrowing of credit	<u>8,595</u>	<u>-</u>
		<u>94,553</u>	<u>84,467</u>
		<u>\$ 366,324</u>	<u>\$ 198,722</u>

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

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	\$ 69,510	\$ 94,858
Foreign exchange forward contracts	-	568
Exchange rate swap contracts	<u>285</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 69,795</u>	<u>\$ 95,426</u>
	December 31	
	2019	2018
Current	\$ 69,795	\$ 95,426
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 69,795</u>	<u>\$ 95,426</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 6,026</u>	<u>\$ -</u>
Financial liabilities at FVTPL	<u>\$ 6,026</u>	<u>\$ -</u>
Current	\$ 6,026	\$ -
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 6,026</u>	<u>\$ -</u>

○ Financial Information

- a. At the end of the year, 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, 2019</u>							
Commodity futures contracts							
Cooper	Buy	9,625	2019.08.12-2019.12.31	2020.02.19-2020.05.20	US\$ 58,603	US\$ 59,235	US\$ 632
Cooper	Sell	8,875	2019.12.11-2019.12.30	2020.01.15	US\$ 54,386	US\$ 54,657	US\$ (271)
Cooper	Buy	3,750	2019.11.11-2019.12.30	2020.01.01-2020.04.30	RMB 177,900	RMB 185,097	RMB 7,197
Nickel	Buy	1,020	2019.12.27-2019.12.31	2020.03.27-2020.03.31	US\$ 14,511	US\$ 14,333	US\$ (178)
Nickel	Sell	2,634	2019.10.17-2019.12.23	2020.01.17-2020.03.23	US\$ 38,116	US\$ 36,994	US\$ 1,122
Nickel	Buy	106	2019.12.17	2020.01.31-2020.03.31	RMB 11,822	RMB 11,839	RMB 17
Zinc	Buy	205	2019.10.29-2019.12.25	2020.01.31-2020.02.28	RMB 3,836	RMB 3,701	RMB (135)

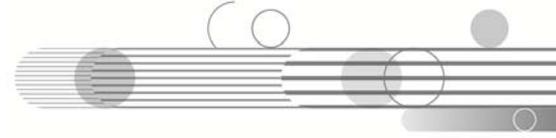
December 31, 2018

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
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

- b. At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Sell foreign exchange forward contracts	EUR to MYR	2020.01.14-2020.09.30	EUR836/MYR3,897
	USD to MYR	2020.07.30-2020.09.30	USD900/MYR3,783
	USD to RMB	2020.01.31	USD5,000/RMB35,002
	USD to NTD	2020.01.03-2020.01.08	USD50,000/NTD1,505,900
Buy foreign exchange forward contracts	USD to JPY	2020.01.08	USD7,537/JPY800,000
	USD to RMB	2020.01.06	USD30,000/RMB212,320
	EUR to USD	2020.03.10	EUR5,690/USD6,359
	USD to SGD	2020.11.16	USD31,341/SGD42,457

(Continued)



	<b>Currencies</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2018</u>			
Sell foreign exchange forward 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 foreign exchange forward 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
(Concluded)			

- c. At the end of the year, outstanding exchange rate swap contracts not under hedge accounting were as follows:

<b>Currency</b>	<b>Maturity Date</b>	<b>Notional Amount (In Thousands)</b>
<u>December 31, 2019</u>		
USD to JPY	2020.01.08	USD3,985/JPY434,000

- d. For the years ended December 31, 2019 and 2018, the Group's strategy for commodity futures contracts, foreign exchange forward 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. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets - current</u>		
Fair value hedges - exchange rate swap contracts	\$ -	\$ 15,630
<u>Financial liabilities - current</u>		
Fair value hedges - exchange rate swap contracts	\$ 14,346	\$ -

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 year were as follows:

○ Financial Information

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Exchange rate swap contracts	USD to NTD	2020.01.14	USD41,000/NTD1,252,837
	USD to NTD	2020.02.05	USD20,000/NTD607,060
	USD to NTD	2020.02.05	USD35,000/NTD1,063,895
	USD to NTD	2020.02.05	USD10,000/NTD303,980
	USD to NTD	2020.02.05	USD17,000/NTD517,455
	USD to NTD	2020.02.05	USD17,000/NTD517,455
	USD to RMB	2020.01.16	USD22,000/RMB155,706
	USD to RMB	2020.02.07	USD20,000/RMB140,100
	USD to RMB	2020.02.07	USD20,000/RMB140,882
	USD to RMB	2020.02.07	USD10,000/RMB70,445
	USD to RMB	2020.02.07	USD35,000/RMB246,533
	USD to RMB	2020.02.07	USD17,000/RMB119,485
	USD to RMB	2020.02.07	USD17,000/RMB119,581

December 31, 2018

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

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
(Loss) gain on the hedging instruments	<u>\$ (14,346)</u>	<u>\$ 15,630</u>
(Gain) loss on the hedged items	<u>\$ (50,141)</u>	<u>\$ 11,057</u>

**9. FINANCIAL ASSETS AT AMORTIZED COST**

	<b><u>December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Foreign investments		
Interest rate-linked structured investment deposits	<u>\$ 1,470,571</u>	<u>\$ 1,489,831</u>

The interest rate for interest rate linked structured investment deposits were 3.7% and 3.9% as of December 31, 2019 and 2018, respectively.

## 10. CONTRACT ASSETS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Contract assets		
Cable installation services	\$ 331,591	\$ 44,733
Solar energy installation services	3,683,081	2,545,131
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Contract assets - current	<u>\$ 4,014,672</u>	<u>\$ 2,589,864</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

## 11. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
Notes receivable	<u>\$ 3,576,333</u>	<u>\$ 3,844,819</u>
<u>Trade receivables</u>		
Trade receivables	\$ 7,706,726	\$ 11,850,109
Less: Allowance for impairment loss	<u>(68,967)</u>	<u>(120,910)</u>
	<u>\$ 7,637,759</u>	<u>\$ 11,729,199</u>

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.

○ Financial Information

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, 2019

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 365 Days	More than 365 Days	Total
Expected credit loss rate	0%	0%-2%	0%-50%	0%-100%	50%-100%	
Gross carrying amount	\$ 6,392,603	\$ 1,019,275	\$ 101,389	\$ 95,993	\$ 97,466	\$ 7,706,726
Loss allowance (lifetime ECLs)	-	(6,470)	(3,800)	(14,331)	(44,366)	(68,967)
Amortized cost	<u>\$ 6,392,603</u>	<u>\$ 1,012,805</u>	<u>\$ 97,589</u>	<u>\$ 81,662</u>	<u>\$ 53,100</u>	<u>\$ 7,637,759</u>

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 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 120,910	\$ 122,527
(Less) add: Net remeasurement of loss allowance	(15,124)	9,907
Less: Amounts written off	(34,166)	(9,560)
Foreign exchange gains and losses	<u>(2,653)</u>	<u>(1,964)</u>
Balance at December 31	<u>\$ 68,967</u>	<u>\$ 120,910</u>

## 12. FINANCE LEASE RECEIVABLES

	<b>December 31, 2019</b>
<u>Undiscounted lease payments</u>	
Year 1	\$ 81,359
Year 2	81,359
Year 3	81,359
Year 4	81,359
Year 5	81,359
Year 6 onwards	<u>613,094</u>
	1,019,889
Less: Unearned finance income	<u>(188,898)</u>
Net investment in leases presented as finance lease receivables	<u>\$ 830,991</u>
Current	\$ 54,278
Non-current	<u>776,713</u>
	<u>\$ 830,991</u>
	<b>December 31, 2018</b>
<u>Gross investments in leases</u>	
Not later than 1 year	\$ 52,489
Later than 1 year and not later than 5 years	228,468
Later than 5 years	602,523
Less: Allowance	<u>-</u>
Present value of minimum lease payments	<u>\$ 883,480</u>
<u>Lease receivables</u>	
Not later than 1 year	\$ 52,489
Later than 1 year and not later than 5 years	228,468
Later than 5 years	<u>602,523</u>
Lease receivables	<u>\$ 883,480</u>
Current	\$ 52,489
Non-current	<u>830,991</u>
	<u>\$ 883,480</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, 2019 and 2018.

The finance lease receivables as of December 31, 2019 and lease receivables as of December 31, 2018 were neither past due nor impaired.

The amounts of finance lease receivables and lease receivables pledged as collateral for bank borrowings are set out in Note 33.

### 13. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Manufacturing and trading industries		
Raw materials	\$ 3,431,920	\$ 4,864,217
Raw materials in transit	1,962,559	2,081,448
Supplies	1,606,782	1,797,681
Work-in-process	2,525,817	2,311,453
Finished goods and merchandise	<u>5,464,469</u>	<u>7,237,753</u>
Contracts in progress	<u>14,991,547</u>	<u>18,292,552</u>
Real estate development industry	3,434	3,434
Undeveloped land	2,030,702	1,538,598
Buildings and land held for sale	<u>4,993,405</u>	<u>6,213,935</u>
Contracts in progress	<u>7,027,541</u>	<u>7,755,967</u>
	<u>\$ 22,019,088</u>	<u>\$ 26,048,519</u>

- a. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were NT\$124,756,314 thousand and NT\$174,545,602 thousand, respectively.
- b. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2019 included reversals of inventory write-downs of NT\$148,763 thousand. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2018 included inventory write-downs of NT\$491,857 thousand. Previous write-downs had been reversed according to the result of the inventory close out.
- c. The purchase of inventory for the real estate development industry is primarily for the land, and construction costs of future construction and construction projects which are still under development of Walsin (Nanjing) Development Co., LTD.
- d. Walsin (Nanjing) Development Co., LTD. entered into an agreement with third parties for the sale of real estate as of December 31, 2019 and 2018; the selling prices for the related residential buildings and office buildings were RMB130,630 thousand and RMB3,164,139 thousand, respectively. The sale of the real estate in the amount of NT\$571,573 thousand and NT\$13,262,131 thousand were recognized as “operating revenue” for the year ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the cash equivalents received from the advance sale of real estate by Walsin (Nanjing) Development Co., LTD. are as follows:

	December 31			
	2019		2018	
	RMB	NTD	RMB	NTD
Residential buildings	\$ -	\$ -	\$ 4,446	\$ 19,899

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

	December 31	
	2019	2018
Domestic listed ordinary shares		
HannStar Display Corp.	\$ 2,089,584	\$ 1,670,537
HannStar Board Corp.	2,639,800	1,347,136
Domestic unlisted ordinary shares	320,842	291,562
Overseas unlisted ordinary shares	<u>273,139</u>	<u>681,983</u>
	<u>\$ 5,323,365</u>	<u>\$ 3,991,218</u>
Current	\$ -	\$ -
Non-current	<u>5,323,365</u>	<u>3,991,218</u>
	<u>\$ 5,323,365</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.

WLC participated in Powertec Electrochemical Corp's (formerly known as Powertec Energy Corp.) 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 was 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. and 290 thousand shares of Parsawin Venture Capital Corp. 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.

## 15. SUBSIDIARIES

### a. Subsidiaries included in consolidated financial statements

The consolidated entities as of December 31, 2019 and 2018 were as follows:

Investor	Investee	Main Business	% of Ownership		
			December 31 2019	December 31 2018	
Walsin Lihwa Corporation	Walsin Lihwa Holdings Limited (WLHL)	Investment holding	100.00	100.00	
	Concord Industries Limited (CIL)	Investment holding	100.00	100.00	
	Touch Micro-System Technology Corp. (TMT)	OEM on MEMS foundry service	100.00	100.00	
	Ace Result Global Limited	Investment holding	(Liquidating) 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	100.00	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	75.29	75.97	
Nanjing Walsin Expo Exhibition Co., Ltd.		Exhibition service	- (Note 1)	60.00	
Nanjing Taiwan Trade Mart Management Co., Ltd.		Business and assets management, consulting and advertising services	100.00	100.00	
Walsin (China) Investment Co., Ltd.	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	18.37	18.37	
	Nanjing Walsin Metal Co., Ltd.	Manufacture and sale of copper alloy	- (Note 2)	2.01	
	Nanjing Walsin Metal Co., Ltd.	Manufacture and sale of copper alloy	- (Note 2)	92.29	
	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	
	CIL				

(Continued)

Investor	Investee	Main Business	% of Ownership	
			2019	2018
	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	- (Note 3)	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 Co., LTD.	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
	Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	100.00	100.00
	Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	100.00	100.00
Energy Pilot Limited	Green Lake Capital, LLC.	Solar power business	100.00 (Liquidating)	100.00
	Green Lake Exchange, LLC.	Solar power business	100.00 (Liquidating)	100.00
Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	100.00	100.00

(Concluded)

Note1: Nanjing Walsin Expo Exhibition Co., Ltd. was liquidated on December 27, 2019 and received its deregistration certificate on December 31, 2019.

Note2: In May 2019, The Group entered into an agreement with Zhuhai Gree Electric Enterprise Co., Ltd. to dispose the equity interest of Nanjing Walsin Metal Co., Ltd., which was incurred by the withdrawal of original appointed director and resulted in a loss of control on May 27, 2019, refer to Note 28 for the details.

Note3: XiAn Walsin Metal Product Co., Ltd. merged XiAn Walsin Opto-electronic Limited.

b. The following entities were excluded from consolidation as of December 31, 2019 and 2018:

Investor	Investee	Main Business	% of Ownership		Note
			2019	2018	
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, 2019 and 2018, 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, 2019 and 2018, the combined total assets were NT\$10,076,558 thousand and NT\$7,959,485 thousand, respectively. For the years ended December 31, 2019 and 2018, the combined total net operating revenue of such subsidiaries were NT\$15,531,341 thousand and NT\$11,999,669 thousand, respectively.

## 16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates:

Name of Associate	December 31			
	2019		2018	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,599,856	22.21	\$ 13,915,961	22.21
Walton Advanced Engineering, Inc.	2,549,401	21.65	2,270,771	20.83
Walsin Technology Corp.	6,188,821	18.30	6,400,352	18.30
<u>Associates that are not individually material</u>				
Others	<u>6,674,389</u>		<u>7,968,767</u>	
	<u>\$ 29,012,467</u>		<u>\$ 30,555,851</u>	

Refer to Table 9 “Information on Investees” and Table 10 “Information on Investments in Mainland China” for the nature of activities, principal place of business and country of incorporation of the associates.

At December 30, 2019, the Group subscribed for 47,861 thousand shares of Powertec Electrochemical Corp. through a private placement for cash of NT\$239,303 thousand. Transfer of the aforementioned ordinary shares within 3 years from the acquisition date is prohibited by regulations.

At February 26, 2020, Powertec Electrochemical Corp. filed for bankruptcy with resolution of the board of directors in accordance with Company Act, No. 211 and relevant regulations. Management of the Company carried out an impairment review by comparing their respective recoverable amounts with the carrying amounts. Based on the assessment, the recoverable amount of the Company’s interest in Powertec Electrochemical Corp. of NT\$1,678,639 thousand was less than the carrying amount. The amount was recognized as impairment loss under non-operating income and expenses.

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

Name of Associate	December 31	
	2019	2018
Winbond Electronics Corp.	\$ 17,279,237	\$ 11,976,146
Walton Advanced Engineering, Inc.	\$ 1,277,171	\$ 1,183,986
Walsin Technology Corp.	\$ 21,247,656	\$ 13,690,958

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, 2019 and 2018 was based on the associates' financial statements audited by independent auditors for the same period.

a. Material associates

December 31, 2019

	Winbond Electronics Corp.	Walton Advanced Engineering, Inc.	Walsin Technology Corp.
Current assets	\$ 37,557,286	\$ 3,836,916	\$ 29,074,560
Non-current assets	67,247,614	13,271,223	31,069,984
Current liabilities	(17,515,468)	(2,219,782)	(16,312,658)
Non-current liabilities	<u>(23,432,245)</u>	<u>(3,196,283)</u>	<u>(7,294,140)</u>
Equity	63,857,187	11,692,074	36,537,746
Non-controlling interests	<u>(2,836,565)</u>	<u>-</u>	<u>(2,716,095)</u>
	<u>\$ 61,020,622</u>	<u>\$ 11,692,074</u>	<u>\$ 33,821,651</u>
Proportion of the Group's ownership	22.21%	21.65%	18.30%
Equity attributable to the Group	\$ 13,552,680	\$ 2,531,334	\$ 6,189,362
Other adjustments	<u>47,176</u>	<u>18,067</u>	<u>(541)</u>
Carrying amount	<u>\$ 13,599,856</u>	<u>\$ 2,549,401</u>	<u>\$ 6,188,821</u>
Operating revenue	<u>\$ 48,771,434</u>	<u>\$ 6,158,099</u>	<u>\$ 30,140,875</u>
Net profit (loss) for the year	\$ 1,477,287	\$ 165,048	\$ 6,648,906
Other comprehensive income (loss)	<u>1,294,756</u>	<u>1,120,375</u>	<u>(9,168)</u>
Total comprehensive income (loss) for the year	<u>\$ 2,772,043</u>	<u>\$ 1,285,423</u>	<u>\$ 6,639,738</u>

December 31, 2018

	<b>Winbond Electronics Corp.</b>	<b>Walton Advanced Engineering, Inc.</b>	<b>Walsin Technology Corp.</b>
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%
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>

b. Associates that are not individually material

	<u><b>For the Year Ended December 31</b></u>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Gain (loss) from continuing operations	\$ (653,272)	\$ 16,292
Other comprehensive income (loss)	<u>1,003,210</u>	<u>(1,052,104)</u>
Total comprehensive income (loss) for the year	<u>\$ 349,938</u>	<u>\$ (1,035,812)</u>

The Group's share of profit and other comprehensive income of associates for the years ended December 31, 2019 and 2018 was based on the associates' financial statements audited by independent auditors for the same period.

The financial statements of certain equity-method investees included in the financial statements as of and for the year ended December 31, 2019 was audited by other auditors. The investment in such investees amounted to NT\$0 thousand and the investment loss amounted to NT\$1,004,730 thousand for the year ended December 31, 2019.

## 17. PROPERTY, PLANT AND EQUIPMENT

	<b>December 31</b>					
	<b>2019</b>		<b>2018</b>			
Assets used by the Group	<u>\$ 27,845,109</u>		<u>\$ 25,083,436</u>			
	<b>Land</b>	<b>Buildings and Improvements</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Construction in Progress</b>	<b>Total</b>
<u>Cost</u>						
Balance at January 1, 2019	\$ 2,383,150	\$ 8,999,161	\$ 25,882,142	\$ 6,514,788	\$ 6,884,427	\$ 50,663,668
Additions	1,057,564	153,104	237,851	256,600	3,422,701	5,127,820
Disposals	(66)	(65,596)	(289,369)	(359,356)	(21,174)	(735,561)
Disposal of subsidiaries	-	(169,709)	(964,730)	(173,177)	(43,121)	(1,350,737)
Transferred from inventory	-	227,364	-	7,230	28,778	263,372
Reclassified	12,730	7,402,255	607,089	232,577	(8,259,641)	(4,990)
Effect of foreign currency exchange differences	-	(402,153)	(203,985)	(102,872)	(10,277)	(719,287)
Balance at December 31, 2019	<u>\$ 3,453,378</u>	<u>\$16,144,426</u>	<u>\$ 25,268,998</u>	<u>\$ 6,375,790</u>	<u>\$ 2,001,693</u>	<u>\$ 53,244,285</u>
<u>Accumulated depreciation and impairment</u>						
Impairment losses recognized in profit or loss						
Balance at January 1, 2019	\$ 8,067	\$ 5,191,042	\$ 15,465,478	\$ 4,915,645	\$ -	\$ 25,580,232
Disposals	-	(29,999)	(239,411)	(307,960)	-	(577,370)
Disposal of subsidiaries	-	(86,540)	(915,362)	(142,965)	-	(1,144,867)
Impairment losses recognized in profit or loss	-	-	421	1,369	-	1,790
Depreciation expenses	-	515,880	999,536	332,638	-	1,848,054
Reclassified	-	2,969	(32,187)	28,779	-	(439)
Effect of foreign currency exchange differences	-	(62,244)	(158,075)	(87,905)	-	(308,224)
Balance at December 31, 2019	<u>\$ 8,067</u>	<u>\$ 5,531,108</u>	<u>\$ 15,120,400</u>	<u>\$ 4,739,601</u>	<u>\$ -</u>	<u>\$ 25,399,176</u>
Carrying amounts at December 31, 2019	<u>\$ 3,445,311</u>	<u>\$10,613,318</u>	<u>\$ 10,148,598</u>	<u>\$ 1,636,189</u>	<u>\$ 2,001,693</u>	<u>\$ 27,845,109</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)

○ Financial Information

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<u>Accumulated depreciation and impairment</u>						
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 20-50 years and 18-20 years, respectively.

On September 27, 2019, Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd. entered into an agreement with Shanghai Qingpu District Baihe Town Land Expropriation Office to sell the right-of-use assets and property, plant and equipment at Baihe Town, Qingpu District, Shanghai for RMB242,887 thousand (NT\$1,089,054 thousand). The transaction was completed in December, 2019, resulting in proceeds of RMB213,990 thousand (NT\$959,486 thousand) from the disposal of property, plant and equipment under non-operating income and expenses.

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, 2019 and 2018, the recorded total carrying amount of such parcels of land amounted to NT\$491,917 thousand and NT\$427,697 thousand, respectively.

## 18. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 1,139,658
Buildings	193,133
Transportation equipment	<u>31,032</u>
	<u>\$ 1,363,823</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 107,244</u>
Disposal of subsidiaries	<u>\$ 42,551</u>
Disposal	<u>\$ 34,317</u>
Depreciation charge for right-of-use assets	
Land	\$ 40,593
Buildings	54,085
Transportation equipment	<u>12,771</u>
	<u>\$ 107,449</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 76,467</u>
Non-current	<u>\$ 225,505</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	1.75%-6.123%
Buildings	1.409%-6.1%
Transportation equipment	3.038%-5.75%

○ Financial Information

c. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 72,462</u>
Expenses relating to low-value asset leases	<u>\$ 749</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 9,621</u>
Total cash outflow for leases	<u>\$ 158,649</u>

2018

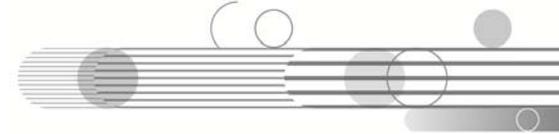
The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 130,851
Later than 1 year and not later than 5 years	274,363
Later than 5 years	<u>140,416</u>
	<u>\$ 545,630</u>

**19. INVESTMENT PROPERTIES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Completed investment properties	<u>\$ 10,032,989</u>	<u>\$ 10,241,647</u>
		<b>Completed Investment Properties</b>
<u>Cost</u>		
Balance at January 1, 2019		\$ 12,331,072
Additions		12,397
Disposals		(106,214)
Reclassified		70,729
Transferred from property, plant and equipment		4,990
Effect of foreign currency exchange differences		<u>(64,278)</u>
Balance at December 31, 2019		<u>\$ 12,248,696</u>

(Continued)



	<b>Completed Investment Properties</b>
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>
<b><u>Accumulated depreciation and impairment</u></b>	
Balance at January 1, 2019	\$ 2,089,425
Disposal	(75,177)
Reclassified	18,559
Transferred from property, plant and equipment	439
Depreciation expense	207,952
Effect of foreign currency exchange differences	<u>(25,491)</u>
Balance at December 31, 2019	<u>\$ 2,215,707</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> (Concluded)

The completed investment properties are depreciated under the straight-line method over 20 to 50 years.

The main investment properties of the Group are the Walsin Xin Yi Building and the completed investment properties of Walsin (Nanjing) Development Co., LTD.. The building valuation was commissioned by independent appraisal agencies (third parties). As of December 31, 2019 and 2018, the completed investment properties' real estate values were NT\$33,762,178 thousand and NT\$33,876,240 thousand, respectively.

## 20. PREPAYMENTS FOR LEASES

	<b>December 31, 2018</b>
Current assets	\$ 59,811
Non-current assets	<u>1,119,004</u>
	<u>\$ 1,178,815</u>

## 21. BORROWINGS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term borrowings	<u>\$ 12,457,481</u>	<u>\$ 10,024,097</u>
Current portion of long-term borrowings	<u>\$ 6,564,196</u>	<u>\$ 4,564,196</u>
Long-term borrowings	<u>\$ 16,929,215</u>	<u>\$ 19,993,411</u>

a. Short-term borrowings as of December 31, 2019 and 2018 were as follows:

	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Interest Rate %</b>	<b>Amount</b>	<b>Interest Rate %</b>	<b>Amount</b>
Materials' procurement loans	-	\$ -	1.15-1.374	\$ 938,612
Bank credit loans	0.8-5.75	<u>12,457,481</u>	0.70-5.50	<u>9,085,485</u>
		<u>\$ 12,457,481</u>		<u>\$ 10,024,097</u>

Refer to Notes 6 and 33 for collateral pledged for short-term borrowings as of December 31, 2019 and 2018.

b. Long-term borrowings as of December 31, 2019 and 2018 were as follows:

		<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
	<b>Significant Covenant</b>	<b>Amount</b>	<b>Amount</b>
Taipei Fubon Bank and others	Long-term credit loan, principal to be repaid in three phases: 1 <sup>st</sup> 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
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
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	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	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	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	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	1,000,000
Bank of Taiwan	Long-term credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	3,000,000	-

(Continued)

<b>December 31</b>			
		<b>2019</b>	<b>2018</b>
		<b>Significant Covenant</b>	<b>Amount</b>
		<b>Amount</b>	<b>Amount</b>
Cathay United Bank	Long-term credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	\$ 1,500,000	\$ -
Taiwan Cooperative Bank	Long-term credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	1,000,000	-
Taipei Fubon Commercial Bank	Long-term credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,000,000	-
Chang Hwa Commercial Bank, Ltd.	Long-term credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,000,000	-
KGI Bank	Long-term credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,500,000	-
Chinatrust Commercial Bank Co., Ltd.	Long-term credit loan; principal repayments until maturity from September 3, 2019 to September 3, 2022	1,500,000	-
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from December 15, 2011 to December 15, 2021	137,485	157,126
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from September 27, 2012 to September 27, 2022	141,019	159,194
Cathay United Bank	Long-term secured loan; monthly interest and principal repayments until maturity from February 21, 2012 to February 21, 2022	117,632	134,046
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from December 25, 2013 to October 11, 2023	34,833	38,500
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from February 14, 2014 to October 11, 2023	30,667	33,867
Taipei Fubon Bank	Long-term secured loan; monthly interest and principal repayments until maturity from October 6, 2014 to October 11, 2023	<u>31,775</u>	<u>34,874</u>
		23,493,411	24,557,607
Less current portion of long-term borrowings		<u>(6,564,196)</u>	<u>(4,564,196)</u>
		<u>\$ 16,929,215</u>	<u>\$ 19,993,411</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, 2019 and 2018, the effective interest rate range of the credit borrowings was 1.25%-1.40% and 1.25%-1.80% per annum. As of December 31, 2019 and 2018, the effective interest rate range of the secured borrowings was 1.94%-2.27% per annum.

- 3) As of December 31, 2019 and 2018, the Group's current portion of long-term borrowings were NT\$6,564,196 thousand and NT\$ 4,564,196 thousand under the loan agreements, respectively. The Group's consolidated financial reports for the year ended December 31, 2019 and 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, 2019 and 2018.

## 22. 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, 2019 and 2018 was NT\$89,411 thousand and NT\$83,553 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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 1,462,115	\$ 1,462,879
Fair value of plan assets	<u>(1,003,099)</u>	<u>(881,651)</u>
Net defined benefit liabilities	<u>\$ 459,016</u>	<u>\$ 581,228</u>

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2018	<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 loss - change in demographic assumption	17,269	-	17,269
Actuarial loss - changes in financial assumption	54,543	-	54,543
Actuarial gain - 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	(75,052)	75,052	-
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>
Service cost			
Current service cost	14,653	-	14,653
Past service cost	1,941	-	1,941
Net interest expense (income)	<u>14,575</u>	<u>(8,778)</u>	<u>5,797</u>
Recognized in profit or loss	<u>31,169</u>	<u>(8,778)</u>	<u>22,391</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(30,782)	(30,782)
Actual loss - change in demographic assumption	3,142	-	3,142
Actuarial loss - changes in financial assumption	32,948	-	32,948
Actuarial loss - experience adjustments	<u>17,478</u>	<u>-</u>	<u>17,478</u>
Recognized in other comprehensive income (loss)	<u>53,568</u>	<u>(30,782)</u>	<u>22,786</u>
Contributions from the employer	-	(151,344)	(151,344)
Benefits paid	(69,456)	69,456	-
Account paid	<u>(16,045)</u>	<u>-</u>	<u>(16,045)</u>
Balance at December 31, 2019	<u>\$ 1,462,115</u>	<u>\$ (1,003,099)</u>	<u>\$ 459,016</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 12,015	\$ 16,247
Selling and marketing expenses	1,630	2,145
General and administrative expenses	8,512	7,793
Research and development expenses	<u>234</u>	<u>315</u>
	<u>\$ 22,391</u>	<u>\$ 26,500</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.

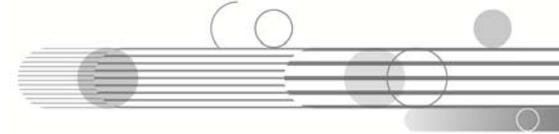
The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.75%	1.00%
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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates		
0.5% increase	<u>\$ (64,814)</u>	<u>\$ (68,045)</u>
0.5% decrease	<u>\$ 69,431</u>	<u>\$ 73,072</u>

(Continued)



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected rates of salary increase		
0.5% increase	<u>\$ 66,962</u>	<u>\$ 70,646</u>
0.5% decrease	<u>\$ (63,183)</u>	<u>\$ (66,487)</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.

### 23. EQUITY

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Share capital		
Ordinary shares	\$ 33,260,002	\$ 33,260,002
Capital surplus	16,055,238	15,966,420
Retained earnings	31,179,511	32,144,727
Others	(3,110,410)	(4,043,137)
Treasury shares	-	-
Non-controlling interests	<u>1,181,773</u>	<u>1,936,331</u>
	<u>\$ 78,566,114</u>	<u>\$ 79,264,343</u>

#### a. Share capital

##### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
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>3,326,000</u>	<u>3,326,000</u>
Amount of issued shares	<u>\$ 33,260,002</u>	<u>\$ 33,260,002</u>

As of January 1, 2018, the balance of WLC's share capital account was NT\$33,660,002 thousand, divided into 3,366,000 thousand shares at a NT\$10.00 par value.

WLC cancelled 40,000 thousand treasury shares in August 2018. As of December 31, 2019 and 2018, the balances of WLC's capital account were all NT\$33,260,002 thousand, consisted of 3,326,000 thousand shares at par value of NT\$10.00 each.

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Premium from issuance of ordinary shares	\$ 10,173,533	\$ 10,173,533
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	331,766	242,323
Arising from treasury share transactions	2,448,303	2,448,303
Arising from gain on disposal of property plant and equipment	2,074,231	2,074,231
Others	<u>1,027,405</u>	<u>1,027,415</u>
	<u>\$ 16,055,238</u>	<u>\$ 15,966,420</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 25 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 Rule No.1010012865, Rule No. 1010047490 and Rule No.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 2018 and 2017 was approved in the shareholders’ meeting on May 24, 2019 and May 25, 2018. The appropriation and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 1,175,678	\$ 655,998	\$ -	\$ -
Special reserve	1,330,888	-	-	-
Cash dividends	<u>3,991,200</u>	<u>3,326,000</u>	1.2	1.0
	<u>\$ 6,497,766</u>	<u>\$ 3,981,998</u>		

The appropriation of earnings for 2019 had been resolved by WLC’s board of directors on February 22, 2020. The appropriation and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
Legal reserve	\$ 314,968	\$ -
Special reserve	(932,728)	-
Cash dividends	<u>1,663,000</u>	0.5
	<u>\$ 1,045,240</u>	

The appropriation of earnings for 2019 are subject to the resolution of the shareholders’ meeting to be held on May 29, 2020.

d. Special reserves

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Special reserve	<u>\$ 4,043,138</u>	<u>\$ 2,712,250</u>

Information regarding any changes to the above special reserve was as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 2,712,250	\$ 2,712,250
Appropriations in respect of surplus	<u>1,330,888</u>	<u>-</u>
Balance at December 31	<u>\$ 4,043,138</u>	<u>\$ 2,712,250</u>

e. Other equity items

1) Foreign currency translation reserve

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (3,567,540)	\$ (2,944,758)
Share of exchange difference of associates under equity method	<u>(1,978,819)</u>	<u>(622,782)</u>
Ending balance	<u>\$ (5,546,359)</u>	<u>\$ (3,567,540)</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) Unrealized gain (loss) on financial assets at fair value through other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (474,446)	\$ 1,875,068
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal (Note 14)	-	252,951
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	1,572,352	(719,216)
Share of other comprehensive income (loss) of associates accounted for using the equity method	<u>1,338,043</u>	<u>(1,883,249)</u>
Ending balance	<u>\$ 2,435,949</u>	<u>\$ (474,446)</u>

3) Cash flow hedges

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ (1,151)	\$ (7,529)
Transferred to carrying amount of hedged items	1,151	6,499
Others	<u>-</u>	<u>(121)</u>
Ending balance	<u>\$ -</u>	<u>\$ (1,151)</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:

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

## 24. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Sales revenue	\$ 131,991,667	\$ 175,678,575
Sales of real estate	571,573	13,262,131
Revenue from the rendering of services	224,120	327,609
Construction contract revenue	485,431	660,631
Rental income	1,193,894	922,838
Other revenue	<u>337,720</u>	<u>63,353</u>
	<u>\$ 134,804,405</u>	<u>\$ 190,915,137</u>

## 25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

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

	<u>For the Year Ended December 31</u>	
	2019	2018
Loss on disposal of investments - forward exchange contracts settled	\$ (34,418)	\$ (3,958)
Loss on disposal of investments - exchange rate swap contracts settled	-	(8,060)
(Loss) gain on disposal of investments - commodity futures contracts settled	(1,287,899)	367,681
Gain on disposal of investments - financial assets at fair value through profit or loss	-	5
Gain on disposal of subsidiaries (Note 28)	<u>2,145,199</u>	<u>-</u>
	<u>\$ 822,882</u>	<u>\$ 355,668</u>

### Non-operating Income and Expenses - Impairment Loss

	<u>For the Year Ended December 31</u>	
	2019	2018
Investments accounted for using equity method	\$ 1,678,639	\$ -
Property, plant and equipment	1,790	78,400
Others	<u>146</u>	<u>147</u>
	<u>\$ 1,680,575</u>	<u>\$ 78,547</u>

### Employee Benefits Expense, Depreciation and Amortization

	<u>For the Year Ended December 31, 2019</u>			
	Operating Costs	Operating Expenses	Non-operating Expenses and Losses	Total
Short-term employment benefits	<u>\$ 3,606,413</u>	<u>\$ 2,123,478</u>	<u>\$ -</u>	<u>\$ 5,729,891</u>
Post-employment benefits	<u>\$ 218,489</u>	<u>\$ 134,462</u>	<u>\$ -</u>	<u>\$ 352,951</u>
Other employee benefits	<u>\$ 431,794</u>	<u>\$ 265,680</u>	<u>\$ -</u>	<u>\$ 697,474</u>
Depreciation				
Property, plant and equipment	\$ 1,663,677	\$ 179,015	\$ 5,362	\$ 1,848,054
Right-of-use assets	19,296	88,153	-	107,449
Investment properties	<u>200,125</u>	<u>7,827</u>	<u>-</u>	<u>207,952</u>
	<u>\$ 1,883,098</u>	<u>\$ 274,995</u>	<u>\$ 5,362</u>	<u>\$ 2,163,455</u>
Amortization	<u>\$ 3,378</u>	<u>\$ 7,845</u>	<u>\$ -</u>	<u>\$ 11,223</u>

**For the Year Ended December 31, 2018**

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

In accordance with 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, 2019 and 2018, the employees' compensation amounted to NT\$48,500 thousand and NT\$125,000 thousand, respectively, and the remuneration of directors and supervisors amounted to NT\$21,000 thousand and NT\$63,000 thousand, respectively. The employees' compensation and remuneration to directors and supervisors in cash for the years ended December 31, 2019 and 2018 were approved by the Group's board of directors on February 27, 2020 and February 22, 2019, 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, 2018 and 2017 resolved by WLC's board of directors on February 22, 2019 and February 22, 2018, 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.

## 26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 955,935	\$ 2,134,360
Income tax expense of unappropriated earnings	418,342	239,219
In respect of prior periods	(151,896)	26,866
Reserve for land value increment tax	<u>75,742</u>	<u>2,476,172</u>
	<u>1,298,123</u>	<u>4,876,617</u>
Deferred tax		
In respect of the current year	(377,663)	(103,096)
Effect of tax rate changes	-	(57,196)
Others	<u>36,483</u>	<u>(4,638)</u>
	<u>(341,180)</u>	<u>(164,930)</u>
Income tax expense recognized in profit or loss	<u>\$ 956,943</u>	<u>\$ 4,711,687</u>

A reconciliation of accounting profit and income tax expenses, average effective tax rate and the applicable tax rate is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Income before tax from continuing operations	<u>\$ 4,740,267</u>	<u>\$ 16,670,974</u>
Income tax expense calculated at the statutory rate	\$ 1,112,669	\$ 4,991,368
Equity in investees' net gain	(768,494)	(2,394,973)
Foreign dividend income	6,529	-
Dividend income	(26,125)	(34,575)
Net gain on disposal of investments	7,370	-
Loss on investees' capital reduction for cover accumulated deficits	(164,000)	(104,251)
Others	(59,418)	(528,511)
Unrecognized loss carryforwards/deductible temporary differences	469,741	(17,922)
Adjustments for prior years' tax	(115,413)	27,964
Effect of tax rate changes	-	57,196
Income tax of unappropriated earnings	418,342	239,219
Reserve for land revaluation increment tax	<u>75,742</u>	<u>2,476,172</u>
Income tax expense recognized in profit or loss	<u>\$ 956,943</u>	<u>\$ 4,711,687</u>

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.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets		
Tax refund receivable (recorded under other non-current assets)	\$ <u>976</u>	\$ <u>22,161</u>
Current tax liabilities		
Income tax payable	\$ <u>4,587,562</u>	\$ <u>4,389,952</u>

c. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax assets		
Net operating loss carryforwards	\$ 34,097	\$ 51,278
Pension expense not currently deductible	58,000	87,000
Provision for devaluation loss on obsolete and slow-moving inventories	94,626	121,203
Provision for impairment loss on idle assets	18,000	19,000
Unrealized gross profit from intercompany transactions	2,474	5,854
Provision for permanent devaluation loss on long-term investments	552,000	52,000
Difference between financial and tax accounting of the depreciation of property, plant and equipment	121	5,805
Prepaid expense	1,031,313	1,049,775
Others	257,547	265,596
Deferred income tax liabilities		
Difference between financial and tax accounting of the depreciation of property, plant and equipment	(13,589)	(12,812)
Reserve for land revaluation increment tax	(148,006)	(149,557)
Others	<u>(17,721)</u>	<u>(20,126)</u>
	<u>\$ 1,868,862</u>	<u>\$ 1,475,017</u>
Deferred income tax assets - non-current	\$ 2,048,176	\$ 1,657,511
Deferred income tax liabilities - non-current	<u>(179,314)</u>	<u>(182,494)</u>
	<u>\$ 1,868,862</u>	<u>\$ 1,475,017</u>

- d. The Group's loss carryforwards as of December 31, 2019 for income tax purposes were as follows:

Expiry Year	Net Operating Loss Tax Credit
2020	\$ 6,977
2021	6,652
2023	17,550
2024	<u>2,918</u>
	<u>\$ 34,097</u>

- e. WLC's income tax returns through 2017 had been examined and cleared by the tax authorities, but not for 2015.

## 27. EARNINGS PER SHARE

	For the Year Ended December 31					
	2019			2018		
	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars)	Amounts (Numerator)	Shares (Denominator) (In Thousands)	Earnings Per Share (In Dollars)
	After Income Tax (Attributable to WLC's Shareholders)		After Income Tax (Attributable to WLC's Shareholders)	After Income Tax (Attributable to WLC's Shareholders)		After Income Tax (Attributable to WLC's Shareholders)
Basic earnings per share						
Net income	\$ 3,149,679	3,326,000	<u>\$ 0.95</u>	\$ 11,756,781	3,326,000	<u>\$ 3.53</u>
Effect of dilutive potential ordinary shares						
Diluted earnings per share	<u>-</u>	<u>4,136</u>		<u>-</u>	<u>8,113</u>	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 3,149,679</u>	<u>3,330,136</u>	<u>\$ 0.95</u>	<u>\$ 11,756,781</u>	<u>3,334,113</u>	<u>\$ 3.53</u>

## 28. DISPOSAL OF SUBSIDIARIES

The Group entered into an agreement with Zhuhai Gree Electric Enterprise Co., Ltd. to dispose the equity interest of Nanjing Walsin Metal Co., Ltd., which was incurred by the withdrawal of original appointed director and resulted in a loss of control on May 27, 2019.

- a. Consideration received from disposals

	Nanjing Walsin Metal Co., Ltd.
Consideration received in cash and cash equivalents	\$ 97,528
Receivable from disposal of investment (recorded under other receivables)	<u>6,553,570</u>
Total consideration received	<u>\$ 6,651,098</u>

b. Analysis of assets and liabilities on the date control was lost

Current assets	
Cash and cash equivalents	\$ 1,321,694
Notes receivable	148,312
Trade receivables	1,442,433
Inventories	1,656,511
Other receivables	330,610
Other current assets	26,392
Non-current assets	
Property, plant and equipment	205,870
Right-of-use assets	42,551
Refundable deposits	3,108
Other non-current assets	<u>59,982</u>
Total assets	<u>\$ 5,237,463</u>
Current liabilities	
Financial liabilities at fair value through profit or loss - current	\$ 75,838
Notes payable and trade payables	169,473
Other payables	126,421
Other current liabilities	153,582
Non-current liabilities	
Other non-current liabilities	<u>6,777</u>
Total liabilities	<u>\$ 532,091</u>
Disposed of net assets	<u>\$ 4,705,372</u>

c. Gain on disposals of subsidiaries

Consideration received from disposal of equity shares	\$ 6,651,098
Costs of disposal	(3,335)
Non-controlling interests	262,777
Carrying amount of equity investment at the date of disposal	(4,705,372)
Effect of foreign currency exchange	<u>(59,969)</u>
Total gain on disposals	<u>\$ 2,145,199</u>

The gain on disposal of equity shares was recorded under gain on disposal of investment in the year as of 2019.

d. Net consolidated cash inflow statement on the date control was lost

Consideration received from disposal of equity shares	\$ 6,651,098
Effect on foreign currency exchange from loss of control	(16,844)
Less: Receivables from disposal of investment at the end of the period (recorded under other receivables)	(6,553,570)
Less: Cash and cash equivalent balances at the date of disposal	(1,321,694)
Add: Advance deposits (recorded under other current liabilities)	4,478,042
Effect on foreign currency exchange from loss of control	<u>(16,844)</u>
Net cash inflow on disposals of subsidiaries	<u>\$ 3,237,032</u>

The registration of equity transaction had been completed on August 9, 2019. As of December 31, 2019, the Group received a payment of RMB978,685 thousand (NT\$4,205,732 thousand) from the disposal of equity interest in Nanjing Walsin Metal Co., Ltd.; however, due to the deposit requirement of equity transaction, it was accounted for under other current liabilities as of December 31, 2019.

## 29. OPERATING 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, 2019 and 2018, deposits received under operating leases amounted to NT\$303,648 thousand and NT\$206,297 thousand, respectively (recorded under other non-current liabilities).

As of December 31, 2019, the Group's future minimum lease payments on non-cancelable operating lease commitments are as follows:

Year of 2020	\$ 1,305,779
2021-2025	3,592,422
After 2025	<u>283,108</u>
	<u>\$ 5,181,309</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.

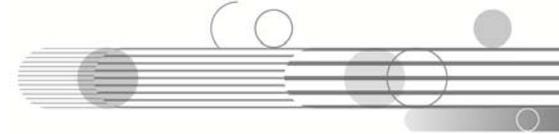
The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity attributable to owners of the Group (comprising issued capital, reserves, retained earnings and other equity).

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, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other comprehensive income</u>				
Equity securities				
Securities listed in the ROC	\$ 4,729,384	\$ -	\$ -	\$ 4,729,384
Unlisted securities	<u>-</u>	<u>-</u>	<u>593,981</u>	<u>593,981</u>
	<u>\$ 4,729,384</u>	<u>\$ -</u>	<u>\$ 593,981</u>	<u>\$ 5,323,365</u>
<u>Financial assets at FVTPL</u>				
Derivatives not designated as hedging instruments	<u>\$ 69,510</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 69,795</u>
<u>Financial liabilities at FVTPL</u>				
Derivatives not designated as hedging instruments	\$ -	\$ 6,026	\$ -	\$ 6,026
Derivative financial liabilities for hedging	<u>-</u>	<u>14,346</u>	<u>-</u>	<u>14,346</u>
	<u>\$ -</u>	<u>\$ 20,372</u>	<u>\$ -</u>	<u>\$ 20,372</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through other 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>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets 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> (Concluded)

- 2) There were no transfers between Levels 1 and 2 for the years ended December 31, 2019 and 2018.
- 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 - foreign exchange forward 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 11,753,006	\$ 9,406,154
Contract assets - current	4,014,672	2,589,864
Notes receivable and trade receivables (including related parties)	11,214,092	15,574,018
Lease receivables (current and non-current)	-	883,480
Finance lease receivables (current and non-current)	830,991	-
Other receivables	8,076,664	1,212,252
Other financial assets	317,733	114,255
Refundable deposits	183,291	187,053
Financial assets at amortized cost - current	1,470,571	1,489,831
Derivative financial assets for hedging	-	15,630
Financial assets at FVTPL (current and non-current)	69,795	95,426
Financial assets at fair value through other comprehensive income (current and non-current)	5,323,365	3,991,218
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)	6,026	-
Derivative financial liabilities for hedging (current and non-current)	14,346	-
Financial liabilities at amortized cost		
Short-term borrowings	12,457,481	10,024,097
Notes payable and trade payables	7,310,226	9,053,695
Other payables	4,901,323	3,513,168
Long-term borrowings (including current portion)	23,493,411	24,557,607
Deposits received (accounted for as other non-current liabilities)	5,168,697	402,683

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Assets</u>		
US dollar	\$ 4,820,850	\$ 8,007,642
Japanese yen	30,990	132,123
Euro	350,497	493,291
Singapore dollar	2,091	19,167
Hong Kong dollar	9,444	8,665
Australian dollar	1,946	-
Malaysian ringgit	21,814	363,824
Indonesian rupiah	16,418	-
<u>Liabilities</u>		
US dollar	10,306,467	6,051,498
Japanese yen	-	260
Euro	-	42,746
Malaysian ringgit	54,505	45,816

The carrying amounts of the Group's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Assets</u>		
US dollar	\$ 252,948	\$ 2,795,065
Euro	219,193	176,000
<u>Liabilities</u>		
US dollar	11,092,136	5,645,417
Euro	-	552,553
Singapore dollar	-	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.

	<b>US Dollar Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ (163,248)	\$ (8,942)

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash flow interest rate risk		
Financial assets	\$ 1,470,571	\$ 1,489,831
Financial liabilities	35,950,892	34,581,704

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, 2019 and 2018 would have decreased by NT\$344,803 thousand and NT\$330,919 thousand, respectively.

### Hedge accounting

#### For the year ended December 31, 2019

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	US\$ to NTD	US\$41,000/ NTD1,252,837	2020.01.14	NT\$ 1,233,665	Financial liabilities for hedging	\$ -	\$ 19,173	\$ -
	US\$ to NTD	US\$20,000/ NTD607,060	2020.02.05	NT\$ 601,124	Financial liabilities for hedging	-	5,936	-
	US\$ to NTD	US\$35,000/ NTD1,063,895	2020.02.05	NT\$ 1,051,889	Financial liabilities for hedging	-	12,006	-
	US\$ to NTD	US\$10,000/ NTD303,980	2020.02.05	NT\$ 300,547	Financial liabilities for hedging	-	3,433	-
	US\$ to NTD	US\$17,000/ NTD517,455	2020.02.05	NT\$ 510,933	Financial liabilities for hedging	-	6,521	-
	US\$ to NTD	US\$17,000/ NTD517,455	2020.02.05	NT\$ 509,121	Financial liabilities for hedging	-	8,334	-
	US\$ to RMB	US\$22,000/ RMB155,706	2020.01.16	RMB 158,079	Deduction on financial liabilities for hedging	RMB 2,373	-	-
	US\$ to RMB	US\$20,000/ RMB140,100	2020.02.07	RMB 140,589	Deduction on financial liabilities for hedging	RMB 489	-	-
	US\$ to RMB	US\$20,000/ RMB140,882	2020.02.07	RMB 142,397	Deduction on financial liabilities for hedging	RMB 1,515	-	-
	US\$ to RMB	US\$10,000/ RMB70,445	2020.02.07	RMB 71,204	Deduction on financial liabilities for hedging	RMB 759	-	-
	US\$ to RMB	US\$35,000/ RMB246,533	2020.02.07	RMB 248,996	Deduction on financial liabilities for hedging	RMB 2,463	-	-
	US\$ to RMB	US\$17,000/ RMB119,485	2020.02.07	RMB 120,502	Deduction on financial liabilities for hedging	RMB 1,018	-	-
	US\$ to RMB	US\$17,000/ RMB581	2020.02.07	RMB 120,518	Deduction on financial liabilities for hedging	RMB 937	-	-

## 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, 2019

	<b>1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 19,021,677	\$ 7,162,400	\$ 9,766,815	\$ -	\$ 35,950,892
Lease liabilities	90,125	76,861	87,691	129,181	383,858
Non-interest bearing	<u>17,220,360</u>	<u>26,850</u>	<u>119,567</u>	<u>13,469</u>	<u>17,380,246</u>
	<u>\$ 36,332,162</u>	<u>\$ 7,266,111</u>	<u>\$ 9,974,073</u>	<u>\$ 142,650</u>	<u>\$ 53,714,996</u>

#### December 31, 2018

	<b>1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<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>12,487,538</u>	<u>8,185</u>	<u>62,896</u>	<u>8,244</u>	<u>12,965,546</u>
	<u>\$ 27,075,831</u>	<u>\$ 2,656,632</u>	<u>\$ 17,407,860</u>	<u>\$ 8,244</u>	<u>\$ 47,547,250</u>

○ Financial Information

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

December 31, 2019

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Net settled</u>					
Commodity futures contracts	\$ 36,980	\$ 32,803	\$ (273)	\$ -	\$ 69,510
Forward exchange contracts	(120)	1,941	(7,847)	-	(6,026)
Foreign exchange rate swap contracts	<u>(8,689)</u>	<u>(5,372)</u>	<u>-</u>	<u>-</u>	<u>(14,061)</u>
	<u>\$ 28,171</u>	<u>\$ 29,372</u>	<u>\$ (8,120)</u>	<u>\$ -</u>	<u>\$ 49,423</u>

December 31, 2018

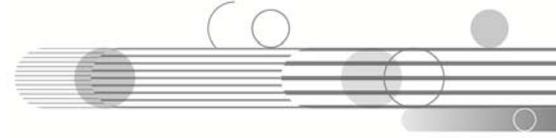
	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Net settled</u>					
Commodity futures contracts	\$ 18,386	\$ 102,345	\$ (25,873)	\$ -	\$ 94,858
Forward exchange contracts	-	15,630	-	-	15,630
Foreign exchange rate swap contracts	<u>5,750</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>

e. Transfers of financial assets

Factored trade receivables for the years ended December 31, 2019 and 2018 were as follows:

<b>Counterparties</b>	<b>Receivables Factoring</b>	<b>Reclassified to Other Receivables</b>	<b>Advances Received - Unused</b>	<b>Advances Received - Used</b>	<b>Annual Interest Rates on Advances Received (Used) (%)</b>
<u>December 31, 2019</u>					
CTBC bank	\$ 162,569	\$ 13,636	US\$ 2,700	-	-

(Continued)



Counterparties	Receivables Factoring	Reclassified to Other Receivables	Advances Received - Unused	Advances Received - Used	Annual Interest Rates on Advances Received (Used) (%)
<u>December 31, 2018</u>					
CTBC bank	171,014	9,944	US\$ 2,700	-	-
(Concluded)					

### 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
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 Electrochemical Corp.	Actual related party, associate since April 20, 2018 (formerly known as Powertec Energy Corp.)
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
VVG Inc.	Actual related party
Nuvoton Technology Corporation	Actual related party

b. Sales

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 11,336	\$ 9,406
Other related parties	<u>958,959</u>	<u>999,664</u>
	<u>\$ 970,295</u>	<u>\$ 1,009,070</u>

○ Financial Information

c. Rental income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 41,765	\$ 38,712
Other related parties	<u>12,355</u>	<u>13,361</u>
	<u>\$ 54,120</u>	<u>\$ 52,073</u>

d. Purchases

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 30,830	\$ 12,046
Other related parties	<u>2,676</u>	<u>2,803</u>
	<u>\$ 33,506</u>	<u>\$ 14,849</u>

e. Administrative expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 11,232	\$ 10,476
Other related parties	<u>12,311</u>	<u>11,785</u>
	<u>\$ 23,543</u>	<u>\$ 22,261</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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
HannStar Display Corp.	\$ 71,188	\$ 118,646
HannStar Board Corp.	58,825	47,165
Other related parties	<u>4,816</u>	<u>4,816</u>
	<u>\$ 134,829</u>	<u>\$ 170,627</u>

g. Notes receivable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 4,073	\$ 2,452
Other related parties	<u>28,248</u>	<u>104</u>
	<u>\$ 32,321</u>	<u>\$ 2,556</u>

h. Trade receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 330	\$ 295
Other related parties	<u>26,393</u>	<u>22,827</u>
	<u>\$ 26,723</u>	<u>\$ 23,122</u>

i. Notes payable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	<u>\$ 14,837</u>	<u>\$ 4,923</u>

j. Trade payables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 721	\$ -
Other related parties	<u>116</u>	<u>171</u>
	<u>\$ 837</u>	<u>\$ 171</u>

k. Other receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 8,784	\$ 14,169
Other related parties	<u>2,549</u>	<u>2,595</u>
	<u>\$ 11,333</u>	<u>\$ 16,764</u>

l. Financing provided

Financing provided for year ended December 31, 2019 and 2018 are as follows:

	<b>December 31, 2019</b>			
<b>Related Parties</b>	<b>Highest Balance for the Period</b>	<b>Ending Balance</b>	<b>Interest Income</b>	<b>Interest Rate</b>
Hangzhou Walsin Power Cable & Wire Co., Ltd.	<u>\$ 367,935</u>	<u>\$ 343,786</u>	<u>\$ 17,402</u>	4.79%

○ Financial Information

Related Parties	December 31, 2018			
	Highest Balance for the Period	Ending Balance	Interest Income	Interest Rate
Hangzhou Walsin Power Cable & Wire Co., Ltd.	\$ 360,054	\$ 358,014	\$ 1,489	4.79%

m. Guarantee deposits

	December 31	
	2019	2018
Associates	\$ 8,916	\$ 8,916
Other related parties	417	2,139
	<u>\$ 9,333</u>	<u>\$ 11,055</u>

n. Disposed of property, plant and equipment (included Investment Properties)

	For the Year Ended December 31			
	2019		2018	
	Price	Gain on Disposals	Price	Gain on Disposals
Walsin Technology Corp.	\$ -	\$ -	\$ 5,500	\$ 5,500
Prosperity Dielectrics Co., Ltd.	<u>278,246</u>	<u>246,877</u>	-	-
	<u>\$ 278,246</u>	<u>\$ 246,877</u>	<u>\$ 5,500</u>	<u>\$ 5,500</u>

In 2019, the Group disposed of investment property to Prosperity Dielectrics Co., Ltd. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and appraisal report.

o. Compensation of key management personnel

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

	December 31	
	2019	2018
Short-term benefits	\$ 117,365	\$ 223,394
Post-employment benefits	<u>17,594</u>	<u>2,867</u>
	<u>\$ 134,959</u>	<u>\$ 226,261</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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits (recorded under other financial assets - current)	\$ 45,962	\$ -
Restricted deposits (recorded under other financial assets - current)	271,771	113,504
Time deposits (recorded under other financial assets - current)	-	751
Time deposits (recorded under other financial assets - non-current)	8,595	-
Lease receivables - current	-	52,489
Finance lease receivables - current	54,278	-
Lease receivables - non-current	-	830,991
Finance lease receivables - non-current	776,713	-
Other non-current assets	<u>85,958</u>	<u>84,467</u>
	<u>\$ 1,243,277</u>	<u>\$ 1,082,202</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, 2019 and 2018 were as follows:

- a. Outstanding letters of credit not reflected in these consolidated financial statements as of December 31, 2019 and 2018 were as follows (in thousands):

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
US dollars	US\$ 20,182	US\$ 48,781
Japanese yen	JPY 94,529	JPY 187,216
Euros	EUR 5,277	EUR 3,212
New Taiwan dollars	NT\$ 30,799	NT\$ 48,486
RMB	RMB 13,134	RMB -

- b. As of December 31, 2019, the outstanding standby letters of credit not reflected in these consolidated financial statements amounted to approximately NT\$336,075 thousand, US\$10 and RMB59,390 thousand. 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. As of December 31, 2019 and 2018, tariff letters of credit amounted to approximately NT\$524,000 thousand, RMB3,500 thousand and NT\$587,000 thousand, RMB3,500 thousand, respectively.

○ Financial Information

- c. Non-cancelable copper and nickel procurement contracts with total contract values of US\$23,404 thousand and US\$36,885 thousand were in effect as of December 31, 2019 and 2018, 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, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
US dollar	\$ 160,802	29.9800	\$ 4,820,850
Japanese yen	112,281	0.2760	30,990
Euros	10,435	33.5900	350,497
Singapore dollar	94	22.2800	2,091
Hong Kong dollar	2,454	3.8490	9,444
Australian dollar	93	21.0050	1,946
Malaysian ringgit	3,102	7.0330	21,814
Indonesian rupiah	7,531,211	0.0022	16,418
Non-monetary items			
US dollar	9,554	29.9800	286,428

#### Financial liabilities

Monetary items			
US dollar	343,778	29.9800	10,306,467
Malaysian ringgit	7,750	7.0330	54,505
Swiss franc	17	30.925	526
Non-monetary items			
US dollar	1,848	29.9800	55,402

#### December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
US dollar	\$ 260,708	30.7150	\$ 8,007,642
Japanese yen	474,920	0.2782	132,123
Euro	14,014	35.2000	493,291

(Continued)

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
Singapore dollar	853	22.4800	19,167
Hong Kong dollar	2,210	3.9210	8,665
Malaysian ringgit	51,156	7.11200	363,824
<b><u>Financial liabilities</u></b>			
<b>Monetary items</b>			
US dollar	197,021	30.7150	6,051,498
Euro	1,214	35.2000	42,746
Japanese yen	936	0.2782	260
Malaysian ringgit	6,442	7.11200	45,816
Swiss franc	17	31.1850	530
<b>Non-monetary items</b>			
US dollar	4,350	30.7150	133,621
Euro	92	35.2000	3,244
			(Concluded)

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were gains of NT\$112,757 thousand and gains of NT\$271,081 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:

- a. Financing provided: See Table 1 attached;
- b. Endorsements/guarantees provided: See Table 2 attached;
- c. Marketable securities held: See Table 3 attached;
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of paid-in capital: See Table 4 attached;
- e. Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: See Table 5 attached;
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: See Table 6 attached;
- 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 7 attached;
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 8 attached;

## ○ Financial Information

- i. Trading in derivative instruments: See Notes 7 and 8;
- j. Information on investees (names, locations, and related information of investees over which the Group exercises significant influence): See Table 9 attached;
- k. Intercompany relationships and significant intercompany transactions: See Table 11 attached;

### Information on investments in mainland China:

- a. See Table 10 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 10 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

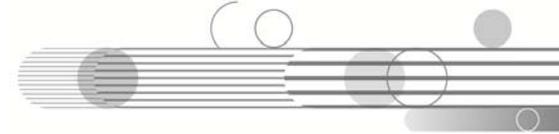
### a. Basic information

#### 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:

	(NTS in Thousand)				
	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>For the year ended December 31, 2019</u>					
External net sales and operating revenue	\$ 60,557,082	\$ 56,737,975	\$ 2,098,825	\$ 15,410,523	\$ 134,804,405
Operating profit	1,148,885	879,274	283,341	1,719,631	4,031,131
Net non-operating income (expenses)					
Net interest income (expenses)					(291,258)
Share of profit of associates under equity method					727,962

(Continued)

## ○ Financial Information

	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
Dividend income					136,772
Gain on disposal of property, plant and equipment					854,514
Gain on disposal of investment properties					246,877
Gain on disposal of investments					822,882
Foreign exchange loss, net					112,757
Loss on financial assets and liabilities at fair value through profit or loss					(106,368)
Reversal of impairment loss					(1,680,575)
Net other income (expenses)					<u>(114,427)</u>
Consolidated income before income tax					<u>\$ 4,740,267</u>
<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>

(Concluded)

## 2) Segment assets and liabilities

	Wires and Cables	Stainless Steel	Real Estate	Administration and Investing	Total
<u>Segment assets</u>					
December 31, 2019	\$ 7,794,262	\$ 31,357,528	\$ 28,269,666	\$ 70,644,946	<u>\$ 138,066,402</u>
December 31, 2018	15,273,620	33,047,809	27,588,996	56,743,685	<u>\$ 132,654,110</u>
<u>Segment liabilities</u>					
December 31, 2019	2,140,001	13,311,082	14,311,511	29,737,694	<u>\$ 59,500,288</u>
December 31, 2018	5,539,950	21,537,430	13,990,334	12,322,053	<u>\$ 53,389,767</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:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>2019</b>	<b>2018</b>	<b>December 31</b>	
			<b>2019</b>	<b>2018</b>
Asia	\$ 116,540,846	\$ 173,549,235	\$ 39,430,534	\$ 35,530,260
United States of America	14,561,842	11,604,394	214,988	17,928
Europe	2,451,408	2,858,304	-	-
Others	<u>1,250,294</u>	<u>2,903,204</u>	<u>-</u>	<u>-</u>
	<u>\$ 134,804,390</u>	<u>\$ 190,915,137</u>	<u>\$ 39,645,522</u>	<u>\$ 35,548,186</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 2019 and 2018.

TABLE 1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

## FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2019

(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	\$ 13,568,590 (US\$ 154,000) (RMB 1,900,000)	\$ 11,191,835 (US\$ 154,000) (RMB 1,530,000)	\$ 5,562,611 (US\$ 24,000) (RMB 1,127,000)	2.48%-3.68%	Operating capital	\$ -	Operating capital	\$ -	N	\$ -	\$ 30,953,736 (US\$ 1,032,480)	\$ 30,953,736 (US\$ 1,032,480)
		Walsin Lihwa Corporation	Other receivables	Yes	13,026,850 (US\$ 415,000)	12,441,700 (US\$ 415,000)	4,796,800 (US\$ 160,000)	1.65%- 3.40%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
2	Walsin (China) Investment Co., Ltd.	Hangzhou Walsin Power Cable & Wire Co., Ltd.	Other receivables	Yes	367,935 (RMB 80,000)	343,786 (RMB 80,000)	343,786 (RMB 80,000)	4.79%	Operating capital	-	Operating capital	-	N	-	1,516,510 (US\$ 50,586)	1,516,510 (US\$ 50,586)
		Walsin (Nanjing) Development Co., Ltd.	Other receivables	Yes	7,358,704 (RMB 1,600,000)	6,445,995 (RMB 1,500,000)	3,944,837 (RMB 917,974)	5.22%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Yantai Walsin Stainless Steel Co., Ltd.	Other receivables	Yes	6,114,030 (US\$ 150,000) (RMB 300,000)	5,786,199 (US\$ 150,000) (RMB 300,000)	1,906,158 (US\$ 63,581) RMB -	2.13%-2.65%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Other receivables	Yes	1,422,000 (US\$ 45,000)	1,349,100 (US\$ 45,000)	1,338,367 (US\$ 44,642)	2.13%-2.65%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Changshu Walsin Specialty Steel Co., Ltd.	Other receivables	Yes	2,153,407 (US\$ 58,000) (RMB 70,000)	2,039,653 (US\$ 58,000) (RMB 70,000)	1,614,123 (US\$ 53,840) RMB -	2.13% -4.35%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Walsin Hihwa Holdings Limited	Other receivables	Yes	8,738,461 (RMB 1,900,000)	- RMB -	- RMB -	-	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Dongguan Walsin Wire & Cable Co., Ltd.	Other receivables	Yes	2,317,423 (US\$ 40,000) (RMB 230,000)	1,437,073 (US\$ 25,000) (RMB 160,000)	722,308 (US\$ 24,093) RMB -	2.65%- 3.915%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
		Jiangyin Walsin Steel Cable Co., Ltd.	Other receivables	Yes	1,580,000 (US\$ 50,000)	1,499,000 (US\$ 50,000)	294,554 (US\$ 9,825)	2.13%-2.65%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Other receivables	Yes	284,400 (US\$ 9,000)	269,820 (US\$ 9,000)	262,745 (US\$ 8,764)	2.13%-2.65%	Operating capital	-	Operating capital	-	N	-	379,127 (US\$ 12,646)	1,516,510 (US\$ 50,586)		
3	Dongguan Walsin Wire & Cable Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	2,317,423 (US\$ 40,000) (RMB 230,000)	1,437,073 (US\$ 25,000) (RMB 160,000)	680,757 US\$ - (RMB 158,414)	3.10%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)

(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. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. =  $\text{US}\$126,464 \times 10\% = \text{US}\$12,646$  (379,127).  
Walsin (China) Investment Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Walsin Lihwa Corporation =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Walsin (Nanjing) Development Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Yantai Walsin Stainless Steel Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Jiangyin Walsin Specialty Alloy Materials Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Changshu Walsin Specialty Steel Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Dongguan Walsin Wire & Cable Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Walsin Lihwa Holdings Limited =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Hangzhou Walsin Power Cable & Wire Co., Ltd. =  $\text{US}\$126,464 \times 40\% = \text{US}\$50,586$  (1,516,510).
  - b. The limit on the amount of financing provided was as follows:

Walsin Lihwa Corporation =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).  
Walsin (China) Investment Co., Ltd. =  $\text{US}\$126,464 \times 40\% = \text{US}\$50,586$  (1,516,510).
2. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars and Renminbi.
3. The currency exchange rate as of December 31, 2019 was as follows: US\$ to NT\$ = 1:29.98; RMB to NT\$ = 1:4.29773; US\$ to RMB = 1:6.9762.

(Concluded)

TABLE 1-1

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

## FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars and 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		
4	Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	\$ 5,782,800 (US\$ 183,000)	\$ 5,486,340 (US\$ 183,000)	\$ 5,336,440 (US\$ 178,000)	2.13%-2.48%	Operating capital	\$ -	Operating capital	\$ -	N	\$ -	\$ 30,953,736 (US\$ 1,032,480)	\$ 30,953,736 (US\$ 1,032,480)
5	Yantai Walsin Stainless Steel Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	1,379,757 (RMB 300,000)	1,289,199 (RMB 300,000)	- RMB -	-	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)
6	Changshu Walsin Specialty Steel Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	321,943 (RMB 70,000)	300,813 (RMB 70,000)	263,994 (RMB 61,432)	3.10%	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)

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 was as follows:  
Walsin (China) Investment Co., Ltd. =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).
  - The limit on the highest amount of financing provided was as follows:  
The limit on the amount of financing provided =  $\$77,384,341 \times 40\% = \$30,953,736$  (US\$1,032,480).
- Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars and Renminbi.
- The currency exchange rate as of December 31, 2019 was as follows: US\$ to NT\$ = 1:29.98; RMB to NT\$ = 1:4.29773; US\$ to RMB = 1:6.9762.

## CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

## FINANCING PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars and 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		
5	Joint Success Enterprises Limited	Walsin (Nanjing) Development Co., Ltd.	Other receivables	Yes	\$ 836,768 (US\$ 26,480)	\$ 793,870 (US\$ 26,480)	\$ 793,870 (US\$ 26,480)	2.13%-2.48%	Operating capital	\$ -	Operating capital	\$ -	N	\$ -	\$ 30,953,736 (US\$ 1,032,480)	\$ 30,953,736 (US\$ 1,032,480)
6	Walsin (Nanjing) Development Co., Ltd.	Walsin (China) Investment Co., Ltd.	Other receivables	Yes	7,358,704 (RMB 1,600,000)	4,297,330 (RMB 1,000,000)	- US\$ -	-	Operating capital	-	Operating capital	-	N	-	30,953,736 (US\$ 1,032,480)	30,953,736 (US\$ 1,032,480)

## 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 limit on the amount of financing provided to a single enterprise was as follows:

Walsin (Nanjing) Development Co., Ltd. = \$77,384,341×40%=\$30,953,736 (US\$1,032,480).  
Walsin (China) Investment Co., Ltd. = \$77,384,341×40%=\$30,953,736 (US\$1,032,480).
  - b. The limit on the maximum amount of financing provided was as follows:

The limit on the maximum amount of financing provided = \$77,384,341×40%=\$30,953,736 (US\$1,032,480).
2. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of U.S. dollars and Renminbi.
3. The currency exchange rate as of December 31, 2019 was as follows: US\$ to NT\$ = 1:29.98; RMB to NT\$ = 1:4.29773; US\$ to RMB = 1:6.9762.

TABLE 2

## WALSIN LIHWA CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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.	b	\$ 5,128,169 (US\$ 171,053)	\$ 1,042,800 (US\$ 33,000)	\$ - US\$ -	\$ - US\$ -	\$ - -	- -	\$ 77,384,341	Yes	No	No
		Green Lake Exchange, LLC.	b	- US\$ -	331,800 (US\$ 10,500)	- US\$ -	- US\$ -	- -	- -	77,384,341	Yes	No	No
				\$ 5,128,169	\$ 1,374,600	\$ -	\$ -						

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 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 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:  
 $NT\$77,384,341 \times 100\% = NT\$77,384,341$ .
  - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:  
 Borrego Solar Systems, Inc.:  $US\$90,877 \times 250\% \times 75.29\% = US\$171,053$ .  
 Green Lake Exchange, LLC.:  $US\$0 \times 250\% \times 100\% = US\$0$ .
- The currency exchange rate as of December 31, 2019 was as follows: US\$ to NT\$ = 1:29.98.

TABLE 2-1

## WALSIN LIHWA HOLDINGS LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, U.S. Dollars, and Renminbi)

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)										
1	Dongguan Walsin Wire & Cable Co., Ltd.	Walsin (China) Investment Co., Ltd.	c	\$ 9,478,477 (US\$ 316,160)	\$ 1,422,483 (RMB 310,579)	\$ 1,334,660 (RMB 310,579)	\$ - (RMB -)	\$ -	2	\$ 77,384,341	No	No	Yes

Notes:

- The information on Walsin Lihwa Corporation and its subsidiaries is listed and labeled on the entitled "No." column.
  - "0" represents Walsin Lihwa Corporation.
  - Subsidiaries are numbered consecutively starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six categories.
  - 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 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 parent-company-only financial statements (including the consolidated financial statements). 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 provided to an investee 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\$77,384,341 × 100% = NT\$77,384,341.
  - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:  
Walsin (China) Investment Co., Ltd.: US\$126,464 × 250% × 100% = US\$316,160.
- The currency exchange rates as of December 31, 2019 were as follows: US\$ to NT\$ = 1:29.98; RMB to NT\$ = 1:4.29733.

TABLE 2-2

## CONCORD INDUSTRIES LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, U.S. Dollars, and Renminbi)

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)										
c	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Walsin (China) Investment Co., Ltd.	d	\$ 9,478,477 (US\$ 316,160)	\$ 1,422,483 (RMB 310,579)	\$ 1,334,660 (RMB 310,579)	\$ - US\$ -	\$ -	2	\$ 77,384,341	No	No	Yes

Notes:

- The information on Walsin Lihwa Corporation and its subsidiaries is listed and labeled on the entitled "No." column.
  - "0" represents Walsin Lihwa Corporation.
  - Subsidiaries are numbered consecutively starting at 1.
- The relationship between Walsin Lihwa Corporation and the endorsed/guaranteed entities can be classified into six categories.
  - 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 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 parent-company-only financial statements (including the consolidated financial statements). 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 provided to an investee 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\$77,384,341×100%=NT\$77,384,341.
  - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:  
Walsin (China) Investment Co., Ltd.: US\$126,464×250%×100%=US\$316,160.
- The currency exchange rates as of December 31, 2019 were as follows: US\$ to NT\$ = 1:29.98; RMB to NT\$ = 1:4.29733.

TABLE 3

## WALSIN LIHWA CORPORATION

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2019**  
**(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, 2019				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	258,292,180	\$ 2,089,584	8.24	\$ 2,089,584	
	HannStar Board Corp.	-	Financial assets at fair value through other comprehensive income - non-current	60,132,134	2,639,800	12.24	2,639,800	
	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	252,121	9.39	252,121	
	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	222	6.67	222	
	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	46,100	2.93	46,100	
	WK Technology Fund	-	Financial assets at fair value through other comprehensive income - non-current	380,477	7,518	1.91	7,518	
	Universal Venture Capital Investment	-	Financial assets at fair value through other comprehensive income - non-current	1,400,000	11,397	1.16	11,397	
	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	715	15.00	715	

TABLE 3-1

## CONCORD INDUSTRIES CONSTRUCTION CO. AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**  
**DECEMBER 31, 2019**  
**(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, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
XiAn Lvjing Technology Co., Ltd.	<u>Certification of capital verification</u>	-	Financial assets at fair value through other comprehensive income - non-current	N/A	\$ 47,774	19.00	\$ 47,774	
	Shaanxi Tianhong Silicon Industrial Corporation							
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	<u>Certification of capital verification</u>	-	Financial assets at fair value through other comprehensive income - non-current	N/A	15,786	6.02	15,786	
	Shaanxi Electronic Group Optoelectronics Technology Co., Ltd.							

TABLE 3-2

## CHIN-CHERNG CONSTRUCTION CO. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD  
DECEMBER 31, 2019  
(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, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Chin-Cherng Construction Co.	Share							
	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, 2019  
 (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, 2019				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	\$ 2,769	7.60	\$ 2,769	

**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, 2019  
(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	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	Share Concord Industries Limited	Investments accounted for using the equity method	Capital investment	Subsidiaries	487,903,187	\$ 10,516,206	18,000,000	\$ 491,028 (Note)	-	\$ -	\$ -	\$ -	505,903,187	\$ 11,007,234

Note: The amount included subscription for shares, investment income or loss and the share of the change in capital surplus from investments in associates accounted for using the equity method.

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, 2019  
(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
Renowned International Limited	Certificate of capital verification													
	Nanjing Walsin Metal Co., Ltd.	Investments accounted for using the equity method	Zhuhai Gree Electric Enterprises Co., Ltd.	-	N/A	\$ 918,419	-	\$ -	N/A	\$ 1,422,627	\$ 963,309 (Note 1)	\$ 459,318	-	\$ -
Walsin (China) Investment Co., Ltd.	Certificate of capital verification													
	Nanjing Walsin Metal Co., Ltd.	Financial assets at fair value through other comprehensive income - non-current	Zhuhai Gree Electric Enterprises Co., Ltd.	-	N/A	20,002	-	-	N/A	30,984	21,464 (Note 1)	9,520	-	-
	Certificate of capital verification Jiangyin Walsin Steel Cable Co., Ltd.	Investments accounted for using the equity method	Fasten Group Co., Ltd.	-	N/A	143,008	-	20,088 (Note 2)	-	-	-	-	N/A	163,096

Note 1: The amount included investment income or loss and other costs of disposal.

Note 2: The amount included subscription for shares and investment income or loss.

TABLE 4-2

**CONCORD INDUSTRIES CONSTRUCTION CO. 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, 2019  
(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	\$ 331,000	N/A	\$ 1,014,000	N/A	\$ 1,012,625	\$ 1,005,000	\$ 7,625	N/A	\$ 340,000
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	283,791	N/A	54,227 (Note)	-	-	-	-	N/A	338,018

Note: The amount included subscription for shares, investment income or loss and the share of the change in capital surplus from investments in associates accounted for using the equity method.

TABLE 5

**WALSIN LIHWA CORPORATION**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Walsin Lihwa Corporation	Land and plant	Contract date: 2018/12/18 Trade date: 2019/02/15	\$ 911,573	According to the contract	Lien Shun Yang Leather Co., Ltd.	-	N/A	N/A	N/A	N/A	According to the transaction quotes and appraisal report	Construction for own use	N/A

**TABLE 6****CONCORD INDUSTRIES CONSTRUCTION CO. AND SUBSIDIARIES**

**DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Land and plant	Contract date: 2019/08/08-2019/09/27 Trade date: 2019/12/31	1998/11/12	\$28,897	\$242,887	According to the contract	\$213,990	Shanghai Qingpu District Baihe Town Land Expropriation Office	N/A	Cooperate with Baihe Town Government's regional planning and expropriation process in Qingpu District, Shanghai	According to appraisal report	N/A

TABLE 7

## 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, 2019  
(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	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	\$ (4,045,695)	(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	\$ 955,288	9	
	Jiayin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(130,807)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	28,382	-	
	Koung Tai Metal Industrial Co., Ltd.	Director of the related party	Sales	(958,911)	(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	26,343	-	

TABLE 7-1

**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, 2019  
(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	
Dongguan Walsin Wire & Cable Co., Ltd.	Walsin Lihwa Holdings Limited	100% indirectly owned subsidiary	Purchases	\$ 4,045,695	28	Normal	Normal	Normal	\$ (955,288)	(94)	
Nanjing Walsin Metal Co., Ltd.	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	Sales	RMB (154,826)	(4)	Normal	Normal	Normal	RMB -	-	(Note 2)
	Dongguan Walsin Wire & Cable Co., Ltd.	Both subsidiaries of Walsin Lihwa Holdings Limited	Sales	RMB (70,184)	(2)	Normal	Normal	Normal	RMB -	-	(Note 2)

Note 1: Amounts are stated in thousands of New Taiwan dollars except those stated in thousands of Renminbi.

Note 2: The Group sold Nanjing Walsin Metal Co., Ltd. to Zhuhai Gree Electric Enterprise Co., Ltd. which resulted in a loss of control since May 27, 2019.

TABLE 7-2

**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, 2019  
(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	
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Walsin Lihwa Corporation	Parent company	Purchases	\$ 130,807	11	Normal	Normal	Normal	\$ (28,382)	(15)	
Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sale	RMB (237,676)	(9)	Normal	Normal	Normal	RMB 28,874	3	
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Both subsidiaries of Concord Industries Limited	Sale	RMB (120,835)	(5)	Normal	Normal	Normal	RMB 21,846	3	

Note : Amounts are stated in thousands of New Taiwan dollars except those stated in thousands of Renminbi.

**TABLE 8****WALSIN LIHWA CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2019  
(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 \$ 955,288	7.06	\$ -	-	\$ 664,394	\$ -

TABLE 8-1

## 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, 2019  
 (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 1,748,310	-	\$ -	-	\$ -	\$ -
	Walsin Lihwa Corporation	Parent company	Other receivables RMB 1,129,975	-	-	-	-	-
Walsin (China) Investment Co., Ltd.	Walsin Lihwa Holdings Limited	Parent company	Other receivables US\$ 4,900	-	-	-	-	-
	Yantai Walsin Stainless Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables US\$ 63,725	-	-	-	-	-
	Changshu Walsin Specialty Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables US\$ 53,963	-	-	-	-	-
	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	18.37% directly owned subsidiary	Other receivables US\$ 44,744	-	-	-	-	-
	Jiangyin Walsin Steel Cable Co., Ltd.	100% owned subsidiary	Other receivables US\$ 9,848 RMB 191,758	-	-	-	-	-
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	95.71% directly owned subsidiary	Other receivables US\$ 8,784	-	-	-	-	-
	Walsin (Nanjing) Development Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables RMB 921,772	-	-	-	-	-
	Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associate	Other receivables RMB 81,319	-	-	-	-	-
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables RMB 92,777	-	-	-	-	-
	XiAn Walsin Metal Product Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables RMB 171,568	-	-	-	-	-
	Nanjing Taiwan Trade Mart Management Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables RMB 67,453	-	-	-	-	-
Dongguan Walsin Wire & Cable Co., Ltd.	100% owned subsidiary	Other receivables US\$ 24,111	-	-	-	-	-	

**TABLE 8-2****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, 2019  
(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.	Both subsidiaries of Concord Industries Limited	Trade receivables \$ 28,874	8.05	\$ -	-	\$ 26,483	\$ -
Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation	Other receivables 1,241,764	-	-	-	-	-

TABLE 8-3

**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, 2019  
(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    \$ 188,808	-	\$ -	-	\$ -	\$ -

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE GROUP EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2019

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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 9,861,333	\$ 12,062,611	320,230,393	100.00	\$ 20,054,589	\$ 2,765,229	\$ 2,765,490	
	Concord Industries Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	19,281,719	18,726,095	505,903,187	100.00	11,007,234	815,919	815,919	
	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	21,751	12,468	12,468	
	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	304,640	(44,412)	(44,412)	
	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	812,145	22,944	22,944	
	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	79,934	12,559	12,559	
	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	325,608	32,316	32,316	
	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	10,000	1,000,000	100.00	9,568	(428)	(428)	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction	611,688	611,687	515,699,455	99.22	5,622,577	(166,426)	(164,944)	
	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	139,550	6,388	6,316	
	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	819,232	203,946	142,762	
	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	183	(905)	(633)	
	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	4,587,752	(349,247)	(139,676)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Investments	2,237,969	2,237,969	179,468,270	37.00	4,365,846	638,018	236,067	
	Walsin Color Co., Ltd.	24F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Management of investments and conglomerates	457,610	416,849	49,831,505	33.97	1,033,391	43,975	14,938	
	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	186,453	(18,651)	(4,974)	
	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	13,599,856	1,256,387	279,044	
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	21.65	2,549,401	153,264	30,011		
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	6,188,821	6,638,897	1,205,757		
Powertec Electrochemical 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	2,945,925	2,706,622	318,522,792 (Note 1)	20.53	-	(4,242,970)	(1,004,730) (Note 2)		

Note 1: In 2019, the Group paid NT\$239,303 to acquire an additional 47,860,632 shares in Powertec Electrochemical Corp., and became the shareholder of record on January 20, 2020.

Note 2: The Group recognized impairment loss of NT\$1,678,639 thousand.

(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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 882,239	\$ (10,603)	\$ (10,603)	
	Walsin International Investments Limited	Unit 9-15, 22/F, Millennium City, 378 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	Investments	HK\$ 10,000	HK\$ 0.002	10,000,002	100.00	(15,896)	(6,221)	(6,221)	
	Renowned International Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110, BVI	Investments	US\$ 8,469	US\$ 16,937	8,468,510	83.97	81,671	417,600	350,658	
	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\$ -	HK\$ -	
	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	75.29	512,511	251,102	189,544	
	Nanjing Walsin Expo Exhibition Ltd.	No. 199 Yanshan Road, Nanjing	Exhibition and conference organizing services	US\$ -	US\$ 265	N/A	60.00	-	(27)	(16)	(Note 2)
	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	(86,937)	28,631	28,631	
	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	2,097	128	26	
Renowned International Limited	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ -	US\$ 72,001	N/A	-	-	46,330	42,758	(Note 3)
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	41,322	(40,433)	(5,826)	
	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	220,112	(639)	(612)	
	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\$ 26,041	US\$ 15,000	N/A	100.00	163,096	(27,581)	(24,488)	
	Dongguan Walsin Wire & Cable Co., Ltd.	Xiniu 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	358,164	19,401	19,401	
	Nanjing Walsin Metal Co., Ltd.	No. 59 HengJing Road Nanjing Economical & Technical Development Zone, Jiangsu Province, China	Copper alloy	US\$ -	US\$ 2,151	N/A	-	-	46,330	931	(Note 3)
	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	57,770	(50,139)	(9,211)	

Note 1: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars and Hong Kong dollars.

Note 2: The liquidation and de-registration of Nanjing Walsin Expo Exhibition Ltd. Were completed on December 27, 2019.

Note 3: The Group sold Nanjing Walsin Metal Co., Ltd. to Zhuhai Gree Electric Enterprise Co., Ltd. which resulted in a loss of control since May 27, 2019.

(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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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 2)	US\$ 101,400 (Note 2)	101,400,000	100.00	\$ 176,682	\$ 178,302	\$ 178,302	
	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	163,835	15,381	15,381	
	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	256,709	(50,139)	(40,928)	
	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\$ 10,150	US\$ 10,000	N/A	100.00	(183,764)	(2,680)	(2,680) (Note 4)	
	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETZDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	US\$ 132,927	US\$ 114,927	N/A	54.40	338,018	(57,795)	(31,374) (Note 3)	
	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	86,918	27,365	8,209	
	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	346,349	6,863	6,863	
	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\$ -	US\$ 150	N/A	-	-	11	11 (Note 4)	
	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	60,666	1,203	1,203	
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	No. 2 Wuzhishan Road, ETZDZ Yantai City, Shantung Province, P.R.C.	Production and sale of electronic components and new alloy materials	168,086	168,086	N/A	45.60	283,339	(57,795)	(26,421) (Note 3)	
Walsin Specialty Steel Corp.	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	No. 2402, Waiqingsong Road, Baihe Town, Qing Pu Zone, Shanghai	Manufacture and sale of stainless steel	US\$ 39,000	US\$ 39,000	N/A	100.00	52,510	188,744	188,744	
	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	104,860	(10,440)	(10,440)	

Note 1: Amounts are stated in thousands of Renminbi, except those stated in thousands of U.S. dollars.

Note 2: The amount included capitalization of retained earnings of US\$4,500 thousand.

Note 3: Yantai Walsin Stainless Steel Co., Ltd. merged the Yantai Huangui Iron & Steel Co., Ltd. and Yantai.

Note 4: XiAn Walsin Metal Product Co., Ltd. merged the XiAn Walsin Opto-electronic Limited.

(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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Chin-Cherng Construction Co.	Joint Success Enterprises Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investments	\$ 1,202,993	\$ 1,202,993	37,461,816	50.95	\$ 4,625,344	\$ (349,247)	\$ (177,942)	
	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	40,694	3,488	1,232	
	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	1,205	(18,651)	(7)	
	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	80,783	638,018	4,279	
Joint Success Enterprises Limited	Walsin (Nanjing) Development Co., Ltd.	No. 236 Jiangdong Road, Jianye District, Nanjing, Jiangsu Province	Construction, rental and sale of buildings and industrial factories	RMB 375,542	RMB 375,542	N/A	100.00	RMB 1,949,397	RMB (77,305)	RMB (77,305)	
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 522	RMB 1,547	RMB 1,547	
	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 1,500	RMB 900	N/A	100.00	RMB (902)	RMB (2,387)	RMB (2,387)	
	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 6,500	RMB 1,000	N/A	100.00	RMB 3,116	RMB (3,287)	RMB (3,287)	

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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 256	\$ 773	\$ 773	
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	-	(14,389)	(14,389)	

(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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 15,227	\$ 2,728	\$ 2,728	

(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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 70,316	\$ (40,433)	\$ (9,915)	

(Concluded)

TABLE 10

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2019  
(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 were as follows:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 20)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 599,600 (US\$ 20,000)	b	\$ 449,700 (US\$ 15,000) (Note 2)	\$ 331,009 (US\$ 11,041)	\$ - -	\$ 780,709 (US\$ 26,041) (Note 2)	\$ (123,667)	100.00	\$ (109,799)	\$ 700,877	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	468,497 (US\$ 15,627)	b	448,381 (US\$ 14,956) (Note 3)	- -	- -	448,381 (US\$ 14,956) (Note 3)	(2,865)	95.71	(2,744)	945,894	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,859,158 (US\$ 162,080)	b	2,968,320 (US\$ 99,010) (Note 4)	- -	239,180 (US\$ 7,978)	2,729,140 (US\$ 91,032) (Note 4)	(181,293)	38.93	(70,579)	479,745	-
Walsin (China) Investment Co., Ltd.	Investments	2,356,428 (US\$ 78,600)	b	2,356,428 (US\$ 78,600) (Note 5)	- -	- -	2,356,428 (US\$ 78,600) (Note 5)	(47,542)	100.00	(47,542)	3,791,272	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,908,060 (US\$ 97,000)	b	2,908,060 (US\$ 97,000) (Note 6)	- -	- -	2,908,060 (US\$ 97,000) (Note 6)	(46,811)	100.00	(46,811)	450,618	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	509,660 (US\$ 17,000) (Note 7)	b	1,169,220 (US\$ 39,000) (Note 8)	- -	- -	1,169,220 (US\$ 39,000) (Note 8)	846,288	100.00	846,288	225,653	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	779,480 (US\$ 26,000)	b	779,480 (US\$ 26,000) (Note 9)	- -	- -	779,480 (US\$ 26,000) (Note 9)	86,990	100.00	86,990	1,539,149	-
Nanjing Walsin Metal Co., Ltd. (Note 10)	New copper metal material	2,434,376 (US\$ 81,200) (Note 11)	b	1,877,018 (US\$ 62,609) (Note 12)	- -	1,877,018 (US\$ 62,609)	- -	207,734	-	165,160	-	-
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	1,469,020 (US\$ 49,000)	b	1,469,020 (US\$ 49,000) (Note 13)	- -	- -	1,469,020 (US\$ 49,000) (Note 13)	(224,813)	100.00	(224,813)	1,351,416	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	304,297 (US\$ 10,150)	b	299,800 (US\$ 10,000)	4,497 (US\$ 150)	- -	304,297 (US\$ 10,150)	(12,017)	100.00	(12,017)	(789,695)	-

(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 20)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	\$ 7,646,849 (US\$ 255,065) (Note 14)	b	\$ 3,445,511 (US\$ 114,927)	\$ 539,640 (US\$ 18,000)	\$ - -	\$ 3,985,151 (US\$ 132,927)	\$ (259,141)	100.00	\$ (259,141)	\$ 2,670,176	\$ -
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	1,469,020 (US\$ 49,000)	b	1,469,020 (US\$ 49,000)	- -	- -	1,469,020 (US\$ 49,000)	30,772	100.00	30,772	1,488,376	-
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,307,128 (US\$ 43,600)	b	392,138 (US\$ 13,080)	- -	- -	392,138 (US\$ 13,080)	122,699	30.00	36,807	373,515	914,990
XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	2,995,002 (US\$ 99,900)	b	2,996,741 (US\$ 99,958)	- -	- -	2,996,741 (US\$ 99,958)	12,231	100.00	12,231	65,436	-
Nanjing Walsin Expo Exhibition Ltd. (Note 19)	Exhibition and conference organizing services	13,161 (US\$ 439)	b	7,945 (US\$ 265)	- -	- -	7,945 (US\$ 265)	(121)	60.00	(72)	-	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	29,980 (US\$ 1,000)	b	29,980 (US\$ 1,000)	- -	- -	29,980 (US\$ 1,000)	128,375	100.00	128,375	(373,597)	-
XiAn Lyjing Technology Co., Ltd.	Solar module assembly	1,355,096 (US\$ 45,200)	c	599,600 (US\$ 20,000)	- -	- -	599,600 (US\$ 20,000)	5,394	100.00	5,394	260,702	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon production	5,156,796 (RMB 1,200,000)	b	- (US\$ -)	- -	- -	- (US\$ -)	(1,905,248)	19.00	-	205,301 (Note 15)	-
XiAn Walsin Opto-electronic Limited (Note 16)	LED, micro projector, and solar cell assembly	- (US\$ -)	b	4,497 (US\$ 150)	- -	4,497 (US\$ 150)	- (US\$ -)	51	-	51	-	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	42,973 (RMB 10,000)	b	9,114 (US\$ 304)	- -	- -	9,114 (US\$ 304)	574	20.00	117	9,012	-
Shaanxi Electronic Group Optoelectronics Technology Co., Ltd. (Note 17)	Communications equipment and electronic components	668,652 (RMB 155,597)	b	- (RMB -)	- -	- -	- (RMB -)	22,531	6.02	-	67,838	-
Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	1,613,828 (RMB 375,542)	b	1,613,828 (RMB 375,542) (Note 18)	- -	- -	1,613,828 (RMB 375,542) (Note 18)	(346,618)	99.60	(345,243)	8,343,911	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	4,297 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	6,938	99.60	6,910	2,235	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	6,446 (RMB 1,500)	b	- (RMB -)	- -	- -	- (RMB -)	(10,705)	99.60	(10,662)	(3,859)	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	27,933 (RMB 6,500)	b	- (RMB -)	- -	- -	- (RMB -)	(14,739)	99.60	(14,680)	13,335	-

(Continued)

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

Accumulated Investment in Mainland China as of December 31, 2019 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
NT\$24,805,007 (US\$ 827,385)	NT\$27,296,181 (US\$ 910,480)	N/A (Note 23)

Notes

1. Investments can be classified into three categories as follows:
  - a. Direct investments in mainland China.
  - b. Reinvestments in mainland China through companies located in a third country.
  - c. Others.
2. Inclusive of US\$7,563 thousand in investments made through Walsin (China) Investment Co., Ltd.
3. Inclusive of US\$7,929 thousand in investments made through Walsin (China) Investment Co., Ltd.
4. 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.
5. 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.
6. 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.
7. Inclusive of capital reduction for cover accumulated deficits US\$22,000.
8. Inclusive of US\$4,800 thousand in investments made through Walsin (China) Investment Co., Ltd.
9. Investment made through Walsin (China) Investment Co., Ltd.
10. The Group sold Nanjing Walsin Metal Co., Ltd. to Zhuhai Gree Electric Enterprise Co., Ltd. which resulted in a loss of control since May 27, 2019.
11. Inclusive of an increment of US\$3,500 thousand from the revaluation of assets.
12. 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.
13. 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.
14. 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.
15. The private capital amount of RMB228,000 thousand of XiAn Lv Jing Technology Co., Ltd., adjusted by its fair value.
16. XiAn Walsin Metal Product Co., Ltd. merged XiAn Walsin Opto-electronic Limited.
17. Shaanxi Electronic Group Optoelectronics Technology Co., Ltd. was formerly known as Shaanxi Optoelectronics Technology Co., Ltd.
18. The amount includes investments through subsidiary Joint Success Enterprises Limited which were approved in the previous years.
19. The liquidation and de-registration of Nanjing Walsin Expo Exhibition Ltd. Were completed on December 27, 2019.
20. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi or US dollars.
21. The currency exchange rates as of December 31, 2019 are as follows: US\$ to NT\$ = 1:29.98, RMB to NT\$ = 1:4,29733. The average exchange rates as of December 31, 2019 are as follows: US\$ to NT\$ = 1:30.912, RMB to NT\$ = 1:4.48379.
22. Amount was recognized based on the reviewed financial statements.
23. 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-Cheng 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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Walsin (Nanjing) Development Co., LTD.	Construction, rental and sale of buildings and industrial factories	\$ 375,542	Note 1	\$ 375,542	\$ -	\$ -	\$ 375,542	\$ (77,305)	50.95	\$ (39,387)	\$ 993,218	\$ -
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	1,000	Note 1	-	-	-	-	1,547	50.95	788	266	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	1,500	Note 1	-	-	-	-	(2,387)	50.95	(1,216)	(460)	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	6,500	Note 1	-	-	-	-	(3,287)	50.95	(1,675)	1,588	-

2. The upper limit on investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2019 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
RMB375,542	RMB375,542	NT\$3,399,956 (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 was as follows:

$$\text{NT\$5,666,594 thousand} \times 60\% = \text{NT\$3,399,956 thousand.}$$

(Concluded)

TABLE 11

## WALSIN LIHWA CORPORATION AND INVESTEEES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018  
(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	Dongguan Walsin Wire & Cable Co., Ltd. Nanjing Walsin Metal Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jiangyin Walsin Specialty Alloy Materials Co., Ltd. Dongguan Walsin Wire & Cable Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jiangyin Walsin Specialty Alloy Materials Co., Ltd. Nanjing Walsin Metal Co., Ltd. Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Trade receivables	\$ 955,288	The terms are set by quotations on the local market and are similar to those of general customers	1
				Trade receivables	35,579	The terms are set by quotations on the local market and are similar to those of general customers	-
				Trade receivables	16,734	The terms are set by quotations on the local market and are similar to those of general customers	-
				Trade receivables	28,382	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	4,045,695	The terms are set by quotations on the local market and are similar to those of general customers	3
				Sales	60,608	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	130,807	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	19,156	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	1,149	The terms are set by quotations on the local market and are similar to those of general customers	-
1	Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd. Walsin Lihwa Corporation	Transactions between parent company and subsidiaries Transactions between parent company and subsidiaries	Other receivables	RMB 1,748,310	Based on capital demand	5
				Other receivables	RMB 1,129,975	Based on capital demand	4
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	RMB 154,826	The terms are set by quotations on the local market and are similar to those of general customers	1
				Sales	RMB 70,184	The terms are set by quotations on the local market and are similar to those of general customers	-
3	Concord Industries Limited	Walsin (China) Investment Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 1,241,764	Based on capital demand	4
4	Joint Success Enterprise Limited	Walsin (Nanjing) Development Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 188,808	Based on capital demand	1

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
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\$ 63,725	Based on capital demand	1
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 44,744	Based on capital demand	1
		Jiangyin Walsin Steel Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	US\$ 9,848	Based on capital demand	1
		Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Transactions between parent company and subsidiaries	Other receivables	RMB 191,758 US\$ 8,784	Based on capital demand	-
		Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Other receivables	US\$ 53,963	Based on capital demand	1
		Walsin (Nanjing) Development Co., Ltd.	Transactions between subsidiaries	Other receivables	RMB 921,772	Based on capital demand	3
		Hangzhou Walsin Power Cable & Wire Co., Ltd.	Associates	Other receivables	RMB 81,319	Based on capital demand	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transaction between subsidiaries	Other receivables	RMB 92,777	Based on capital demand	-
		XiAn Walsin Metal Product Co., Ltd.	Transaction between subsidiaries	Other receivables	RMB 171,568	Based on capital demand	1
		Nanjing Taiwan Trade Mart Management Co., Ltd.	Transaction between subsidiaries	Other receivables	RMB 67,453	Based on capital demand	-
Dongguan Walsin Wire & Cable Co., Ltd	Transactions between subsidiaries and parent company	Other receivables	US\$ 24,111	Based on capital demand	1		
6	Yantai Walsin Stainless Steel Co., Ltd.	Changshu Walsin Specialty Steel Co., Ltd.	Transactions between subsidiaries	Trade receivables	RMB 28,874	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	Trade receivables	RMB 21,846	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 237,676	The terms are set by quotations on the local market and are similar to those of general customers	1
		Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between subsidiaries	Sales	RMB 120,835	The terms are set by quotations on the local market and are similar to those of general customers	-
7	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Yantai Walsin Stainless Steel Co., Ltd.	Transaction between subsidiaries	Trade receivables	RMB 2,161	The terms are set by quotations on the local market and are similar to those of general customers	-
		Yantai Walsin Stainless Steel Co., Ltd.	Transaction between subsidiaries	Sales	RMB 12,568	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 and parent company	Other receivables	RMB 8,453	Based on capital demand	-
		Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Transactions between subsidiaries and parent company	Other receivables	RMB 553	Based on capital demand	-
9	Changshu Walsin Specialty Steel Co., Ltd.	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Transaction between subsidiaries	Trade receivables	RMB 79	The terms are set by quotations on the local market and are similar to those of general customers	-
		Yantai Walsin Stainless Steel Co., Ltd.	Transaction between subsidiaries	Trade receivables	RMB 3,450	The terms are set by quotations on the local market and are similar to those of general customers	-
		Walsin Lihwa Corporation	Transactions between subsidiaries and parent company	Sales	RMB 78	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.	Transaction between subsidiaries	Sales	RMB 1,324	The terms are set by quotations on the local market and are similar to those of general customers	-
		Yantai Walsin Stainless Steel Co., Ltd.	Transaction between subsidiaries	Sales	RMB 5,993	The terms are set by quotations on the local market and are similar to those of general customers	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			
				Financial Statement Account	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Walsin Lihwa Corporation	Dongguan Walsin Wire & Cable Co., Ltd. Nanjing Walsin Metal Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jianyin Walsin Specialty Alloy Materials Co., Ltd. Dongguan Walsin Wire & Cable Co., Ltd. Nanjing Walsin Metal Co., Ltd. Changshu Walsin Specialty Steel Co., Ltd. Jianyin Walsin Specialty Alloy Materials Co., Ltd.	Transactions between parent company and subsidiaries 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	-
				Trade receivables	133,703	The terms are set by quotations on the local market and are similar to those of general customers	-
				Trade receivables	13,085	The terms are set by quotations on the local market and are similar to those of general customers	-
				Trade receivables	49,945	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	5,155,081	The terms are set by quotations on the local market and are similar to those of general customers	3
				Sales	1,391,213	The terms are set by quotations on the local market and are similar to those of general customers	1
				Sales	142,303	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	153,702	The terms are set by quotations on the local market and are similar to those of general customers	-
1	Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd. Walsin Lihwa Corporation Dongguan Walsin Wire & Cable 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 Transactions between parent company and subsidiaries	Other receivables	RMB 2,086,225	Based on capital demand	7
				Other receivables	RMB 458,085	Based on capital demand	2
				Sales	RMB 46,326	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	RMB 8	The terms are set by quotations on the local market and are similar to those of general customers	-
2	Nanjing Walsin Metal Co., Ltd.	Hangzhou Walsin Power Cable & Wire Co., Ltd. Hangzhou Walsin Power Cable & Wire Co., Ltd. Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd. Dongguan Walsin Wire & Cable Co., Ltd.	Transactions between subsidiaries Transactions between subsidiaries Transactions between subsidiaries 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	-
				Sales	RMB 784	The terms are set by quotations on the local market and are similar to those of general customers	-
				Sales	RMB 597,250	The terms are set by quotations on the local market and are similar to those of general customers	1
				Sales	RMB 246,625	The terms are set by quotations on the local market and are similar to those of general customers	1

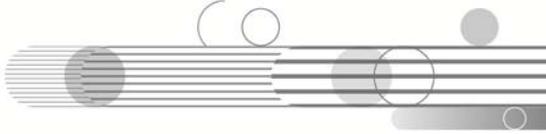
(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
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 Specialty Alloy Materials 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 US\$ 8,984	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. XiAn Walsin Metal Product Co., Ltd.	Both subsidiaries of Walsin Lihwa Corporation Both subsidiaries of Walsin Lihwa Corporation	Other receivables Other receivables	RMB 142,055 RMB 169,036	Based on capital demand 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 Specialty Alloy Materials 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 Specialty Alloy Materials 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 Specialty Alloy Materials 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	-

(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, 2019 and 2018, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, 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, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020 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, 2019. 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, 2019:

##### Sales Revenue Recognition

The main products of the Company's stainless steel business unit of 2019 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 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.

## ○ Financial Information

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, 2019, the inventory of the Company amounted to NT\$9,359,888 thousand which constituted 7.78% of the total assets, and the amount is material. Refer to Notes 4, 5 and 10 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**

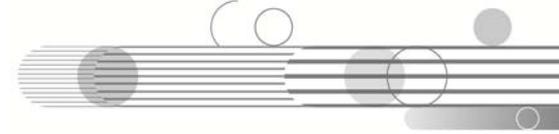
The financial statements of certain equity-method investees included in the financial statements as of and for the years ended December 31, 2019 and 2018 were audited by other auditors. Our opinion, insofar as it relates to such investments, is based solely on the reports of other auditors. The investments in such investees amounted to NT\$3,574,547 thousand and NT\$3,443,078 thousand, which constituted 2.97% and 2.89% of the total assets as of December 31, 2019 and 2018, respectively, and the investment gains amounted to NT\$56,873 thousand and NT\$502,129 thousand for the years ended December 31, 2019 and 2018, 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.

## ○ Financial Information

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, 2019 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 Wen-Yea Shyu and Kwan-Chung Lai.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2020

### 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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,284,354	1	\$ 949,956	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	52,589	-	142,111	-
Contract assets - current (Notes 4 and 8)	331,195	-	44,338	-
Notes receivable from unrelated parties (Notes 4, 9 and 27)	52,753	-	56,624	-
Trade receivables from unrelated parties (Notes 4 and 9)	1,590,771	2	2,696,765	2
Trade receivables from related parties (Notes 4, 9 and 27)	1,014,422	1	361,083	-
Other receivables (Note 27)	2,555,588	2	536,860	-
Inventories (Notes 4 and 10)	9,359,888	8	11,285,237	10
Other current assets	373,906	-	736,932	1
Total current assets	<u>16,615,466</u>	<u>14</u>	<u>16,809,906</u>	<u>14</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 11)	5,047,457	4	3,305,238	3
Investments accounted for using equity method (Notes 4 and 12)	71,708,531	59	73,754,195	62
Property, plant and equipment (Notes 4 and 13)	17,621,858	15	16,432,206	14
Right-of-use assets (Notes 4 and 14)	44,086	-	-	-
Investment properties (Notes 4 and 15)	8,417,355	7	8,551,796	7
Deferred tax assets - non-current (Notes 4 and 22)	863,000	1	394,000	-
Refundable deposits	59,779	-	58,292	-
Other non-current assets	1	-	1	-
Total non-current assets	<u>103,762,067</u>	<u>86</u>	<u>102,495,728</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 120,377,533</u>	<u>100</u>	<u>\$ 119,305,634</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 9,350,000	8	\$ 8,095,612	7
Financial liabilities at fair value through profit or loss - current (Notes 4 and 8)	-	-	4,079	-
Derivative financial liabilities hedging - current (Notes 4 and 17)	55,402	-	3,244	-
Trade payables to unrelated parties	2,499,976	2	3,845,788	3
Current tax liabilities (Notes 4 and 22)	278,669	-	478,299	-
Other payables to unrelated parties	2,056,203	2	2,466,197	2
Other payables to related parties (Note 27)	4,809,068	4	2,000,657	2
Lease liabilities - current (Notes 4 and 14)	19,218	-	-	-
Current portion of long-term borrowings (Note 16)	6,500,000	5	4,500,000	4
Other current liabilities	131,813	-	167,762	-
Total current liabilities	<u>25,700,349</u>	<u>21</u>	<u>21,561,638</u>	<u>18</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 15)	16,500,000	14	19,500,000	16
Deferred tax liabilities - non-current (Notes 4 and 22)	131,132	-	131,132	-
Lease liabilities - non-current (Notes 4 and 14)	25,265	-	-	-
Net defined benefit liabilities (Notes 4 and 18)	462,196	1	584,078	1
Other non-current liabilities (Note 24)	174,250	-	200,774	-
Total non-current liabilities	<u>17,292,843</u>	<u>15</u>	<u>20,415,984</u>	<u>17</u>
Total liabilities	<u>42,993,192</u>	<u>36</u>	<u>41,977,622</u>	<u>35</u>
<b>EQUITY (Note 19)</b>				
Share capital	33,260,002	28	33,260,002	28
Capital surplus	16,055,238	13	15,966,420	13
Retained earnings				
Legal reserve	5,113,232	4	3,937,554	3
Special reserve	4,043,138	4	2,712,250	2
Unappropriated earnings	22,023,141	18	25,494,923	22
Total retained earnings	<u>31,179,511</u>	<u>26</u>	<u>32,144,727</u>	<u>27</u>
Other equity				
Exchange differences on translating foreign operations	(5,546,359)	(5)	(3,567,540)	(3)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	2,435,949	2	(474,446)	-
Cash flow hedges	-	-	(1,151)	-
Total other equity	<u>(3,110,410)</u>	<u>(3)</u>	<u>(4,043,137)</u>	<u>(3)</u>
Total equity	<u>77,384,341</u>	<u>64</u>	<u>77,328,012</u>	<u>65</u>
<b>TOTAL</b>	<u>\$ 120,377,533</u>	<u>100</u>	<u>\$ 119,305,634</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 27, 2020)

## WALSIN LIHWA CORPORATION

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 20)	\$ 71,596,648	100	\$ 85,099,970	100
OPERATING COSTS (Note 10)	(67,448,244)	(94)	(81,254,264)	(96)
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>7,447</u>	-	<u>(5,456)</u>	-
GROSS PROFIT	<u>4,155,851</u>	<u>6</u>	<u>3,840,250</u>	<u>4</u>
OPERATING EXPENSES				
Selling and marketing expenses	764,642	1	808,264	1
General and administrative expenses	804,823	1	777,885	1
Research and development expenses	<u>141,208</u>	-	<u>131,591</u>	-
Total operating expenses	<u>1,710,673</u>	<u>2</u>	<u>1,717,740</u>	<u>2</u>
PROFIT FROM OPERATIONS	<u>2,445,178</u>	<u>4</u>	<u>2,122,510</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	14,756	-	6,135	-
Dividend income	136,125	-	177,873	-
Other income	42,830	-	121,897	-
Gain on disposal of property, plant and equipment	902	-	4,212	-
Gain on disposal of investment properties (Note 27)	246,877	1	-	-
Gain (loss) on disposal of investments (Note 21)	(1,289,999)	(2)	488,267	1
Foreign exchange gain, net	61,396	-	251,457	-
(Loss) gain on valuation of financial assets and liabilities at fair value through profit or loss	(85,444)	-	206,812	-
Impairment loss (Note 21)	(1,678,822)	(2)	(4,636)	-
Other expenses	(60,700)	-	(60,040)	-
Interest expense	(535,938)	(1)	(479,707)	-
Share of profit of subsidiaries and associates under equity method	<u>3,792,534</u>	<u>5</u>	<u>9,411,252</u>	<u>11</u>
Total non-operating income and expenses	<u>644,517</u>	<u>1</u>	<u>10,123,522</u>	<u>12</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	3,089,695	5	12,246,032	14
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 22)	<u>59,984</u>	-	<u>(489,251)</u>	-

(Continued)

# WALSIN LIHWA CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
NET PROFIT FOR THE YEAR	<u>3,149,679</u>	<u>5</u>	<u>11,756,781</u>	<u>14</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(22,786)	-	(372)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	1,572,352	2	(719,216)	(1)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>1,361,083</u>	<u>2</u>	<u>(1,808,004)</u>	<u>(2)</u>
	<u>2,910,649</u>	<u>4</u>	<u>(2,527,592)</u>	<u>(3)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences translating the financial statements of foreign operations	(1,748,719)	(3)	(571,733)	(1)
Gain on cash flow hedges	1,151	-	6,378	-
Share of other comprehensive loss of associates accounted for using the equity method	<u>(230,099)</u>	<u>-</u>	<u>(51,049)</u>	<u>-</u>
	<u>(1,977,667)</u>	<u>(3)</u>	<u>(616,404)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>932,982</u>	<u>1</u>	<u>(3,143,996)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 4,082,661</u>	<u>6</u>	<u>\$ 8,612,785</u>	<u>10</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.95</u>		<u>\$ 3.53</u>	
Diluted	<u>\$ 0.95</u>		<u>\$ 3.53</u>	

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

(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)

## WALSIN LIHWA CORPORATION

STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity					Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Cash Flow Hedges	Treasury Shares	
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	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' disposed of net assets	-	615	-	-	-	-	-	-	-	-	615
Change in capital surplus from investments in associates accounted for using the equity method	-	27,333	-	-	97,100	-	-	(97,100)	-	-	27,333
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal (Note 11)	-	-	-	-	(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 AT DECEMBER 31, 2018	33,260,002	15,966,420	3,937,554	2,712,250	25,494,923	(3,567,540)	-	(474,446)	(1,151)	-	77,328,012
Appropriation of 2018 earnings (Note 19)											
Legal reserve	-	-	1,175,678	-	(1,175,678)	-	-	-	-	-	-
Special reserve	-	-	-	1,330,888	(1,330,888)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,991,200)	-	-	-	-	-	(3,991,200)
Excess of the consideration received over the carrying amount of the subsidiaries' disposed of net assets	-	(615)	-	-	(123,950)	-	-	-	-	-	(124,565)
Change in capital surplus and retained earnings from investments in accounted for using the equity method	-	89,443	-	-	55,134	-	-	(55,134)	-	-	89,443
Net profit for the year ended December 31, 2019	-	-	-	-	3,149,679	-	-	-	-	-	3,149,679
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(54,879)	(1,978,819)	-	2,965,529	1,151	-	932,982
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	3,094,800	(1,978,819)	-	2,965,529	1,151	-	4,082,661
Others	-	(10)	-	-	-	-	-	-	-	-	(10)
BALANCE AT DECEMBER 31, 2019	\$ 33,260,002	\$ 16,055,238	\$ 5,113,232	\$ 4,043,138	\$ 22,023,141	\$ (5,546,359)	\$ -	\$ 2,435,949	\$ -	\$ -	\$ 77,384,341

The accompanying notes are an integral part of the financial statements.  
(With Deloitte & Touche auditors' report dated February 27, 2020)

# WALSIN LIHWA CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 3,089,695	\$ 12,246,032
Adjustments for:		
Depreciation expenses	1,205,774	1,072,926
Amortization expenses	-	5,000
Expected credit loss reversed on trade receivables	(900)	-
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	85,444	(206,812)
Interest expense	535,938	479,707
Interest income	(14,756)	(6,135)
Dividend income	(136,125)	(177,873)
Share of profit gain of subsidiaries and associates under equity method	(3,792,534)	(9,411,252)
Gain on disposal of property, plant and equipment	(902)	(4,212)
Gain on disposal of investment properties	(246,877)	-
(Loss) gain on disposal of investments	1,289,999	(488,267)
Impairment loss recognized on non-financial assets	1,678,822	4,636
(Realized) unrealized gain on the transaction with associates	(7,447)	5,456
Net loss (gain) on foreign currency exchange	52,238	(2,457)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss	(1,077,055)	192,333
Increase in contract assets	(286,857)	(34,789)
Decrease (increase) in notes receivable	31,695	(29,271)
Decrease in trade receivables	453,555	8,790
(Increase) decrease in other receivables	(20,589)	10,060
Decrease (increase) in inventories	1,925,349	(2,120,589)
Decrease (increase) in other current assets	361,958	(337,662)
Increase in other operating assets	-	(5,000)
Decrease in trade payables	(1,345,812)	(300,278)
(Decrease) increase in other payables	(287,145)	594,110
Decrease in net defined benefit liabilities	(144,668)	(221,327)
Decrease in other current liabilities	(28,502)	(13,321)
(Decrease) increase in other operating liabilities	(26,524)	24,581
Cash generated from operations	3,293,774	1,284,386
Interest paid	(542,489)	(478,391)
Interest received	14,799	7,136
Dividends received	2,701,498	1,570,303
Income tax paid	(608,646)	(436,268)
Net cash generated from operating activities	<u>4,858,936</u>	<u>1,947,166</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		

(Continued)

## WALSIN LIHWA CORPORATION

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Purchase of financial assets at fair value through other comprehensive income	(169,868)	(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 sale of derivative financial assets for hedging	1,151	-
Acquisition of associates accounted for using the equity method	(835,688)	(3,135,019)
Payments for of property, plant and equipment	(2,397,498)	(3,031,545)
Proceeds from disposal of property, plant and equipment	1,588	8,796
(Increase) decrease in refundable deposits	(1,487)	472
Purchase of investment properties	(1,211)	-
Proceeds from the disposal of investment properties	250,420	-
Other investing activities	<u>(424,258)</u>	<u>(504,706)</u>
Net cash used in investing activities	<u>(3,576,851)</u>	<u>(6,588,679)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,254,304	4,010,239
Proceeds from long-term borrowings	10,500,000	6,000,000
Decrease in long-term borrowings	(11,500,000)	(3,500,000)
Increase in other payables to related parties	2,807,134	214,572
Repayment of the principal portion of lease	(18,097)	-
Cash dividends paid	(3,991,018)	(3,325,743)
Other financing activities	<u>(10)</u>	<u>(2)</u>
Net cash (used in) generated from financing activities	<u>(947,687)</u>	<u>3,399,066</u>
<b>NET INCREASE (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>334,398</b>	<b>(1,242,447)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>949,956</u></b>	<b><u>2,192,403</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,284,354</u></b>	<b><u>\$ 949,956</u></b>

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

(With Deloitte & Touche auditors' report dated February 27, 2020)

(Concluded)



# WALSIN LIHWA CORPORATION

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

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### 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 27, 2020.

### 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, 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 did not have any material impact on the Company’s accounting policies:

- 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Company as lessee

The Company recognizes 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 asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Company presents 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 are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were 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 are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- a) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Company excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December

31, 2018.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.32%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 67,073
Less: Recognition exemption for short-term leases	(2,468)
Less: Recognition exemption for leases of low-value assets	<u>(7,364)</u>
Undiscounted amounts on January 1, 2019	<u>57,241</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	\$ 56,026
Less: Prepayments	<u>(1,294)</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 54,732</u>

#### The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Other assets - current	\$ 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	\$ -	\$ 18,245	\$ 18,245
Lease liabilities - non-current	<u>-</u>	<u>36,487</u>	<u>36,487</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 has 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.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” 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 applied the above amendments prospectively.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is 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 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

1) 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 or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) with an alternative interest rate, and provide temporary exceptions to all hedging relationships that are directly affected by the interest rate benchmark reform. The Company would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require additional disclosures about the extent to which the entity’s hedging relationships are affected by the amendments.

3) Amendments to IAS 1 and IAS 8 “Definition of material”

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRSs. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from “could influence” to “could reasonably be expected to influence”.

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note)</u>
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 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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, 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, 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, i.e., the Group'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 over an associate, 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, i.e., the Company's share of the gain or loss is eliminated.

2) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date.

The amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32: Financial Instruments: Presentation, the aforementioned terms would not affect the classification of the liability.

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

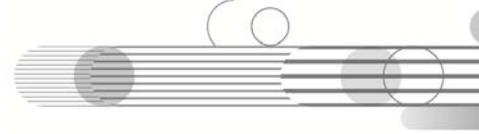
The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

The parent company only financial statements have been prepared on the historical cost basis except for financial instruments and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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- 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 an 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 an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments 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 owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period and
- Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) 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 exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from 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 cases, 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 translated using the exchange rate at the date of the transaction (i.e., 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 the weighted-average cost on the balance sheet date.

f. Investments accounted for using equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

1) Investment in subsidiaries

Under the equity method, an investment in a subsidiary 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 subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using 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 loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary 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 Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.



The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, 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 had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

## 2) Investment in associates

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

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.

Under the equity method, investments in an associate are 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 the 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 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 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 an 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 capital surplus from investments in associates accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the 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 had the investee 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 using 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 initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

The depreciation of 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 methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates 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 initially measured at cost. 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.

On derecognition of an intangible asset, the differences between the net disposal proceeds and the carrying amount of the asset is 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding 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 on the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the company 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) 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 FVTPL 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

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in 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, and any remeasurement gains or losses on such financial assets are recognized in other gains or losses. 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; and
- 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 and 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 equity 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, it 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.

2) Impairment of financial assets

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, operating lease receivables, as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, operating lease receivables and contract assets. 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 a 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 represent 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 represent 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.

For internal credit risk management purposes, the Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- i) Internal or external information show that the debtor is unlikely to pay its creditors.
- ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts 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 the carrying amounts of such financial assets are not reduced.

### 3) Derecognition of financial assets

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

On derecognition of a financial asset 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. On derecognition of an investment in a debt 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

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

The 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 held for trading. Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

b) Financial guarantee contracts

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.

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 and interest rate 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.

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.

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 gains or losses relating to the ineffective portion are 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 reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted 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.

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 was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are 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

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.

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.

p. Leases

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At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

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.

Under finance leases, the lease payments comprise fixed payments and variable lease payments which depend on an index or a rate. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Company's net investment outstanding in respect of leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as

expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

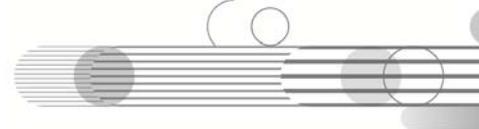
## 2018

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 an effective interest rate over the lease term.

## 3) Leasehold land for own use

When a lease includes both land and building elements, the Company 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 Lessee. 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.

## 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.

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, 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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 1,230	\$ 4,030
Checking accounts and cash in bank	<u>1,283,124</u>	<u>945,926</u>
	<u>\$ 1,284,354</u>	<u>\$ 949,956</u>

The market rate intervals of cash in the bank at the end of the year were as follows (except that the market rate of the checking account was 0.00%):

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Bank balance	0.01%-0.66%	0.05%-0.40%

Cash in bank in the total amounts of EUR326 thousand as of December 31, 2018 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.

○ Financial Information

Certain time deposits as of December 31, 2019 and 2018 were classified and pledged as follows:

	Purpose	December 31	
		2019	2018
Non-current assets			
Refundable deposits	To meet required security deposits	\$ 600	\$ 600
	To meet contract requirements for completing constructions	34,062	32,800
		<u>          </u>	<u>          </u>
		<u>\$ 34,662</u>	<u>\$ 33,400</u>

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

	December 31	
	2019	2018
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial assets (not under hedge accounting)		
Commodity futures contracts	\$ 39,088	\$ 142,111
Foreign exchange forward contracts	13,216	-
Exchange rate swap contracts	<u>285</u>	<u>-</u>
Financial assets at FVTPL	<u>\$ 52,589</u>	<u>\$ 142,111</u>
Current	\$ 52,589	\$ 142,111
Non-current	<u>-</u>	<u>-</u>
	<u>\$ 52,589</u>	<u>\$ 142,111</u>
<u>Financial liabilities held for trading</u>		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 4,079
Financial liabilities at FVTPL	<u>\$ -</u>	<u>\$ 4,079</u>
Current	\$ -	\$ 4,079
Non-current	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 4,079</u>

At the end of the year, 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, 2019</u>								
Commodity futures								
	Copper	Buy	9,625	2019.08.12-2019.12.31	2020.02.19-2020.05.20	US\$ 58,603	US\$ 59,235	US\$ 632
	Copper	Sell	8,875	2019.12.11-2019.12.30	2020.01.15	US\$ 54,386	US\$ 54,657	US\$ (271)
	Nickel	Buy	1,020	2019.12.27-2019.12.31	2019.03.27-2020.03.31	US\$ 14,511	US\$ 14,333	US\$ (178)
	Nickel	Sell	2,634	2019.10.17-2019.12.23	2019.01.17-2019.03.23	US\$ 38,116	US\$ 36,944	US\$ 1,122
<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

At the end of the year, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Sell	USD to NTD	2020.01.03-2020.01.08	USD50,000/NTD1,505,900
Buy	USD to JPY	2020.01.03	USD7,537/JPY800,000
<u>December 31, 2018</u>			
Sell	EUR to USD	2019.01.29-2019.03.08	EUR15,000/USD17,149
Buy	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

At the end of the year, outstanding exchange rate swap contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
	USD to JPY	2020.01.08	USD3,985/JPY434,000

For the years ended December 31, 2019 and 2018, 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. CONTRACT ASSETS

At the end of the year, contract balances were as follows:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Contract assets		
Cable installation	\$ 331,195	\$ 44,338
Less: Allowance for impairment loss	<u>          -</u>	<u>          -</u>
Contract assets - current	<u>\$ 331,195</u>	<u>\$ 44,338</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Notes receivable</u>		
Notes receivable	<u>\$ 23,354</u>	<u>\$ 55,972</u>
<u>Notes receivable - non-operating</u>		
Notes receivable from related parties	<u>\$ 29,399</u>	<u>\$ 652</u>
<u>Trade receivables</u>		
Trade receivables	\$ 1,590,771	\$ 2,698,097
Less: Allowance for impairment loss	<u>          -</u>	<u>(1,332)</u>
	1,590,771	2,696,765
Trade receivables from related parties	<u>1,014,422</u>	<u>361,083</u>
	<u>\$ 2,605,193</u>	<u>\$ 3,057,848</u>

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, 2019

	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	\$ 2,521,459	\$ 83,734	\$ -	\$ -	\$ -	\$ 2,605,193
Loss allowance (lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 2,521,459</u>	<u>\$ 83,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,605,193</u>

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 were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 1,332	\$ 1,332
Add: Net remeasurement of loss allowance	(900)	-
Less: Amounts written off	<u>(432)</u>	<u>-</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 1,332</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Raw materials	\$ 2,052,950	\$ 2,767,145
Raw materials in transit	1,858,130	2,049,088
Supplies	1,291,432	1,359,789
Work-in-process	1,194,073	1,075,194
Finished goods and merchandise	<u>2,963,303</u>	<u>4,034,021</u>
	<u>\$ 9,359,888</u>	<u>\$ 11,285,237</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was NT\$67,161,816 thousand and NT\$80,936,972 thousand, respectively.

The cost of goods sold for the year ended December 31, 2019 included reversals of inventory write-downs of NT\$115,791 thousand. The cost of goods sold for the year ended December 31, 2018 included inventory write-downs of NT\$453,345 thousand. The reversals of previous write-downs for the year ended December 31, 2019 resulted from the inventory close-out.

## 11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Domestic listed ordinary shares		
HannStar Display Corp.	\$ 2,089,584	\$ 1,670,537
HannStar Board Corp.	2,639,800	1,347,136
Domestic unlisted ordinary shares	<u>318,073</u>	<u>287,565</u>
	<u>\$ 5,047,457</u>	<u>\$ 3,305,238</u>
Current	\$ -	\$ -
Non-current	<u>5,047,457</u>	<u>3,305,238</u>
	<u>\$ 5,047,457</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.

WLC participated in Powertec Electrochemical Corp's (formerly known as Powertec Energy Corp.) 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. and 290 thousand shares of Parsawin Venture Capital Corp. 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.

## 12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investments in subsidiaries	\$ 43,784,763	\$ 44,344,364
Investments in associates	<u>27,923,768</u>	<u>29,409,831</u>
	<u>\$ 71,708,531</u>	<u>\$ 73,754,195</u>

### a. Investments in subsidiaries

Name of Subsidiary	<b>December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Carrying Value</b>	<b>Ownership Percentage</b>	<b>Carrying Value</b>	<b>Ownership Percentage</b>
Unlisted companies:				
Walsin Lihwa Holdings Ltd.	\$ 20,054,589	100.00	\$ 20,433,169	100.00
Concord Industries Ltd.	11,007,234	100.00	10,516,206	100.00
Energy Pilot Ltd.	812,145	100.00	809,173	100.00
Market Pilot Ltd.	325,608	100.00	323,733	100.00
Min Maw Precision Industry Corp.	304,640	100.00	361,575	100.00
Chin-Cherng Construction Co., Ltd.	5,622,577	99.22	6,025,254	99.22
P.T Walsin Lippo Industries	819,232	70.00	729,211	70.00
Joint Success Enterprises Ltd.	4,587,752	49.05	4,917,029	49.05
Others	<u>250,986</u>		<u>229,014</u>	
	<u>\$ 43,784,763</u>		<u>\$ 44,344,364</u>	

b. Investments in associates

Name of Associate	December 31			
	2019		2018	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
<u>Material associates</u>				
Winbond Electronics Corp.	\$ 13,599,856	22.21	\$ 13,915,961	22.21
Walton Advanced Engineering, Inc.	2,549,401	21.65	2,270,771	20.83
Walsin Technology Corp.	6,188,821	18.30	6,400,352	18.30
<u>Associates that are not individually material</u>				
Others	<u>5,585,690</u>		<u>6,822,747</u>	
	<u>\$ 27,923,768</u>		<u>\$ 29,409,831</u>	

Refer to Table 7 “Information on Investees” and Table 8 “Information on Investments in Mainland China” for the nature of activities, principal places of business and countries 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 which was approved by the board of directors. In the years ended December 31, 2019 and 2018, the Company subscribed for US\$18,000 thousand (NT\$555,624 thousand) and US\$82,000 thousand (NT\$2,542,432 thousand), respectively.

On December 30, 2019, the Company subscribed for 47,861 thousand shares of Powertec Electrochemical Corp. through a private placement for cash of NT\$239,303 thousand. Transfer of the ordinary shares within 3 years from the acquisition date is prohibited by regulations.

On February 26, 2020, Powertec Electrochemical Corp. filed for bankruptcy with resolution of the board of directors in accordance with Company Act, No. 211 and relevant regulations. Management of the Company carried out an impairment review by comparing their respective recoverable amount with the carrying amount. Based on the assessment, the Company’s interest in Powertec Electrochemical Corp. of NT\$1,678,639 thousand is not recoverable. The whole amount was recognized as impairment loss under non-operating income and expenses.

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

Name of Associate	December 31	
	2019	2018
Winbond Electronics Corp.	<u>\$ 17,279,237</u>	<u>\$ 11,976,146</u>
Walton Advanced Engineering, Inc.	<u>\$ 1,277,171</u>	<u>\$ 1,183,986</u>
Walsin Technology Corp.	<u>\$ 21,247,656</u>	<u>\$ 13,690,958</u>

All the associates were 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, 2019

	<b>Winbond Electronics Corp.</b>	<b>Walton Advanced Engineering, Inc.</b>	<b>Walsin Technology Corp.</b>
Current assets	\$ 37,557,286	\$ 3,836,916	\$ 29,074,560
Non-current assets	67,247,614	13,271,223	31,069,984
Current liabilities	(17,515,468)	(2,219,782)	(16,312,658)
Non-current liabilities	<u>(23,432,245)</u>	<u>(3,196,283)</u>	<u>(7,294,140)</u>
Equity	63,857,187	11,692,074	36,537,746
Non-controlling interests	<u>(2,836,565)</u>	<u>-</u>	<u>(2,716,095)</u>
	<u>\$ 61,020,622</u>	<u>\$ 11,692,074</u>	<u>\$ 33,821,651</u>
Proportion of the Company's ownership	22.21%	21.65%	18.30%
Equity attributable to the Company	\$ 13,552,680	\$ 2,531,334	\$ 6,189,362
Other adjustments	<u>47,176</u>	<u>18,067</u>	<u>(541)</u>
Carrying amount	<u>\$ 13,599,856</u>	<u>\$ 2,549,401</u>	<u>\$ 6,188,821</u>
Operating revenue	<u>\$ 48,771,434</u>	<u>\$ 6,158,099</u>	<u>\$ 30,140,875</u>
Net profit for the year	\$ 1,447,287	\$ 165,048	\$ 6,648,906
Other comprehensive income (loss)	<u>1,294,756</u>	<u>1,120,375</u>	<u>(9,168)</u>
Total comprehensive income for the year	<u>\$ 2,772,043</u>	<u>\$ 1,285,423</u>	<u>\$ 6,639,738</u>

December 31, 2018

	<b>Winbond Electronics Corp.</b>	<b>Walton Advanced Engineering, Inc.</b>	<b>Walsin Technology Corp.</b>
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>

(Continued)

○ Financial Information

	<b>Winbond Electronics Corp.</b>	<b>Walton Advanced Engineering, Inc.</b>	<b>Walsin Technology Corp.</b>
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> (Concluded)

2) Associates that are not individually material

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
The Company's share of:		
Profit (loss) from continuing operations	\$ (625,051)	\$ 242,866
Other comprehensive income	<u>989,446</u>	<u>(1,031,038)</u>
Total comprehensive income for the year	<u>\$ 364,395</u>	<u>\$ (788,172)</u>

The Company's share of profit and other comprehensive income of associates for the years ended December 31, 2019 and 2018 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\$3,574,499 thousand and NT\$3,443,078 thousand as of December 31, 2019 and 2018; investment gain amounted to NT\$56,873 thousand and NT\$502,129 thousand for the years ended December 31, 2019 and 2018.

### 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and Improvements	Machinery and Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>						
Balance at January 1, 2019	\$ 2,383,150	\$ 6,466,083	\$ 19,158,538	\$ 3,531,582	\$ 1,391,488	\$ 32,930,841
Additions	1,057,564	45,833	190,080	182,712	795,060	2,271,249
Disposals	(66)	-	(87,333)	(33,876)	-	(121,275)
Reclassified	12,730	144,205	449,335	107,997	(719,257)	(4,990)
Balance at December 31, 2019	<u>\$ 3,453,378</u>	<u>\$ 6,656,121</u>	<u>\$ 19,710,620</u>	<u>\$ 3,788,415</u>	<u>\$ 1,467,291</u>	<u>\$ 35,075,825</u>
<b>Accumulated depreciation and impairment</b>						
Balance at January 1, 2019	\$ 8,067	\$ 3,859,059	\$ 10,269,995	\$ 2,361,514	\$ -	\$ 16,498,635
Disposals	-	-	(87,333)	(32,927)	-	(120,260)
Depreciation expense	-	137,900	735,206	202,742	-	1,075,848
Impairment losses recognized in profit or loss	-	-	183	-	-	183
Reclassified	-	(439)	-	-	-	(439)
Balance at December 31, 2019	<u>\$ 8,067</u>	<u>\$ 3,996,520</u>	<u>\$ 10,918,051</u>	<u>\$ 2,531,329</u>	<u>\$ -</u>	<u>\$ 17,453,967</u>
Carrying amounts at December 31, 2019	<u>\$ 3,445,311</u>	<u>\$ 2,659,601</u>	<u>\$ 8,792,569</u>	<u>\$ 1,257,086</u>	<u>\$ 1,467,291</u>	<u>\$ 17,621,858</u>
<b>Cost</b>						
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>
<b>Accumulated depreciation and impairment</b>						
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>

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

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.

○ Financial Information

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, 2019 and 2018, the recorded total carrying value of such parcels of land amounted to NT\$491,917 thousand and NT\$427,697 thousand, respectively.

After appropriate evaluation, the Company recognized impairment loss on property, plant and equipment of NT\$183 thousand and NT\$4,636 thousand for the years ended December 31, 2019 and 2018, which were recorded as impairment loss.

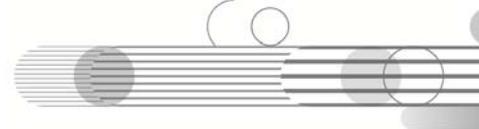
#### 14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Land	\$ 18,092
Buildings	10,073
Transportation equipment	<u>15,921</u>
	<u>\$ 44,086</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 9,013</u>
Depreciation charge for right-of-use assets	
Land	\$ 7,853
Buildings	5,177
Transportation equipment	<u>7,730</u>
	<u>\$ 20,760</u>

b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 19,218</u>
Non-current	<u>\$ 25,265</u>



Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Land	1.75%-3.759%
Buildings	1.409%-1.9%
Transportation equipment	3.038%

c. Other lease information

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 10,219</u>
Expenses relating to low-value asset leases	<u>\$ 225</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>
Total cash outflow for leases	<u>\$ (29,739)</u>

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 25,354
Later than 1 year and not later than 5 years	36,242
Later than 5 years	<u>5,477</u>
	<u>\$ 67,073</u>

**15. INVESTMENT PROPERTIES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Completed investment properties	<u>\$ 8,417,355</u>	<u>\$ 8,551,796</u>

<u>Cost</u>	<b>Completed Investment Properties</b>
Balance at January 1, 2019	\$ 10,075,153
Additions	1,211
Transfers from property, plant and equipment	4,990
Disposals	<u>(106,214)</u>
Balance at December 31, 2019	<u>\$ 9,975,140</u>
Balance at January 1, 2018	\$ 9,772,725
Transfers 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, 2019	\$ 1,523,357
Depreciation expense	109,166
Transfers from property, plant and equipment	439
Disposals	<u>(75,177)</u>
Balance at December 31, 2019	<u>\$ 1,557,785</u>
Balance at January 1, 2018	\$ 1,169,121
Depreciation expense	122,869
Transfers 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 using the straight-line method over their estimated useful lives of 20 to 50 years.

The main investment property of the Company is the Walsin Xin Yi Building and other completed investment properties. The building valuation was commissioned by independent appraisal agencies (third parties). As of December 31, 2019 and 2018, the completed investment properties' real estate values were NT\$29,098,613 thousand and NT\$29,186,244 thousand, respectively.

## 16. BORROWINGS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Short-term borrowings	<u>\$ 9,350,000</u>	<u>\$ 8,095,612</u>
Current portion of long-term borrowings	<u>\$ 6,500,000</u>	<u>\$ 4,500,000</u>
Long-term borrowings	<u>\$ 16,500,000</u>	<u>\$ 19,500,000</u>

- a. Short-term borrowings as of December 31, 2019 and 2018 were as follows:

	December 31			
	2019		2018	
	Interest Rate %	Amount	Interest Rate %	Amount
Materials procurement loans	-	\$ -	1.15-1.374	\$ 938,612
Bank line of credit	0.8-1.2097	<u>9,350,000</u>	0.7-1.2	<u>7,157,000</u>
		<u>\$ 9,350,000</u>		<u>\$ 8,095,612</u>

- b. Long-term borrowings as of December 31, 2019 and 2018 were as follows:

		December 31	
		2019	2018
		Significant Covenant	Amount
Taipei Fubon Bank and others	Credit loan; principal repayments every six months at 30%, 35% and 35% from the end of the fourth year from drawing date (September, 2015)	\$ -	\$ 11,500,000
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	1,000,000
Hua Nan Commercial Bank	Credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,500,000	1,500,000
Hua Nan Commercial Bank	Credit loan; principal repayments until maturity from December 28, 2018 to December 28, 2021	1,500,000	1,500,000
Chinatrust Commercial Bank	Credit loan; principal repayments until maturity from March 5, 2018 to March 5, 2021	1,000,000	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	1,000,000
Bank of Taiwan	Credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	3,000,000	-
Cathay United Bank	Credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	1,500,000	-
Taiwan Cooperative Bank	Credit loan; principal repayments until maturity from March 4, 2019 to March 4, 2022	1,000,000	-
Taipei Fubon Commercial Bank	Credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,000,000	-
Chang Hwa Commercial Bank	Credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,000,000	-
KGI Bank	Credit loan; principal repayments until maturity from June 3, 2019 to June 3, 2022	1,500,000	-
Chinatrust Commercial Bank	Credit loan; principal repayments until maturity from September 3, 2019 to September 3, 2022	1,500,000	-
		23,000,000	24,000,000
Less current portion of long-term borrowings		<u>(6,500,000)</u>	<u>(4,500,000)</u>
		<u>\$ 16,500,000</u>	<u>\$ 19,500,000</u>

Under the loan agreements with 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:

○ Financial Information

- 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.

The range of weighted average effective interest rates of the credit borrowings was 1.25%-1.40% and 1.25%-1.80% per annum as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Company's current portion of long-term borrowings was NT\$6,500,000 thousand and NT\$4,500,000 thousand under the loan agreement. The Company's financial reports for the years ended December 31, 2019 and 2018 showed that the Company was in compliance with these ratio requirements.

## 17. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Derivative financial liabilities for hedging - current</u>		
Fair value hedges - exchange rate swap contracts	<u>\$ 55,402</u>	<u>\$ 3,244</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:

	<b>Currencies</b>	<b>Contract Expiration Date</b>	<b>Contract Amount (In Thousands)</b>
<u>December 31, 2019</u>			
Exchange rate swap contracts	USD to NTD	2020.01.14	USD41,000/NTD1,252,837
	USD to NTD	2020.02.05	USD20,000/NTD607,060
	USD to NTD	2020.02.05	USD35,000/NTD1,063,895
	USD to NTD	2020.02.05	USD10,000/NTD303,980
	USD to NTD	2020.02.05	USD17,000/NTD517,455
	USD to NTD	2020.02.05	USD17,000/NTD517,455
<u>December 31, 2018</u>			
Exchange rate swap contracts	USD to NTD	2019.03.26	USD45,000/NTD1,376,380

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
Losses on the hedging instruments	<u>\$ (55,402)</u>	<u>\$ (3,244)</u>
Gains on the hedged items	<u>\$ 81,075</u>	<u>\$ 7,325</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes 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, 2019 and 2018 was NT\$89,411 thousand and NT\$83,553 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 of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 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 are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 1,456,719	\$ 1,457,483
Fair value of plan assets	<u>(993,518)</u>	<u>(872,070)</u>
Net defined benefit liabilities	<u>\$ 463,201</u>	<u>\$ 585,413</u>

○ Financial Information

As of December 31, 2019 and 2018, net defined benefit liabilities of NT\$1,005 thousand and NT\$1,335 thousand, respectively, were recorded as “other payables - accrued expense.”

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2018	\$ 1,494,988	\$ (688,475)	\$ 806,513
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)
Actuarial (gain) loss			
Changes in demographic assumptions	17,269	-	17,269
Changes in financial assumptions	54,543	-	54,543
Experience adjustments	<u>(51,792)</u>	<u>-</u>	<u>(51,792)</u>
Recognized in other comprehensive income	<u>20,020</u>	<u>(19,648)</u>	<u>372</u>
Contributions from the employer	-	(229,820)	(229,820)
Benefits paid	(75,052)	75,052	-
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>
Service cost			
Current service cost	14,653	-	14,653
Past service cost	1,941	-	1,941
Net interest expense (income)	<u>14,575</u>	<u>(8,778)</u>	<u>5,797</u>
Recognized in profit or loss	<u>31,169</u>	<u>(8,778)</u>	<u>22,391</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(30,782)	(30,782)
Actuarial (gain) loss			
Changes in demographic assumptions	3,142	-	3,142
Changes in financial assumptions	32,948	-	32,948
Experience adjustments	<u>17,478</u>	<u>-</u>	<u>17,478</u>
Recognized in other comprehensive income	<u>53,568</u>	<u>(30,782)</u>	<u>22,786</u>
Contributions from the employer	-	(151,344)	(151,344)
Benefits paid	(69,456)	69,456	-
Account paid	<u>(16,045)</u>	<u>-</u>	<u>(16,045)</u>
Balance at December 31, 2019	<u>1,456,719</u>	<u>(993,518)</u>	<u>463,201</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Operating costs	\$ 12,015	\$ 16,247
Selling and marketing expenses	1,630	2,145
General and administrative expenses	8,512	7,793
Research and development expenses	<u>234</u>	<u>315</u>
	<u>\$ 22,391</u>	<u>\$ 26,500</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 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 using the future salaries of plan participants. As such, an increase in the salaries 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 are as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.75%	1.00%
Expected rate(s) 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 will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.5% increase	<u>\$ (64,814)</u>	<u>\$ (68,045)</u>
0.5% decrease	<u>\$ 69,431</u>	<u>\$ 73,072</u>

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected rate(s) of salary increase		
0.5% increase	<u>\$ 66,962</u>	<u>\$ 70,646</u>
0.5% decrease	<u>\$ (63,183)</u>	<u>\$ (66,487)</u>
		(Concluded)

The sensitivity analysis presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

## 19. EQUITY

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Share capital		
Ordinary shares	\$ 33,260,002	\$ 33,260,002
Capital surplus	16,055,238	15,966,420
Retained earnings	31,179,511	32,144,727
Others	<u>(3,110,410)</u>	<u>(4,043,137)</u>
	<u>\$ 77,384,341</u>	<u>\$ 77,328,012</u>

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of authorized shares (in thousands)	<u>6,500,000</u>	<u>6,500,000</u>
Amount of authorized shares, par value \$10 (in thousands)	<u>\$ 65,000,000</u>	<u>\$ 65,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>3,326,000</u>	<u>3,326,000</u>
Amount of issued and fully paid shares (in thousands)	<u>\$ 33,260,002</u>	<u>\$ 33,260,002</u>

As of January 1, 2018, the balance of the Company's capital account was NT\$33,660,002 thousand, consisted of 3,366,000 thousand shares at par value of NT\$10.00.

The Company cancelled 40,000 thousand treasury shares in August 2018. As of December 31, 2019 and 2018, the balances of the Company's capital account were all NT\$33,260,002 thousand, consisted of 3,326,000 thousand shares at par value of NT\$10.00.

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Issuance of ordinary shares	\$ 10,173,533	\$ 10,173,533
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	-	615
Share of changes in capital surplus of associates	331,766	242,323
Treasury share transactions	2,448,303	2,448,303
Gain on disposal of property, plant and equipment	2,074,231	2,074,231
Others	<u>1,027,405</u>	<u>1,027,415</u>
	<u>\$ 16,055,238</u>	<u>\$ 15,966,420</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 share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

The capital surplus arises from changes in capital surplus of associates accounted for using the equity method, 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 the Company's amended Articles that stipulated the 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 the Company's amended Articles of Incorporation, 10% of the Company's annual earnings, net of tax and any deficit, should be appropriated as legal reserve until this reserve equals WLC's paid-in capital. Also, the Company appropriated earnings to special reserve based on the applicable laws and regulations. Any remaining balance of distributable earnings resolved by the shareholders will be retained partially by the Company and will be distributed to shareholders. The Company shall reserve no lesser than 40% of the balance amount as shareholder's profit after offsetting its losses 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 the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company appropriates or reverses any special reserve in accordance with Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and in the

○ Financial Information

directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”.

The appropriations of earnings for 2019 and 2018 were approved in the shareholders’ meetings on May 24, 2019 and May 25, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 1,175,678	\$ 655,998	\$ -	\$ -
Special reserve	1,330,888	-	-	-
Cash dividends	<u>3,991,200</u>	<u>3,326,000</u>	1.2	1.0
	<u>\$ 6,497,766</u>	<u>\$ 3,981,998</u>		

The appropriations of earnings for 2019 had been proposed by the Company’s board of director on February 27, 2020 were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 314,968	\$ -
Special reserve	(932,728)	-
Cash dividends	<u>1,663,000</u>	0.50
	<u>\$ 1,045,240</u>	

The appropriation of earnings for 2019 is subject to the resolution of the shareholders’ meeting to be held on May 29, 2020.

d. Special reserve

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Special reserve	<u>\$ 4,043,138</u>	<u>\$ 2,712,250</u>

Information regarding any changes to the above special reserve was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 2,712,250	\$ 2,712,250
Appropriations	<u>1,330,888</u>	<u>-</u>
Balance at December 31	<u>\$ 4,043,138</u>	<u>\$ 2,712,250</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (3,567,540)	\$ (2,944,758)
Recognized for the year		
Share from subsidiaries and associates accounted for using the equity method	<u>(1,978,819)</u>	<u>(622,782)</u>
Balance at December 31	<u>\$ (5,546,359)</u>	<u>\$ (3,567,540)</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 (the New Taiwan dollar) 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.

3) Unrealized valuation gain (loss) on financial assets at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (474,446)	\$ 1,875,068
Recognized for the year		
Unrealized gain (loss) - equity instruments	1,572,352	(719,216)
Share from associates accounted for using the equity method	1,338,043	(1,883,249)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal (Note 11)	<u>-</u>	<u>252,951</u>
Balance at December 31	<u>\$ 2,435,949</u>	<u>\$ (474,446)</u>

4) Cash flow hedges

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (1,151)	\$ (7,529)
Transferred to initial carrying amount of hedged items	1,151	6,499
Others	<u>-</u>	<u>(121)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ (1,151)</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 at January 1, 2018	Treasury Shares Increase During the Year	Treasury Shares 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>

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**

	<u>For the Year Ended December 31</u>	
	2019	2018
Sales revenue	\$ 70,227,489	\$ 83,608,615
Revenue from the rendering of services	105,152	97,764
Construction contract revenue	485,431	609,382
Rental income	702,730	709,924
Other revenue	<u>75,846</u>	<u>74,285</u>
	<u>\$ 71,596,648</u>	<u>\$ 85,099,970</u>

**21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS**

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

	<u>For the Year Ended December 31</u>	
	2019	2018
(Loss) gain on disposal of investments - forward exchange contracts	\$ (35,050)	\$ 56,015
(Loss) gain on disposal of investments - commodity futures	(1,254,949)	440,312
Loss on disposal of investments - exchange rate swap contracts	<u>-</u>	<u>(8,060)</u>
	<u>\$ (1,289,999)</u>	<u>\$ 488,267</u>

## Non-operating Income and Expenses - Impairment Loss

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 183	\$ 4,636
Investments accounted for using the equity method	<u>1,678,639</u>	<u>-</u>
	<u>\$ 1,678,822</u>	<u>\$ 4,636</u>

## Employee Benefits Expense, Depreciation and Amortization

	<b>For the Year Ended December 31, 2019</b>			
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Non-operating Expenses and Losses</b>	<b>Total</b>
Short-term benefits	\$ 1,413,796	\$ 948,375	\$ -	\$ 2,362,171
Post-employment benefits	69,075	42,726	-	111,801
Other employee benefits	140,705	61,055	-	201,760
Depreciation				
Property, plant and equipment	991,914	83,934	-	1,075,848
Right-of-use assets	1,745	19,015	-	20,760
Investment property	<u>101,339</u>	<u>7,827</u>	<u>-</u>	<u>109,166</u>
	<u>\$ 1,094,998</u>	<u>\$ 110,776</u>	<u>\$ -</u>	<u>\$ 1,205,774</u>
	<b>For the Year Ended December 31, 2018</b>			
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Non-operating Expenses and Losses</b>	<b>Total</b>
Short-term benefits	\$ 1,668,725	\$ 1,168,635	\$ -	\$ 2,837,360
Post-employment benefits	71,445	38,608	-	110,053
Other employee benefits	135,111	57,366	-	192,477
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>

In compliance with the Company's Articles; the amendments stipulated 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 to directors and supervisors. For the years ended December 31, 2019 and 2018, the employees' compensation amounted to NT\$48,500 thousand and NT\$125,000 thousand, respectively and the remuneration to directors and supervisors amounted to NT\$21,000

thousand and NT\$63,000 thousand, respectively. The employees' compensation and remuneration of directors and supervisors in cash for the years ended December 31, 2019 and 2018 were approved by the Company's board of directors on February 27, 2020, and February 22, 2019, 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.

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. The major components of tax (benefit) expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 17,000	\$ 317,000
Income tax on unappropriated earnings	418,342	239,192
Land value increment tax	12,660	-
Adjustments for prior year	<u>(38,986)</u>	<u>7,140</u>
	<u>409,016</u>	<u>563,332</u>
Deferred tax		
In respect of the current year	(469,000)	(17,625)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>-</u>	<u>(56,456)</u>
	<u>(469,000)</u>	<u>(74,081)</u>
Income tax (benefit) expense recognized in profit or loss	<u>\$ (59,984)</u>	<u>\$ 489,251</u>

A reconciliation of accounting profit and income tax (benefit) expense, average effective tax rate and the applicable tax rate is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax from continuing operations	<u>\$ 3,089,695</u>	<u>\$ 12,246,032</u>
Income tax expense calculated at the statutory rate	\$ 618,000	\$ 2,449,000
Tax-exempt gain on disposal of land	(43,000)	-
Equity in investees' net gain	(843,000)	(1,983,000)
Tax-exempt dividend income	(26,000)	(36,000)

(Continued)

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
Loss on investees' capital reduction to complement accumulated deficits	-	(104,000)
Loss on investments	(164,000)	-
Land value increment tax	12,660	-
Effect of tax rate changes	-	(56,456)
Others	6,000	(26,625)
Income tax on unappropriated earnings	418,342	239,192
Adjustments for prior years' tax	(38,986)	7,140
 Income tax (benefit) expense recognized in profit or loss	 \$ (59,984)	 \$ 489,251

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax assets	\$ -	\$ -
Current tax liabilities		
Income tax payable	\$ 278,669	\$ 478,299

c. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax assets		
Pension expense not currently deductible	\$ 58,000	\$ 87,000
Provision for permanent devaluation loss on long-term investments	552,000	52,000
Provision for devaluation loss on obsolete and slow-moving inventories	88,000	111,000
Provision for impairment loss on idle assets	18,000	19,000
Others	147,000	125,000
Deferred tax liabilities		
Reserve for land value increment tax	(131,132)	(131,132)
	 \$ 731,868	 \$ 262,868

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax assets - non-current	\$ 863,000	\$ 394,000
Deferred tax liabilities - non-current	<u>(131,132)</u>	<u>(131,132)</u>
	<u>\$ 731,868</u>	<u>\$ 262,868</u> (Concluded)

- d. The Company's income tax returns through 2017 had been examined and cleared by the tax authorities, but not for 2015.

### 23. EARNINGS PER SHARE

	<b>For the Year Ended December 31</b>					
	<b>2019</b>			<b>2018</b>		
	<u>Amounts (Numerator)</u> After Income Tax (Attributable to Parent's Shareholders)	<u>Shares (Denominator)</u> (In Thousands)	<u>Earnings Per Share (In Dollars)</u> After Income Tax (Attributable to Parent's Shareholders)	<u>Amounts (Numerator)</u> After Income Tax (Attributable to Parent's Shareholders)	<u>Shares (Denominator)</u> (In Thousands)	<u>Earnings Per Share (In Dollars)</u> After Income Tax (Attributable to Parent's Shareholders)
Basic earnings per share						
Net income	\$ 3,149,679	3,326,000	<u>\$ 0.95</u>	\$ 11,756,781	3,326,000	<u>\$ 3.53</u>
Effect of dilutive potential ordinary shares	-	4,136		-	8,113	
Diluted earnings per share						
Net income plus dilutive effect	<u>\$ 3,149,679</u>	<u>3,330,136</u>	<u>\$ 0.95</u>	<u>\$ 11,756,781</u>	<u>3,334,113</u>	<u>\$ 3.53</u>

### 24. OPERATING 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, 2019 and 2018, deposits received under operating leases amounted to NT\$170,550 thousand and NT\$163,202 thousand, respectively (recorded under other liabilities - non-current).

As of December 31, 2019, the Company's future minimum lease receivables on non-cancelable operating lease commitments are as follows:

Years of 2020	\$ 712,979
2021-2024	<u>1,903,650</u>
	<u>\$ 2,616,629</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. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. 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

The management considers the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements as approximates of the fair values.

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

#### 1) Fair value hierarchy

<u>December 31, 2019</u>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed securities in ROC	\$ 4,729,384	\$ -	\$ -	\$ 4,729,384
Unlisted securities in ROC	<u>-</u>	<u>-</u>	<u>318,073</u>	<u>318,073</u>
	<u>\$ 4,729,384</u>	<u>\$ -</u>	<u>\$ 318,073</u>	<u>\$ 5,047,457</u>
Financial assets at FVTPL				
Derivative financial assets not designated as hedging instruments	<u>\$ 39,088</u>	<u>\$ 13,501</u>	<u>\$ -</u>	<u>\$ 52,589</u>
Financial liabilities at FVTPL				
Derivative financial liabilities not designated as hedging instruments	<u>\$ -</u>	<u>\$ 55,402</u>	<u>\$ -</u>	<u>\$ 55,402</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed securities in ROC	\$ 3,017,673	\$ -	\$ -	\$ 3,017,673
Unlisted securities in ROC	<u>-</u>	<u>-</u>	<u>287,565</u>	<u>287,565</u>
	<u>\$ 3,017,673</u>	<u>\$ -</u>	<u>\$ 287,565</u>	<u>\$ 3,305,238</u>
Financial assets at FVTPL				
Derivative financial assets not designated as hedging instruments	<u>\$ 142,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,111</u>
Financial liabilities at FVTPL				
Derivative financial liabilities not designated as hedging instruments	\$ -	\$ 4,079	\$ -	\$ 4,079
Derivative financial liabilities for hedging	<u>-</u>	<u>3,244</u>	<u>-</u>	<u>3,244</u>
	<u>\$ -</u>	<u>\$ 7,323</u>	<u>\$ -</u>	<u>\$ 7,323</u>

- 2) There were no transfers between Levels 1 and 2 in the current and prior year.
- 3) Financial assets which belong to Level 3 recognized in other comprehensive income - change in fair value and there is no other adjustment.
- 4) Valuation technique and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year 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 year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

<u>Financial Instruments</u>	<u>Valuation Technique 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>2019</u>	<u>2018</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 1,284,354	\$ 949,956
Contract assets	331,195	44,338
Notes receivable and trade receivables (including related parties)	2,657,946	3,114,472
Other receivables	2,555,588	536,860
Refundable deposits	59,779	58,292
Financial assets at FVTPL (current and non-current)	52,589	142,111
Financial assets at FVTOCI (current and non-current)	5,047,457	3,305,238
<u>Financial liabilities</u>		
Financial liabilities at FVTPL (current and non-current)		
Derivative financial liabilities for hedging	55,402	3,244
Financial liabilities at amortized cost		
Short-term borrowings	9,350,000	8,095,612
Trade payables	2,499,976	3,845,788
Other payables	6,865,271	4,466,854
Long-term borrowings (including current portion)	23,000,000	24,000,000
Deposits received (accounted for as other non-current liabilities)	172,913	199,437

d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, borrowings, trade receivables 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 that analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company seeks 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, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with

policies and exposure limits is 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's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into foreign exchange forward contracts and interest rate swaps contracts to hedge foreign currency risk and interest rate risk.

There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

It is the Company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Assets</u>		
US dollar	\$ 1,190,790	\$ 2,393,169
Japanese yen	30,990	132,123
Euro	315,247	460,912
Singapore dollar	2,066	15,524
Hong Kong dollar	9,290	8,665
Australian dollar	1,946	-
Renminbi	5,232	-
<u>Liabilities</u>		
US dollar	5,594,702	2,998,804
Euro	-	42,746
Swiss Franc	526	530
Japanese yen	-	260

The carrying amounts of the Company's derivatives exposed to foreign currency risk at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Assets</u>		
US dollar	\$ 4,542,621	\$ 2,213,438
Euro	-	176,000
<u>Liabilities</u>		
US dollar	1,499,000	-
Euro	-	528,000

Sensitivity analysis

The Company is mainly exposed to the US dollar.

The following table details the Company'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 included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 1% change in foreign currency rates.

	<b>US Dollar Impact</b>	
	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit or loss	\$ (13,603)	\$ 16,078

b) Interest rate risk

The Company is exposed to interest rate risk because it borrows funds at both fixed and floating interest rates.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash flow interest rate risk		
Financial liabilities	\$ 32,350,000	\$ 32,095,612

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for financial instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year.

If interest rates had been 1% basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would decrease by NT\$323,500 thousand and NT\$320,956 thousand, respectively.

### Hedge accounting

#### For the year ended December 31, 2019

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 Instrument	Currency	Notional Amount	Maturity	Forward Price	Line Item in Balance Sheet	Carrying Amount		Change in Value Used for Calculating Hedge Effectiveness
						Asset	Liability	
Exchange rate swap contracts	USD to NTD	USD41,000/ NTD1,252,837	2020/1/14	\$ 1,233,665	Financial liabilities for hedging	\$ -	\$ 19,173	\$ -
	USD to NTD	USD20,000/ NTD607,060	2020/2/5	601,124	Financial liabilities for hedging	-	5,936	-
	USD to NTD	USD35,000/ NTD1,063,895	2020/2/5	1,051,889	Financial liabilities for hedging	-	12,006	-
	USD to NTD	USD10,000/ NTD303,980	2020/2/5	300,547	Financial liabilities for hedging	-	3,433	-
	USD to NTD	USD17,000/ NTD517,455	2020/2/5	510,933	Financial liabilities for hedging	-	6,521	-
	USD to NTD	USD17,000/ NTD517,455	2020/2/5	509,121	Financial liabilities for hedging	-	8,333	-

## 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 Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheet; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

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 year 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 following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods.

#### December 31, 2019

	<b>1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 15,850,000	\$ 7,000,000	\$ 9,500,000	\$ -	\$ 32,350,000
Lease liabilities	20,340	12,699	8,881	4,640	46,560
Non-interest bearing	<u>9,394,191</u>	<u>26,850</u>	<u>119,567</u>	<u>13,469</u>	<u>9,544,077</u>
	<u>\$ 25,264,531</u>	<u>\$ 7,039,549</u>	<u>\$ 9,628,448</u>	<u>\$ 18,109</u>	<u>\$ 41,950,637</u>

#### December 31, 2018

	<b>1 Year</b>	<b>1-2 Years</b>	<b>2-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
<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>8,233,317</u>	<u>8,185</u>	<u>62,896</u>	<u>8,224</u>	<u>8,312,642</u>
	<u>\$ 20,828,929</u>	<u>\$ 2,441,518</u>	<u>\$ 17,129,563</u>	<u>\$ 8,224</u>	<u>\$ 40,408,254</u>

○ Financial Information

b) The Company's derivative financial instruments with agreed settlement date were as follows:

December 31, 2019

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Net settled</u>					
Commodity futures contracts	\$ 37,695	\$ 6,092	\$ (4,699)	\$ -	\$ 39,088
Foreign exchange forward contracts	13,216	-	-	-	13,216
Exchange rate swap contracts	<u>(18,887)</u>	<u>(36,230)</u>	<u>-</u>	<u>-</u>	<u>(55,117)</u>
	<u>\$ 32,024</u>	<u>\$ (30,138)</u>	<u>\$ (4,699)</u>	<u>\$ -</u>	<u>\$ (2,813)</u>

December 31, 2018

	<b>On Demand or Less Than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Net settled</u>					
Commodity futures contracts	\$ 16,560	\$ 120,738	\$ 4,814	\$ -	\$ 142,111
Foreign exchange forward contracts	(1,075)	(3,004)	-	-	(4,079)
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>

e. Transfers of financial assets

Factored trade receivables that are not yet overdue at the end of the year were as follows:

<b>Counterparty</b>	<b>Receivables Factoring Proceeds</b>	<b>Amount Reclassified to [Other Receivables]</b>	<b>Advances Received - Unused</b>	<b>Advances Received -Used</b>	<b>Annual Interest Rates on Advances Received (Used) (%)</b>
<u>2019</u>					
CTBC bank	<u>\$ 162,569</u>	<u>\$ 13,636</u>	<u>US\$ 2,700</u>	<u>\$ -</u>	-
<u>2018</u>					
CTBC bank	<u>\$ 171,014</u>	<u>\$ 9,944</u>	<u>US\$ 2,700</u>	<u>\$ -</u>	-

## 27. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
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
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
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
Winbond Electronics Corp.	Associate
Powertec Electrochemical Corp.	Actual related party, associate since April 20, 2018 (formerly known as Powertec Energy Corp.)
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
Global Brands Manufacture Ltd.	Actual related party
Info-Tek Corp.	Actual related party
VVG Inc.	Actual related party
Nuvoton Technology Corporation	Actual related party

b. Sales

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Subsidiaries	\$ 4,257,414	\$ 6,842,298
Associates	-	1,380
Other related parties	<u>958,958</u>	<u>999,664</u>
	<u>\$ 5,216,372</u>	<u>\$ 7,843,342</u>

○ Financial Information

c. Rental income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 240	\$ 240
Associates	41,765	38,712
Other related parties	<u>1,499</u>	<u>2,823</u>
	<u>\$ 43,504</u>	<u>\$ 41,775</u>

d. Purchases of goods

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 361	\$ -
Other related parties	<u>2,676</u>	<u>2,803</u>
	<u>\$ 3,037</u>	<u>\$ 2,803</u>

e. Construction contract

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 3,165</u>	<u>\$ 47,694</u>

f. Administrative expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ 392	\$ 300
Associates	11,232	10,476
Other related parties	<u>12,311</u>	<u>11,786</u>
	<u>\$ 23,935</u>	<u>\$ 22,562</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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Other related parties		
HannStar Display Corp.	\$ 71,188	\$ 118,646
HannStar Board Corp.	58,825	47,165
Others	<u>4,816</u>	<u>4,816</u>
	<u>\$ 134,829</u>	<u>\$ 170,627</u>

h. Notes receivable

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates		
Prosperity Dielectrics Co., Ltd.	\$ 28,248	\$ 105
Others	<u>1,151</u>	<u>547</u>
	<u>\$ 29,399</u>	<u>\$ 652</u>

i. Trade receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
Dongguan Walsin Wire & Cable Co., Ltd.	\$ 955,288	\$ 190,945
Others	32,741	147,311
Other related parties	<u>26,393</u>	<u>22,827</u>
	<u>\$ 1,014,422</u>	<u>\$ 361,083</u>

j. Trade payables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	\$ -	\$ 482
Other related parties	<u>116</u>	<u>171</u>
	<u>\$ 116</u>	<u>\$ 653</u>

k. Other receivables

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries		
Walsin Lihwa Holdings Ltd.	\$ 2,126,105	\$ -
Others	-	167
Associates	8,784	14,169
Other related parties	<u>2,549</u>	<u>2,595</u>
	<u>\$ 2,137,438</u>	<u>\$ 16,931</u>

l. Loans from related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Walsin Lihwa Holdings Ltd.	<u>\$ 4,807,791</u>	<u>\$ 2,000,657</u>

○ Financial Information

Interest expense

Related Party Category/Name	For the Year Ended December 31	
	2019	2018
Subsidiaries	\$ <u>87,776</u>	\$ <u>37,248</u>

The Company obtained loans from related parties at rates comparable to market interest rates.

m. Other payables

	December 31	
	2019	2018
Subsidiaries	\$ <u>1,276</u>	\$ <u>-</u>

n. Disposals of property, plant and equipment (including disposals of investment properties)

Related Party Category/Name	Proceeds		Gain on Disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Walsin Technology Corp.	\$ -	\$ 5,500	\$ -	\$ 5,500
Prosperity Dielectrics Co., Ltd.	<u>278,246</u>	<u>-</u>	<u>246,877</u>	<u>-</u>
	\$ <u>278,246</u>	\$ <u>5,500</u>	\$ <u>246,877</u>	\$ <u>5,500</u>

In 2019, the Company disposed of investment property to Prosperity Dielectrics Co., Ltd. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and appraisal report.

o. Lease arrangements - Company is lessee

Line Item	Related Party Category/Name	December 31	
		2019	2018
Lease liabilities	Subsidiaries	\$ <u>10,200</u>	\$ <u>-</u>

Related Party Category/Name	For the Year Ended December 31	
	2019	2018

Interest expense

Subsidiaries	\$ <u>241</u>	\$ <u>-</u>
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p. Endorsements and guarantees

Related Party Category/Name	December 31	
	2019	2018
Subsidiaries	US\$ <u>-</u>	US\$ <u>36,500</u>

q. Guarantee deposits

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	\$ 8,916	\$ 8,916
Other related parties	<u>417</u>	<u>417</u>
	<u>\$ 9,333</u>	<u>\$ 9,333</u>

r. Compensation of key management personnel

The remuneration of directors and key executives was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 116,079	\$ 221,741
Post-employment benefits	<u>17,594</u>	<u>2,867</u>
	<u>\$ 133,673</u>	<u>\$ 224,608</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collaterals for construction contract and tariff guarantee for imported raw material:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Refundable deposits (recorded under non-current assets)	<u>\$ 34,662</u>	<u>\$ 33,400</u>

## 29. SIGNIFICANT CONTINGENCIES LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Company at December 31, 2019 and 2018 were as follows:

○ Financial Information

- a. Outstanding letters of credit not reflected in the accompanying financial statements as of December 31, 2019 and 2018 were as follows (in thousands):

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
US dollar	US\$ 20,182	US\$ 48,781
Japanese yen	JPY 94,529	JPY 187,216
Euro	EUR 5,277	EUR 3,212
Renminbi	RMB 13,134	RMB -
New Taiwan dollar	NT\$ 30,799	NT\$ 48,486

- b. As of December 31, 2019, the outstanding standby letters of credit not reflected in the accompanying financial statements amounted to approximately NT\$336,075 thousand and US\$10 thousand. 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. Tariff letters of credit amounted to approximately NT\$524,000 thousand and NT\$587,000 thousand as of December 31, 2019 and 2018, respectively. Guarantees for the borrowings of its affiliates amounted to US\$43,500 thousand as of December 31, 2018.
- c. Non-cancelable copper and nickel procurement contracts with total contract value of US\$23,404 thousand US\$36,885 thousand were in effect as of December 31, 2019 and 2018.

### 30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
US dollar	\$ 39,719	29.9800	\$ 1,190,790
Japanese yen	112,281	0.2760	30,990
Euro	9,385	33.5900	315,247
Singapore dollar	93	22.2800	2,066
Hong Kong dollar	2,414	3.8490	9,290
Australian Dollar	93	21.0050	1,946
Renminbi	1,218	4.2973	5,232
Investments accounted for using the equity method			
US dollar	54,416	29.9800	1,631,377
Renminbi	8,385,241	4.2973	36,034,149
Indonesia rupiah	83,955	0.0022	183

(Continued)

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
US dollar	186,614	29.9800	5,594,702
Swiss franc	17	30.9250	526
			(Concluded)

December 31, 2018

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
US dollar	\$ 77,915	30.7150	\$ 2,393,169
Japanese yen	474,920	0.2782	132,123
Euro	13,094	35.2000	460,912
Hong Kong dollar	2,210	3.9210	8,665
Singapore dollar	691	22.4800	15,524
Investments accounted for using equity method			
US dollar	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 dollar	97,633	30.7150	2,998,804
Euro	1,214	35.2000	42,746
Swiss franc	17	31.1850	530
Japanese yen	936	0.2782	260

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains were NT\$61,393 thousand and NT\$251,457 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 Company entities.

### 31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (Table 1)
- 3) Marketable securities held (Table 2)

## ○ Financial Information

- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (Table 4)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (Table None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
  - 9) Trading in derivative instruments (Note 7 and 16)
  - 10) Information on investees (Table 7)
- b. Information on investments in mainland China
- 1) 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, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Table 8):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
    - c) The amount of property transactions and the amount of the resultant gains or losses
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
    - f) 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 receipt 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, 2019  
(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.	b	\$ 5,128,169 (US\$ 171,053)	\$ 1,042,800 (US\$ 33,000)	\$ - US\$ -	\$ - US\$ -	\$ - -	- -	\$ 77,384,341	Yes	No	No
		Green Lake Exchange, LLC.	b	- US\$ -	331,800 (US\$ 10,500)	- US\$ -	- US\$ -	- -	- -	77,384,341	Yes	No	No
				\$ 5,128,169	\$ 1,374,600	\$ -	\$ -						

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 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 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\$77,384,341×100%=NT\$77,384,341.
  - The limit on the amount of endorsements/guarantees provided to a single entity was as follows:  
Borrego Solar Systems, Inc.: US\$90,877×250%×75.29%=US\$171,053.  
Green Lake Exchange, LLC.: US\$0×250%×100%=US\$0.
- The currency exchange rate as of December 31, 2019 was as follows: US\$ to NT\$ = 1:29.98.

TABLE 2

## WALSIN LIHWA CORPORATION

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2019  
(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, 2019				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	258,292,180	\$ 2,089,584	8.24	\$ 2,089,584	
	HannStar Board Corp.	-	Financial assets at fair value through other comprehensive income - non-current	60,132,134	2,639,800	12.24	2,639,800	
	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	252,121	9.39	252,121	
	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	222	6.67	222	
	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	46,100	2.93	46,100	
	WK Technology Fund	-	Financial assets at fair value through other comprehensive income - non-current	380,477	7,518	1.91	7,518	
	Universal Venture Capital Investment	-	Financial assets at fair value through other comprehensive income - non-current	1,400,000	11,397	1.16	11,397	
	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	715	15.00	715	

**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, 2019  
(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	Shares/Units	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares/Units	Amount
Walsin Lihwa Corporation	Share Concord Industries Limited	Investments accounted for using the equity method	Capital investment	Subsidiaries	487,903,187	\$ 10,516,206	18,000,000	\$ 491,028 (Note)	-	\$ -	\$ -	\$ -	505,903,187	\$ 11,007,234

Note: The amount included subscription for shares, investment income or loss and the share of the change in capital surplus from investments in associates accounted for using the equity method.

TABLE 4

**WALSIN LIHWA CORPORATION**

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Walsin Lihwa Corporation	Land and plant	Contract date: 2018/12/18 Trade date: 2019/02/15	\$ 911,573	According to the contract	Lien Shun Yang Leather Co., Ltd.	-	N/A	N/A	N/A	N/A	According to the transaction quotes and appraisal report	Construction for own use	N/A

TABLE 5

## WALSIN LIHWA CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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	Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	\$ (4,045,695)	(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	\$ 955,288	9	
	Jiayin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(130,807)	-	The payment terms are set by quotations on the local market, and the transaction terms are similar to those of general customers.	Similar	Similar	28,382	-	
	Koung Tai Metal Industrial Co., Ltd.	Director of the related party	Sales	(958,911)	(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	26,343	-	

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, 2019  
(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      \$ 955,288	7.06	\$ -	-	\$ 664,394	\$ -

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE GROUP EXERCISES SIGNIFICANT INFLUENCE  
DECEMBER 31, 2019

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, 2019			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2019	December 31, 2018	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	\$ 9,861,333	\$ 12,062,611	320,230,393	100.00	\$ 20,054,589	\$ 2,765,229	\$ 2,765,490	
	Concord Industries Limited	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Investments	19,281,719	18,726,095	505,903,187	100.00	11,007,234	815,919	815,919	
	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	21,751	12,468	12,468	
	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	304,640	(44,412)	(44,412)	
	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	812,145	22,944	22,944	
	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	79,934	12,559	12,559	
	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	325,608	32,316	32,316	
	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	10,000	1,000,000	100.00	9,568	(428)	(428)	
	Chin-Cherng Construction Co.	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	Construction	611,688	611,687	515,699,455	99.22	5,622,577	(166,426)	(164,944)	
	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	139,550	6,388	6,316	
	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	819,232	203,946	142,762	
	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	183	(905)	(633)	
	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	4,587,752	(349,247)	(139,676)	
	Chin-Xin Investment Co., Ltd.	26F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Investments	2,237,969	2,237,969	179,468,270	37.00	4,365,846	638,018	236,067	
	Walsin Color Co., Ltd.	24F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan, R.O.C.	Management of investments and conglomerates	457,610	416,849	49,831,505	33.97	1,033,391	43,975	14,938	
	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	186,453	(18,651)	(4,974)	
	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	13,599,856	1,256,387	279,044	
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	21.65	2,549,401	153,264	30,011		
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	6,188,821	6,638,897	1,205,757		
Powertec Electrochemical 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	2,945,925	2,706,622	318,522,792 (Note 1)	20.53	-	(4,242,970)	(1,004,730) (Note 2)		

Note 1: In 2019, the Group paid NT\$239,303 to acquire an additional 47,860,632 shares in Powertec Electrochemical Corp., and became the shareholder of record on January 20, 2020.

Note 2: The Group recognized impairment loss of NT\$1,678,639 thousand.

TABLE 8

## WALSIN LIHWA CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
DECEMBER 31, 2019  
(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 20)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Jiangyin Walsin Steel Cable Co., Ltd.	Manufacture and sale of steel cables and wires	\$ 599,600 (US\$ 20,000)	b	\$ 449,700 (US\$ 15,000) (Note 2)	\$ 331,009 (US\$ 11,041)	\$ -	\$ 780,709 (US\$ 26,041) (Note 2)	\$ (123,667)	100.00	\$ (109,799)	\$ 700,877	\$ -
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	Manufacture and sale of cables and wires	468,497 (US\$ 15,627)	b	448,381 (US\$ 14,956) (Note 3)	-	-	448,381 (US\$ 14,956) (Note 3)	(2,865)	95.71	(2,744)	945,894	-
Hangzhou Walsin Power Cable & Wire Co., Ltd.	Manufacture and sale of cables and wires	4,859,158 (US\$ 162,080)	b	2,968,320 (US\$ 99,010) (Note 4)	-	239,180 (US\$ 7,978)	2,729,140 (US\$ 91,032) (Note 4)	(181,293)	38.93	(70,579)	479,745	-
Walsin (China) Investment Co., Ltd.	Investments	2,356,428 (US\$ 78,600)	b	2,356,428 (US\$ 78,600) (Note 5)	-	-	2,356,428 (US\$ 78,600) (Note 5)	(47,542)	100.00	(47,542)	3,791,272	-
Changshu Walsin Specialty Steel Co., Ltd.	Manufacture and sale of specialized steel tubes	2,908,060 (US\$ 97,000)	b	2,908,060 (US\$ 97,000) (Note 6)	-	-	2,908,060 (US\$ 97,000) (Note 6)	(46,811)	100.00	(46,811)	450,618	-
Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	Manufacture and sale of stainless steel	509,660 (US\$ 17,000) (Note 7)	b	1,169,220 (US\$ 39,000) (Note 8)	-	-	1,169,220 (US\$ 39,000) (Note 8)	846,288	100.00	846,288	225,653	-
Dongguan Walsin Wire & Cable Co., Ltd.	Manufacture and sale of bare copper cables and wires	779,480 (US\$ 26,000)	b	779,480 (US\$ 26,000) (Note 9)	-	-	779,480 (US\$ 26,000) (Note 9)	86,990	100.00	86,990	1,539,149	-
Nanjing Walsin Metal Co., Ltd. (Note 10)	New copper metal material	2,434,376 (US\$ 81,200) (Note 11)	b	1,877,018 (US\$ 62,609) (Note 12)	-	1,877,018 (US\$ 62,609)	- (US\$ -) (Note 12)	207,734	-	165,160	-	-
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Manufacture and sale of cold-rolled stainless steel and flat-rolled products	1,469,020 (US\$ 49,000)	b	1,469,020 (US\$ 49,000) (Note 13)	-	-	1,469,020 (US\$ 49,000) (Note 13)	(224,813)	100.00	(224,813)	1,351,416	-
XiAn Walsin Metal Product Co., Ltd.	Manufacture and sale of specialized stainless steel plates	304,297 (US\$ 10,150)	b	299,800 (US\$ 10,000)	4,497 (US\$ 150)	-	304,297 (US\$ 10,150)	(12,017)	100.00	(12,017)	(789,695)	-

(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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	Percentage of Ownership in Investment (%)	Investment Gain (Loss) (Note 20)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow						
Yantai Walsin Stainless Steel Co., Ltd.	Production and sale of electronic components and new alloy materials	\$ 7,646,849 (US\$ 255,065) (Note 14)	b	\$ 3,445,511 (US\$ 114,927)	\$ 539,640 (US\$ 18,000)	\$ - -	\$ 3,985,151 (US\$ 132,927)	\$ (259,141)	100.00	\$ (259,141)	\$ 2,670,176	\$ -
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Commerce and investments	1,469,020 (US\$ 49,000)	b	1,469,020 (US\$ 49,000)	- -	- -	1,469,020 (US\$ 49,000)	30,772	100.00	30,772	1,488,376	-
Changzhou China Steel Precision Materials Co., Ltd.	Melting and forging of nonferrous metallic materials and composites as well as new types of alloys	1,307,128 (US\$ 43,600)	b	392,138 (US\$ 13,080)	- -	- -	392,138 (US\$ 13,080)	122,699	30.00	36,807	373,515	914,990
XiAn Walsin United Technology Co., Ltd.	Electronic devices and modules	2,995,002 (US\$ 99,900)	b	2,996,741 (US\$ 99,958)	- -	- -	2,996,741 (US\$ 99,958)	12,231	100.00	12,231	65,436	-
Nanjing Walsin Expo Exhibition Ltd. (Note 19)	Exhibition and conference organizing services	13,161 (US\$ 439)	b	7,945 (US\$ 265)	- -	- -	7,945 (US\$ 265)	(121)	60.00	(72)	-	-
Nanjing Taiwan Trade Mart Management Co., Ltd.	Business and asset management, consulting and advertising services	29,980 (US\$ 1,000)	b	29,980 (US\$ 1,000)	- -	- -	29,980 (US\$ 1,000)	128,375	100.00	128,375	(373,597)	-
XiAn Lvjing Technology Co., Ltd.	Solar module assembly	1,355,096 (US\$ 45,200)	c	599,600 (US\$ 20,000)	- -	- -	599,600 (US\$ 20,000)	5,394	100.00	5,394	260,702	-
Shaanxi Tianhong Silicon Industrial Corporation	Polysilicon production	5,156,796 (RMB1,200,000)	b	- (US\$ -)	- -	- -	- (US\$ -)	(1,905,248)	19.00	-	205,301 (Note 15)	-
XiAn Walsin Opto-electronic Limited (Note 16)	LED, micro projector, and solar cell assembly	- (US\$ -)	b	4,497 (US\$ 150)	- -	4,497 (US\$ 150)	- (US\$ -)	51	-	51	-	-
Jiangsu Taiwan Trade Mart Development Co., Ltd.	Development and management of Nanjing Taiwan Trade Mart Management Co., Ltd.	42,973 (RMB 10,000)	b	9,114 (US\$ 304)	- -	- -	9,114 (US\$ 304)	574	20.00	117	9,012	-
Shaanxi Electronic Group Optoelectronics Technology Co., Ltd. (Note 17)	Communications equipment and electronic components	668,652 (RMB 155,597)	b	- (RMB -)	- -	- -	- (RMB -)	22,531	6.02	-	67,838	-
Walsin (Nanjing) Development Co., Ltd.	Construction, rental and sale of buildings and industrial factories	1,613,828 (RMB 375,542)	b	1,613,828 (RMB 375,542) (Note 18)	- -	- -	1,613,828 (RMB 375,542) (Note 18)	(346,618)	99.60	(345,243)	8,343,911	-
Nanjing Walsin Property Management Co., Ltd.	Property management, business management and leasing of houses	4,297 (RMB 1,000)	b	- (RMB -)	- -	- -	- (RMB -)	6,938	99.60	6,910	2,235	-
Walsin Nanjing Culture and Arts CO., LTD.	Organize culture and arts communication activity, cultural performance, culture and arts forwarding agency	6,446 (RMB 1,500)	b	- (RMB -)	- -	- -	- (RMB -)	(10,705)	99.60	(10,662)	(3,859)	-
Walsin Nanjing Commercial Management CO., LTD.	Business management, food marketing, catering services and sale of groceries	27,933 (RMB 6,500)	b	- (RMB -)	- -	- -	- (RMB -)	(14,739)	99.60	(14,680)	13,335	-

(Continued)

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

Accumulated Investment in Mainland China as of December 31, 2019 (In Thousands)	Investment Amounts Authorized by the Investment Commission, MOEA (In Thousands)	Upper Limit on Investment (In Thousands)
NT\$24,805,007 (US\$ 827,385)	NT\$27,296,181 (US\$ 910,480)	N/A (Note 23)

Notes

1. Investments can be classified into three categories as follows:
  - a. Direct investments in mainland China.
  - b. Reinvestments in mainland China through companies located in a third country.
  - c. Others.
2. Inclusive of US\$7,563 thousand in investments made through Walsin (China) Investment Co., Ltd.
3. Inclusive of US\$7,929 thousand in investments made through Walsin (China) Investment Co., Ltd.
4. 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.
5. 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.
6. 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.
7. Inclusive of capital reduction for cover accumulated deficits US\$22,000.
8. Inclusive of US\$4,800 thousand in investments made through Walsin (China) Investment Co., Ltd.
9. Investment made through Walsin (China) Investment Co., Ltd.
10. The Group sold Nanjing Walsin Metal Co., Ltd. to Zhuhai Gree Electric Enterprise Co., Ltd. which resulted in a loss of control since May 27, 2019.
11. Inclusive of an increment of US\$3,500 thousand from the revaluation of assets.
12. 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.
13. 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.
14. 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.
15. The private capital amount of RMB228,000 thousand of XiAn Lv Jing Technology Co., Ltd., adjusted by its fair value.
16. XiAn Walsin Metal Product Co., Ltd. merged XiAn Walsin Opto-electronic Limited.
17. Shaanxi Electronic Group Optoelectronics Technology Co., Ltd. was formerly known as Shaanxi Optoelectronics Technology Co., Ltd.
18. The amount includes investments through subsidiary Joint Success Enterprises Limited which were approved in the previous years.
19. The liquidation and deregistration of Nanjing Walsin Expo Exhibition Ltd. were completed on December 27, 2019.
20. Amounts are stated in thousands of New Taiwan dollars, except those stated in thousands of Renminbi or US dollars.
21. The currency exchange rates as of December 31, 2019 are as follows: US\$ to NT\$ = 1:29.98, RMB to NT\$ = 1:4,29733. The average exchange rates as of December 31, 2019 are as follows: US\$ to NT\$ = 1:30.912, RMB to NT\$ = 1:4.48379.
22. Amount was recognized based on the reviewed financial statements.
23. 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)

C. Significant direct or indirect transactions between the Company and investees in mainland China

(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship	Transaction Type	Amount	% to Total	Transaction terms			Notes/Accounts Payable or Receivable		Unrealized Loss
					Unit Price	Payment Terms	Compare to General Transactions	Ending Balance	% to Total	
Dongguan Walsin Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(4,045,695)	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	955,288	36	-
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	100% indirectly owned subsidiary	Sales	(130,807)	-	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	28,382	1	(1,793)
Changshu Walsin Specialty Steel Co., Ltd.	100% indirectly owned subsidiary	Sales	(60,608)	-	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	16,734	1	(2,695)
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	100% indirectly owned subsidiary	Sales	(1,149)	-	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	-	-	-

(Concluded)

6. Any financial crunch confronted by the Company or its subsidiaries and related impacts in the most recent year and up to the date of annual report publication: None.

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 1. Financial Status - Consolidated (Based on IFRSs)

Unit: NT\$ Thousands

Items	Year	2018	2019	Difference	
				Amount	%
Current Assets		58,726,913	60,789,794	2,062,881	3.51
Property, Plant and Equipment		25,083,436	27,845,109	2,761,673	11.01
Intangible Assets		164,451	168,134	3,683	2.24
Other Assets		48,679,310	49,263,365	584,055	1.20
Total Assets		132,654,110	138,066,402	5,412,292	4.08
Current Liabilities		32,146,970	40,743,553	8,596,583	26.74
Non-current Liabilities		21,242,797	18,756,735	(2,486,062)	(11.70)
Total Liabilities		53,389,767	59,500,288	6,110,521	11.45
Capital Stock		33,260,002	33,260,002	0	0.00
Capital Surplus		15,966,420	16,055,238	88,818	0.56
Retained Earnings		32,144,727	31,179,511	(965,216)	(3.00)

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 current liabilities in 2019 compared to 2018 was due to the increasing current portion of long-term borrowings and other current liabilities in 2019.

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

Items	Year	2018	2019	Difference													
				Amount	%												
Operating Revenue		190,915,137	134,804,405	(56,110,732)	(29.39)												
Operating Costs		174,979,772	125,413,839	(49,565,933)	(28.33)												
Gross Profit		15,935,365	9,390,566	(6,544,799)	(41.07)												
Operating Expense		4,909,156	5,331,092	421,936	8.59												
Profit from Operations		11,026,209	4,059,474	(6,966,735)	(63.18)												
Non-operating Revenue and Expense		5,644,765	680,793	(4,963,972)	(87.94)												
Profit before Taxes		16,670,974	4,740,267	(11,930,707)	(71.57)												
Tax Expense		4,711,687	956,943	(3,754,744)	(79.69)												
Net Income		11,959,287	3,783,324	(8,175,963)	(68.36)												
<p>I. The variance analysis in last two years:(Variable proportion over 20%)</p> <ol style="list-style-type: none"> <li>In 2019, operating revenue decreased by NT\$37.7 billion due to the disposal of the equity interest of Nanjing Walsin Metal Co., Ltd., revenue from real estate business, which was merely composed of sales of parking space, decreased by 12.4 billion and that of stainless steel business decreased by 6.4 billion as its sales dropped by 60 thousand tons.</li> <li>Gross Profit decreased NT\$6.5 billion in 2019 compared to 2018 was due to the selling the real estate in 2018.</li> <li>In 2019, non-operating revenue and expenses decreased by NT\$5 billion compared to 2018. The decrease was primarily due to the share of loss of associates accounted for using the equity method caused by slower demands in Walsin Technology Corp. and Winbond Electronics Corp. In addition, impairment losses related to investments in associates and loss on stainless steel hedging offset gain on sale of Nanjing Walsin Metal Co., Ltd., and gain on sale of idle property, plant and equipment.</li> </ol> <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> <ol style="list-style-type: none"> <li>Expected sales volume in the next year: 2020(Unit : ton) <table border="0" style="margin-left: 20px;"> <tr> <td>Bare copper wire</td> <td>170,019</td> </tr> <tr> <td>Power line</td> <td>43,768</td> </tr> <tr> <td>Strand</td> <td>114,978</td> </tr> <tr> <td>Stainless steel</td> <td>495,728</td> </tr> <tr> <td>Hot rods</td> <td>300,000</td> </tr> <tr> <td>Seamless steel pipe</td> <td>14,400</td> </tr> </table> </li> <li>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</li> </ol>						Bare copper wire	170,019	Power line	43,768	Strand	114,978	Stainless steel	495,728	Hot rods	300,000	Seamless steel pipe	14,400
Bare copper wire	170,019																
Power line	43,768																
Strand	114,978																
Stainless steel	495,728																
Hot rods	300,000																
Seamless steel pipe	14,400																

### 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
9,406,154	8,627,191	(2,344,669)	(2,865,479)	(1,070,191)	11,753,006	
Analysis of change in cash flow in the current year:						
1.The inflows of net cash generated by operating activities was NT\$ 8,627,191 thousand due to the profit before taxes.						
2.The outflows of net cash used in investing activities was NT\$2,344,669 thousand due to the capital expenditure.						
3.The outflows of net cash generated by financing activities was NT\$2,865,479 thousand due to the dividends paid.						
4.The intflows of net cash in the year was NT\$ 2,346,852 thousand and the ending balance of cash was NT\$ 11,753,006 thousand.						

(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
11,753,006	7,950,857	(25,870,597)	12,144,169	0	5,977,435	
Analysis of change in cash flow for the coming year:						
1.The inflows of net cash generated by operating activities due to the increase of profit before taxes and the expected deduction of inventory.						
2.The outflows of net cash used in investing activities due to the strategic project investment, the increase of capital expenditures and renewal of equipment.						
3.The intflows of net cash used in financing activities due to new borrowings.						

#### 4. Effect of Major Capital Expenditure on Financial Business Operations:

##### (1) Utilization of Major Capital Expenditures and Sources of Funds:

Unit: NT\$ Million

Project	Source of Funds	Actual or Estimated Completion Date	Investment	Actual or Expected Status of Spending					
				2016 and before	2017	2018	2019	2020	2021
New capital expenditure on hot-rolled stainless steel coil plant	Working Capital	December 2015	2,088	1,900	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	-	-
Purchase of machinery and equipment in Yantai	Working Capital	December 2021	1,055	-	-	-	53	1	1,001

##### (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 2019, the gains for affiliated enterprises recognized by equity method was NT\$7.28 billion, as a result of the overall flat market conditions in the industry and the decline in the profitability of affiliated enterprises recognized under the equity method compared to 2018.

##### (2) Main Reasons for Profit:

Recognition of the gains from Winbond Electronics Corporation and Walsin Technology Corporation.

##### (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:

- Impact of Interest Rate and Exchange Rate Changes and Inflation on the Company's Profit and Countermeasures.

○ Review of Financial Conditions, Financial Performance, and Risk Management

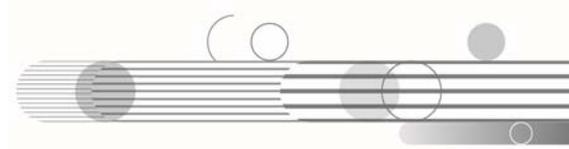
Affected item	Impact	Response measures:
Interest Rate Change	Net interest expense (interest expense less interest income) in 2019 was approximately NT\$291 million.	Based on the particular timing of capital requirements of the annual budget, the Company will acquire cheaper sources of capital from the market at specific points in time, and will also lock in interest rate costs for long-term capital needs when appropriate.
Exchange Rate Change	Foreign exchange gains for 2019 were approximately NT\$80 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 "V. 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", "cyberattacks" and "damage to information infrastructure" among the major 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.

The Company promotes digital transformation in order to effectively manage the ensuing information security risks. In 2017, the Company established a special unit for information security responsible for planning, coordinating and implementing information security measures. Over the past two years, we have continued to enhance the information security management mechanism, developed information security policies and other codes of conduct to regulate communication and access, strengthened endpoint, server, application system and network protection capabilities, and introduced external expertise (e.g., Information Security Testing and Diagnostic Service provided by Industrial Development Bureau, Ministry of Economic Affairs). Our future security efforts will focus on reducing the risk of intellectual property theft, protecting advanced production line equipment from hackers and developing the ability to respond quickly to security incidents in the face of the challenges posed by the full digitization 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	2019	2018
Debt ratio	Net liabilities (Total liabilities - Cash and cash equivalents) / Tangible assets	<=120%	60.90%	55.61%
Current ratio	Current assets / Current liabilities	>=100%	149.20%	182.68%
Interest coverage ratio	(Net income before income tax, depreciation, amortization and interest expense / Current interest expense	>=150%	1,335.70%	2,795.11%
Tangible net value	Shareholders' equity - Intangible assets	>=NT\$50 billion	NT\$78.4 billion	NT\$79.1 billion

○ Review of Financial Conditions, Financial Performance, and Risk Management

(2) Performance indicators: Return on shareholder's equity and income before accrued interest, tax, depreciation and amortization

Ratio	Formula	2019	2018
Return on shareholder's equity	Net Income after tax / Average of total shareholders' equity	4.79%	15.78%
Return before accrued interest, tax, depreciation and amortization	Income before interest and tax + depreciation and amortization	NT\$7,475 million	NT\$19,123 million

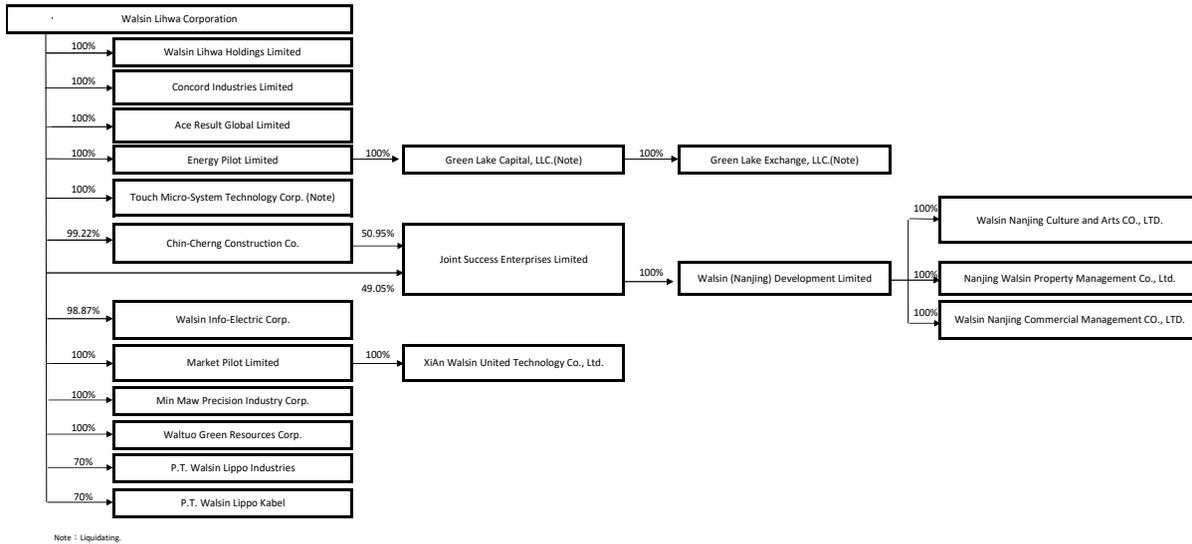
**7. Other Major Issues: None**

# VIII Special Disclosures

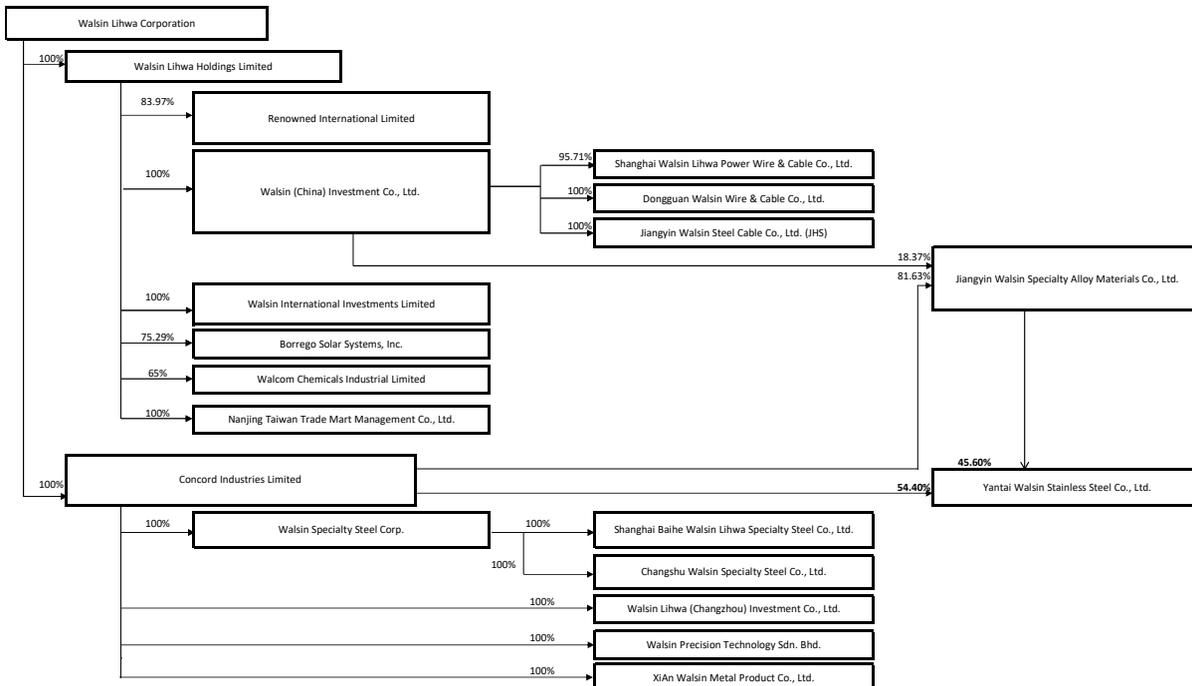
## 1. Summary of Affiliates Companies

### (1) Affiliates

#### 1. Affiliated Organization Chart of Walsin Lihwa Corporation (as of 2019/12/31)



#### 2. Affiliated Organization Chart of Walsin Lihwa Holdings Limited and Concord Industries Limited (as of 2019/12/31)



○ Review of Financial Conditions, Financial Performance, and Risk Management

(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 320,230	Investment holding
Renowned International Limited	1993/03/04	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 10,086	Investments
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	Investment holding
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	1995/03/21	No. 1128 Liuxiang Road, Nanxiang Town, Jiading, Shanghai	USD 15,627	Cables and wires
Dongguan Walsin Wire & Cable Co., Ltd.	2000/01/26	No. 680, Meijing West Road, Dalang Town, Dongguan, Guangdong	USD 26,000	Bare copper cables and wires
Jiangyin Walsin Steel Cable Co., Ltd.	1992/12/16	No. 679 Binjiang Road (West), Binjiang Economic & Technology Development Zone, Jiangyin, Jiangsu	USD 20,000	Steel stranded wire, steel wire, and galvanized steel wire
Walsin International Investments Limited	1993/12/02	Level 13, 68 Yee Wo Street, Causeway Bay, Hong Kong	HKD 10,000	Investments
Borrego Solar Systems, Inc.	2002/03/01	6210 Lake Shore Drive San Diego, CA 92119, USA	USD 15,369	Solar panel power system assembly
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 Taiwan Trade Mart Management Co., Ltd.	2010/04/14	No. 230 Hexi street, Nanjing	USD 1,000	Enterprise management, property management, marketing planning, consultation on various types of advertising information; leasing of market facilities and management of market operations; import and export of electronics, machinery, agricultural and by-products, textiles and handicrafts; commission agency (except auction)
Concord Industries Limited	1992/08/25	Vistra Corporate Services Centre Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	USD 505,903	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 of stainless steel flanges and fittings, elbows, tees and all kinds of joints, valve fittings, fixed-edge bars, precision straight bars, wire and tube products
Changshu Walsin Specialty Steel Co., Ltd.	1997/12/24	Haiyu Town, Changshu City, Jiangsu Province (Mailing address : No. 2, Hai Yang Road ,Haiyu Town, Changshu City, Jiangsu Province)	USD 97,000	Manufacture and sale of special steel pipes, rods, wires, stainless steel pipes, building and household hardware and heating equipment
Yantai Huanghai Iron and Steel Co., Ltd.	2007/03/19	No. 2 Wuzhishan Road. ETZDZ Yantai City, Shantung Province,	USD 255,065	It develops and produces new alloy materials, carbon steels, alloy steels, stainless steels, steel billets, various types of steel and iron and steel products and sells its own products; engages in the wholesale business of new alloy materials, carbon steels, alloy steels, stainless steels, steel

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
				billets, various types of steel and iron and steel products; engages in the import and export of steel and iron products and related technologies. It also engages in recycling and wholesale of used and waste materials.
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.	2008/06/20	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 55,350	Production and sale of medium and heavy specialized stainless steel plates; sale of its own products.
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. (Note)	2009/08/24	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833	USD 20,670	Development, sales and leasing of solar panel power systems
Green Lake Exchange, LLC. (Note)	2011/08/23	2500 Venture Oaks Way, Ste 390 Sacramento CA 95833	USD 11,355	Operating solar-related businesses
Touch Micro-System Technology Corp. (Note)	2004/04/02	No. 566, Gaoshin Road, Gaoshan Neighborhood, Yangmei Township, Taoyuan 326 Taiwan, R.O.C.	NTD 21,000	Microelectronic wafer foundry
Chin-Cherng Construction Co.	1973/06/28	5th Floor, 192 Jingye 1st Road, Jhongshan District, Taipei 104, Taiwan, R.O.C.	NTD 5,197,316	Investment in and construction of national housing, sale of commercial buildings, rental design and interior renovation.
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	Real estate development, sales, leasing, after-sales service, and property management; hotel and serviced apartments management and consulting, and retail sales and food service management consulting
Nanjing Walsin Property Management Co., Ltd.	2013/01/30	No. 230, Hexi Avenue, Jianye Zone, Nanjing, Jiangsu	RMB 1,000	Property management, car park management services, corporate marketing planning, management consulting, self-owned house rental, building installation, decoration projects, landscaping design, construction, etc
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 1,500	Organization of cultural and artistic exchanges, brokerage, performance and performance agent and other related businesses
Walsin Nanjing Commercial Management CO., LTD.	2018/07/13	Room 3, 1st basement, No. 236, Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu.	RMB 6,500	Business management, food sales, catering services and other grocery department stores; venue leasing; fitness and chess services; interior design; information consulting; domestic advertising business, etc.

○ Review of Financial Conditions, Financial Performance, and Risk Management

Entity	Date of Incorporation	Address	Capital	Main Operation or Business Items
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	Research and development and production of optoelectronic and electronic materials, components and their application products; sale of its own products; technical consulting and services.
Min Maw Precision Industry Corp.	1970/10/17	25F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City, Taiwan	NTD 265,650	Solar panel power system assembly
Waltuo Green Resources Corporation	2018/06/06	No. 47, Bade Rd., Yanshui Dist., Tainan City 737, Taiwan	NTD 10,000	Waste removal, resource recycling and cement, soil blending and related businesses
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

Note: Currently under liquidation.

(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 2019.12.31)

Share: USD thousands or RMB thousands; shares; %

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	320,230,393	100.00%
Renowned International Limited	Director	Representative of Walsin Lihwa Holdings Limited: Patricia Chiao, Chung-Wu Cheng, Lin, Yu-Tsung	8,468,510	83.97%
	Director	Representative of Itochu Corporation: Kan Bito	698,482	6.93%
	Director	Representative of Marubeni Corporation: Hirofumi Yamaguchi	698,482	6.93%
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%
	Chairman	Jiun-Wu Jeng	USD 0	0.00%

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	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, Chi-Ming Chou	USD 671	4.29%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Jiun-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	Chang-Ming Wu	USD 0	0.00%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Witty Liao, Chang-Ming Wu, 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	Witty Liao	USD 0	0.00%
	Vice Chairman	Jen-Chan Huang	USD 0	0.00%
	Director	Representative of Walsin (China) Investment Co., Ltd.: Witty Liao, Jen-Chan Huang, Sherry Ho	USD 20,000	100.00%
	Supervisor	Representative of Walsin (China) Investment Co., Ltd.: Richard Wu	USD 20,000	100.00%
Walsin International Investments Limited	Director	Representative of Walsin Lihwa Holdings Limited: C.C. Chen, Fred Pan	10,000,002	100.00%
	President	Tzu-Yi Chiao	0	0.00%
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	75.29%
	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 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	505,903,187	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 Chen, Allen Yang	USD 17,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp: Nora Lin	USD 17,000	100.00%
Changshu Walsin Specialty Steel Co., Ltd.	Chairman	Ping Juan	USD 0	0.00%
	General manager	Ting-Yeh Chien	USD 0	0.00%
	Director	Representative of Walsin Specialty Steel Corp: Ping Juan, Ting-Yeh Chien, Sherry Ho	USD 97,000	100.00%
	Supervisor	Representative of Walsin Specialty Steel Corp: Richard Wu	USD 97,000	100.00%
Yantai Walsin Stainless Steel Co., Ltd.	Chairman	Kevin Niu	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%

○ Review of Financial Conditions, Financial Performance, and Risk Management

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Yantai Walsin Stainless Steel Co., Ltd.	Director	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: Kevin Niu, Horng-Sheng Sheu	USD 116,313	45.60%
	Director	Representative of Concord Industries Limited: Allen Yang	USD 138,753	54.40%
	Supervisor	Representative of Jiangyin Walsin Specialty Alloy Materials Co., Ltd.: Richard Wu	USD 116,313	45.60%
Walsin Lihwa (Changzhou) Investment Co., Ltd.	Chairman	Jian-Hua Cao	USD 0	0.00%
	General manager	Fred Pan	USD 0	0.00%
	Director	Representative of Concord Industries Limited: Jian-Hua Cao, Fred Pan, David Wen	USD 49,000	100.00%
	Supervisor	Representative of Concord Industries Limited: Richard Wu	USD 49,000	100.00%
Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	Chairman	Kevin Niu	USD 0	0.00%
	General manager	Horng-Sheng Sheu	USD 0	0.00%
	Director	Representative of director: Kevin Niu, Horng-Sheng Sheu, Allen Yang	USD 49,000	100.00%
	Supervisor	Representative of supervisor: Richard Wu	USD 49,000	100.00%
Walsin Precision Technology Sdn. Bhd	Chairman	Juei-Lung Chen	0	0.00%
	General manager	Pang Boon Wah	0	0.00%
	Director	Representative of Concord Industries Limited: Juei-Lung Chen, Pang Boon Wah, Tay Seok Yin, Nora Lin	32,178,385	100.00%
XiAn Walsin Metal Product Co., Ltd.	Chairman	Nora Lin	USD 0	0.00%
	General manager	Nora Lin	USD 0	0.00%
	Director	Representative of Concord Industries Limited: Nora Lin, Lei Chen, Allen Yang	USD 55,350	100.00%
	Supervisor	Representative of Concord Industries Limited: Sophi Pan	USD 55,350	100.00%
Ace Result Global Limited	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan	44,739,988	100.00%
Energy Pilot Limited	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan	20,670,001	100.00%
Green Lake Capital, LLC. (Note)	Co-Manager	Jason Tai, Sophi Pan	USD 20,670	100.00%
Green Lake Exchange, LLC (Note)		Corporate shareholders representative of Green Lake Capital, LLC.: Jason Tai	USD 11,355	100.00%
Touch Micro-System Technology Corp. (Note)	Liquidator	Sophi Pan	0	0.00%
Chin-Cherng Construction Co.	Chairman	Wu-Shung Hong	392,763	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	515,699,455	99.22%
	Supervisor	Richard Wu	0	0.00%
Joint Success Enterprises Limited	Director	Representative of Chin-Cherng Construction Co.: Fred Pan, Sophi Pan	37,461,816	50.95%
Walsin (Nanjing) Construction Limited	Chairman	Jian-Hua Cao	USD 0	0.00%
	Vice Chairman	Fred Pan	USD 0	0.00%
	President	Wei-Hsiung Wang	USD 0	0.00%
	Director	Representative of Joint Success Enterprises Limited: Jian-Hua Cao, Yu-Lon Chiao, Fred Pan	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	Tzu-Yi Chiao	RMB 0	0.00%
	General manager	Lin Chen	RMB 0	0.00%
	Director	Representative of Walsin (Nanjing) Construction Limited: Tzu-Yi Chiao, Fred Pan, Kiwi Lan	RMB 1,000	100.00%

Entity	Title	Name of the Representation	Shareholding(contribution)	
			Shares	Holding
Nanjing Walsin Property Management Co., Ltd.	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 1,500	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited: Sophi Pan	RMB 1,500	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 6,500	100.00%
	Supervisor	Representative of Walsin (Nanjing) Construction Limited: Sophi Pan	RMB 6,500	100.00%
Walsin Info-Electric Corp.	Chairman	David Wen	0	0.00%
	General manager	Hsieh, Kun-Han	0	0.00%
	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan, Allen Yang	9,491,461	98.87%
	Supervisor	Richard Wu	0	0.00%
Market Pilot Limited	Director	Representative of Walsin Lihwa Corporation: David Wen, Sophi Pan	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: Richard Wu	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 Commissioner	Representative of P.T. Multi Prima Sejahtera, Tbk.: Rudy Nanggulangi	4,500	30.00%
	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 Director	Representative of P.T. Multi Prima Sejahtera, Tbk.: Hery Soegiarto	4,500	30.00%
	Director	Representative of Walsin Lihwa Corporation: Sophi Pan, David Karman, Ardinand Roynald P, Andre Kelsen, Foe	10,500	70.00%
P.T. Walsin Lippo Kabel	President 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%

Note: Currently under liquidation.

○ Review of Financial Conditions, Financial Performance, and Risk Management

(6) Operating Condition of the Affiliated Companies

Unit: NT\$ thousands

Entity		Capital Stock	Total Assets	Total Liabilities	Net Worth	Sales	Operating Income (loss)	Net Income (loss)	Earnings (Loss) Per Share (NT\$)
Walsin Lihwa Corporation		33,260,002	120,377,533	42,993,192	77,384,341	71,596,648	2,445,178	3,149,679	0.95
Walsin Lihwa Holdings Limited (Note 1)		9,600,507	43,231,112	22,389,626	20,841,486	49,929,833	1,819,776	2,765,229	N/A
The Subsidiaries of Walsin Lihwa Holdings Limited	Walsin (China) Investment Co., Ltd.	2,356,428	23,348,735	19,557,461	3,791,274	30,749	(82,040)	(47,541)	N/A
	Shanghai Walsin Lihwa Power Wire & Cable Co., Ltd.	468,499	1,603,952	615,662	988,290	2,297,821	34,012	(2,498)	N/A
	Dongguan Walsin Wire & Cable Co., Ltd.	779,480	3,658,130	2,118,982	1,539,148	14,351,253	86,987	86,988	N/A
	Jiangyin Walsin Steel Cable Co., Limited	599,600	2,590,329	1,889,451	700,878	2,986,181	27,584	(123,670)	N/A
	Renowned International Limited	302,375	6,117,617	5,700,055	417,562	0	(57)	1,872,429	185.65
	Walsin International Investments Limited	38,490	19,847	88,158	(68,311)	0	(20,272)	(27,896)	N/A
	Borrego Solar Systems, Inc.	460,755	7,612,813	4,888,394	2,724,419	12,886,383	1,534,973	1,125,887	580.45
	Nanjing Taiwan Trade Mart Management Co., Ltd.	29,980	37,931	411,528	(373,597)	196,265	142,293	128,377	N/A
Walcom Chemicals Industrial Limited	1,925	-	-	-	-	-	-	-	N/A
Concord Industries Limited (Note 2)		15,166,978	21,083,071	9,829,929	11,253,142	14,234,058	(41,945)	815,919	N/A
The Subsidiaries of Concord Industries Limited	Jiangyin Walsin Specialty Alloy Materials Co., Ltd.	1,469,020	3,011,422	1,660,006	1,351,416	1,292,414	(88,281)	(224,813)	N/A
	Walsin Precision Technology Sdn. Bhd.	253,931	805,464	101,412	704,052	708,206	62,561	68,963	N/A
	Walsin Specialty Steel Corp	3,039,972	759,897	636	759,261	0	(53)	799,469	N/A
	Changshu Walsin Specialty Steel Co., Ltd.	2,908,060	2,811,472	2,360,856	450,616	2,541,278	40,519	(46,809)	N/A
	Shanghai Baihe Walsin Lihwa Specialty Steel Co., Ltd.	509,660	830,170	604,518	225,652	85	(7,314)	846,290	N/A
	Yantai Walsin Stainless Steel Co., Ltd.	7,646,858	7,324,411	4,654,234	2,670,177	11,388,725	(81,323)	(259,142)	N/A
	XiAn Walsin Metal Product Co., Ltd.	1,659,393	2,045	791,741	(789,696)	0	(1,471)	(12,017)	N/A
	XiAn Ly Jing Technology Co., Ltd.	1,388,318	260,702	0	260,702	0	4,710	5,392	N/A
	Xian Walsin Opto-electronic Limited	4,607	0	0	0	0	0	0	N/A
Walsin Lihwa (Changzhou) Investment Co., Ltd.	1,469,020	1,492,963	4,588	1,488,375	0	(1,565)	30,773	N/A	
Ace Result Limited		1,341,305	304,640	0	304,640	0	(15)	(44,412)	N/A
P.T. Walsin Lippo Kabel		44,970	15,648	15,387	261	0	2,821	(905)	(0.60)
Energy Pilot Limited		619,687	812,145	0	812,145	0	0	22,944	N/A
The Subsidiaries of Energy Pilot Limited	Green Lake Capital, LLC. (Note 3)	619,687	11,301	3,637	7,664	138,582	6,014	23,885	N/A
	Green Lake Exchange, LLC.	340,426	0	0	0	138,582	13,843	(444,796)	N/A
Touch Micro-System Technology Corp.		21,000	21,751	0	21,751	0	308	12,468	5.94
Walsin Info-Electric Corp.		96,000	148,752	7,608	141,144	0	(384)	6,388	0.67
Market Pilot Limited (Note 4)		3,807,460	81,893	1,959	79,934	0	(733)	12,559	N/A
The Subsidiaries of Market Pilot Limited	XiAn Walsin United Technology Co., Ltd.	2,995,002	67,395	1,959	65,436	0	(719)	12,231	N/A
P.T. Walsin Lippo Industries		449,700	1,658,036	487,704	1,170,332	1,937,187	299,308	203,946	13,596.42
Chin-Cherng Construction Co. (Note 5)		5,197,316	18,393,163	8,273,710	10,119,453	1,185,575	(131,734)	(166,426)	(0.32)
The Subsidiaries of Chin-Cherng Construction Co.	Joint Success Enterprises Limited	2,204,130	9,215,788	137,587	9,078,201	0	(1,211)	(349,247)	N/A
	Walsin (Nanjing) Construction Limited	1,499,000	17,406,915	9,029,712	8,377,203	1,049,133	(116,190)	(346,618)	N/A
	Nanjing Walsin Property Management Co., Ltd.	4,297	49,894	47,649	2,245	126,369	3,671	6,938	N/A
	Walsin Nanjing Culture and Arts Co., Ltd.	6,446	2,622	6,498	(3,876)	14,278	(10,983)	(10,705)	N/A
Walsin Nanjing Commercial Management Co., Ltd.	27,933	18,413	5,023	13,390	13,002	(14,764)	(14,739)	N/A	
Min Maw Precision Industry Corp.		265,650	937,476	611,868	325,608	73,881	51,289	32,316	1.22
Waltuo Green Resources Corp.		10,000	11,063	1,494	9,569	0	(436)	(428)	(0.43)

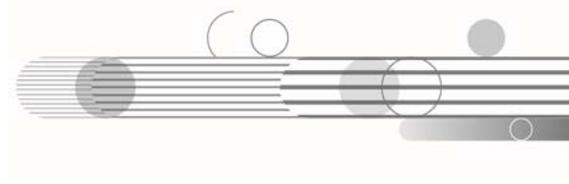
Note 1: The assets, liabilities and net income of Walsin Lihwa Holdings Limited include the subsidiaries'.

Note 2: The assets, liabilities and net income of Concord Industries Limited include the subsidiaries'.

Note 3: The assets, liabilities and 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:  
2019/12/31 US\$/NT\$=1: 29.98 ( average rate : US\$/NT\$ =1: 30.912 )  
2019/12/31 RMB/NT\$=1: 4.29733 ( average rate : RMB/NT\$=1: 4.48379 )

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:**

Change of President:

On June 12, 2019, the Company's Board of Directors approved the proposal to appoint Mr. Fred Pan as the new President, who still concurrently serves as the Senior General Director of the Real Estate BU, effective the next day.

In response to the needs of the Company's transformation, Mr. Fred Pan, who has extensive management experience, has been promoted to the position of President, will assist the Chairman with the implementation of the Company's strategic plan. In the future, President Fred Pan will leverage his considerable experience in operating and managing multi-industry businesses in Walsin Lihwa to ensure its operating results and be responsible for resources allocation, risk management and operation of common platforms. It is believed that the Company can reach a new milestone together with the senior general manager of each business unit, thanks to President Pan's deep understanding of the Company's organization.

Walsin Lihwa Corporation



Yu-Lon Chiao

